

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached prospectus (the “**Prospectus**”) and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is confidential and intended only for you and you agree you will not forward to any other person, reproduce or publish this electronic transmission or the Prospectus.

The document and the offer when made are only addressed to and directed at persons in member states of the European Economic Area (“**EEA**”) who are “qualified investors” within the meaning of Article 2(1)(e) of Regulation 2017/1129, as amended (the “**Prospectus Regulation**”) (“**Qualified Investors**”). In addition, in the United Kingdom (“**UK**”), this document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), and Qualified Investors falling within Article 49 of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This document must not be acted on or relied on (i) in the UK, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the UK, relevant persons, and (ii) in any member state of the EEA other than the UK, Qualified Investors, and will be engaged in only with such persons.

**Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No key information document required by the PRIIPs Regulation (as defined in the Prospectus) has been prepared as the securities will not be made available to retail investors (as defined in the Prospectus) in the EEA.**

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND ARE IN BEARER FORM AND SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

**Confirmation of your representation:** The Prospectus is delivered to you at your request and on the basis that you have confirmed to J.P. Morgan Securities plc, Barclays Bank PLC, BNP Paribas, Goldman Sachs International, Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Mizuho International plc, NatWest Markets Plc and Société Générale (together, the “**Managers**”), NGG Finance plc (the “**Issuer**”) and National Grid plc (the “**Guarantor**”) that (1) you are located outside the United States and are not a U.S. person (as defined in Regulation S under the Securities Act), (2) you are not a retail investor in the EEA, (3) either: (i) you are in a member state of the EEA and (a) if you are in the UK, you are a relevant person; (b) if you are in any member state of the EEA other than the UK, you are a Qualified Investor; and (c) if you are acting as a financial intermediary (as that term is used in the Prospectus Regulation), any securities acquired by you as a financial intermediary will not have been acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA to Qualified Investors; or (ii) you are outside of the EEA (and the electronic mail addresses that you gave and to which this document

has been delivered are not located in the EEA) and (4) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

The Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Managers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version. By accessing the Prospectus, you consent to receiving it in electronic form.

You are reminded that you have accessed the Prospectus on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Prospectus, electronically or otherwise, to any other person.

Neither this electronic transmission nor the Prospectus constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any securities in any jurisdiction where such an offer or invitation would be unlawful.

None of the Managers, the Trustee or any of their respective affiliates accepts any responsibility whatsoever for the contents of the Prospectus or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Issuer or the offer. The Managers, the Trustee and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of the Prospectus or any such statement. No representation or warranty, express or implied, is made by any of the Managers, the Trustee or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Prospectus.

The Managers are acting exclusively for the Issuer and the Guarantor and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of the Prospectus) as their client in relation to the offer and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

**You are responsible for protecting against viruses and other destructive items.** Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



## NGG Finance plc

(incorporated with limited liability in England and Wales on 21 May 2001 under registered number 4220381)

**€500,000,000 Fixed Rate Resettable Capital Securities due 2079**

**€750,000,000 Fixed Rate Resettable Capital Securities due 2082**

**unconditionally and irrevocably guaranteed by**

## National Grid plc

(incorporated with limited liability in England and Wales on 11 July 2000 under registered number 4031152)

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**Issue Price: 100.000 per cent. in respect of the 2079 Euro Securities**  
**100.000 per cent. in respect of the 2082 Euro Securities**

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The €500,000,000 Fixed Rate Resettable Capital Securities due 2079 (the “**2079 Euro Securities**”) and the €750,000,000 Fixed Rate Resettable Capital Securities due 2082 (the “**2082 Euro Securities**”) and together with the 2079 Euro Securities, the “**Securities**” and each, a “**Tranche**”) will be issued on 5 September 2019 (the “**Issue Date**”) by NGG Finance plc (the “**Issuer**”) and unconditionally and irrevocably guaranteed on a subordinated basis as described herein by National Grid plc (the “**Guarantees**” and the “**Guarantor**”, respectively). The 2079 Euro Securities will bear interest from (and including) the Issue Date to (but excluding) 5 December 2024 (the “**2079 Euro Securities First Reset Date**”) at a rate of 1.625 per cent. per annum, payable, subject as described herein, annually in arrear on 5 December in each year. The first payment of interest, to be made on 5 December 2019, will be in respect of the period from (and including) the Issue Date to (but excluding) 5 December 2019 and will amount to €4.05 per €1,000 in principal amount of the 2079 Euro Securities. The 2082 Euro Securities will bear interest from (and including) the Issue Date to (but excluding) 5 September 2027 (the “**2082 Euro Securities First Reset Date**”) at a rate of 2.125 per cent. per annum payable, subject as described herein, annually in arrear on 5 September in each year. The first payment of interest, to be made on 5 September 2020, will be in respect of the period from (and including) the Issue Date to (but excluding) 5 September 2020 and will amount to €21.25 per €1,000 in principal amount of the 2082 Euro Securities. From the 2079 Euro Securities First Reset Date, the 2079 Euro Securities will, in respect of successive periods of five years (each such period of five years, a “**Reset Period**”) up to and including the period from 5 December 2074 to their Maturity Date (as defined herein) bear interest at a rate per annum which shall be the aggregate of the 2079 Euro Securities Margin (as specified below) and the relevant 5-year Swap Rate (as defined in the Terms and Conditions of the 2079 Euro Securities (the “**2079 Euro Conditions**”)) for the relevant Reset Period and payable annually in arrear on 5 December in each year, all as more particularly described in “*Terms and Conditions of the 2079 Euro Securities — Interest Payments*”. From the 2082 Euro Securities First Reset Date, the 2082 Euro Securities will, in respect of successive periods of five years (each such period of five years a “**Reset Period**”) up to and including the period from 5 September 2077 to their Maturity Date bear interest at a rate per annum which shall be the aggregate of the 2082 Euro Securities Margin (as specified below) and the relevant 5-year Swap Rate (as defined in the Terms and Conditions of the 2082 Euro Securities (the “**2082 Euro Conditions**” and, together with the 2079 Euro Conditions, the “**Conditions**”)) for the relevant Reset Period and payable annually in arrear on 5 September in each year, all as more particularly described in “*Terms and Conditions of the 2082 Euro Securities — Interest Payments*”. In respect of the 2079 Euro Securities, the “**2079 Euro Securities Margin**” shall equal (i) 2.141 per cent. per annum from the 2079 Euro Securities First Reset Date to (but excluding) the 2029 Step-up Date (as defined in the relevant Conditions), (ii) 2.391 per cent. per annum from the 2029 Step-Up Date to (but excluding) the 2044 Step-Up Date and (iii) 3.141 per cent. per annum from the 2044 Step-Up Date to (but excluding) the Maturity Date and, in respect of the 2082 Euro Securities, the “**2082 Euro Securities Margin**” shall equal (i) 2.532 per cent. per annum from the 2082 Euro Securities First Reset Date to (but excluding) the 2032 Step-up Date, (ii) 2.782 per cent. per annum from the 2032 Step-up Date to (but excluding) the 2047 Step-up Date and (iii) 3.532 per cent. per annum from the 2047 Step-up Date to (but excluding) the Maturity Date (each as defined in the relevant Conditions).

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on either or both Tranches as more particularly described in “*Terms and Conditions of the 2079 Euro Securities — Optional Interest Deferral*” and “*Terms and Conditions of the 2082 Euro Securities — Optional Interest Deferral*”. Any amounts so deferred, together with further interest accrued thereon (at the interest rate per annum prevailing from time to time), shall constitute Deferred Interest (as defined in the relevant Conditions). In relation to the relevant Tranche, the Issuer may pay outstanding Deferred Interest, in whole or in part, at any time in accordance with the relevant Conditions. Notwithstanding this, in relation to each Tranche the Issuer shall pay any outstanding Deferred Interest, in whole but not in part, on the first to occur of the following dates: (i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event (as defined herein); (ii) the next scheduled Interest Payment Date on which the Issuer pays interest on the Securities of each Tranche; (iii) the date on which the Tranche is redeemed or repaid in accordance with the relevant Conditions; and (iv) the date on which the Securities of such Tranche are substituted for, or where the terms of Securities of such Tranche are varied so that the Securities of such Tranche become, Qualifying Securities (as defined in the relevant Condition 8 thereof) in accordance with the relevant Condition 8 thereof, all as more particularly described in “*Terms and Conditions of the 2079 Euro Securities — Optional Interest Deferral — Deferred Interest*” and “*Terms and Conditions of the 2082 Euro Securities — Optional Interest Deferral — Deferred Interest*”, respectively.

Unless previously repaid, redeemed, purchased and cancelled or (pursuant to Condition 8 of the relevant Conditions) substituted, the 2079 Euro Securities will be redeemed on 5 December 2079 and the 2082 Euro Securities will be redeemed on 5 September 2082. Each Tranche is also redeemable (at the option of the Issuer) in whole but not in part on any Optional Redemption Date (as defined in the relevant Conditions), at the relevant principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any outstanding Deferred Interest). In addition, upon the occurrence of a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event (each such terms as defined in the relevant Conditions), each Tranche shall be redeemable (at the option of the Issuer) in whole but not in part at the prices set out, and as more particularly described, in “*Terms and Conditions of the 2079 Euro Securities — Redemption*” and “*Terms and Conditions of the 2082 Euro Securities — Redemption*”.

The Issuer may, upon the occurrence of a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event, at any time, without the consent of the holders of the relevant Tranche, either (i) substitute all, but not some only, of the Securities of such Tranche for, or (ii) vary the terms of the Securities of such Tranche with the effect that the Securities of such Tranche remain or become, as the case may be, Qualifying Securities, in each case in accordance with the relevant Condition 8 thereof and subject to the receipt by the Trustee of the certificate of the directors of the Guarantor referred to in the relevant Condition 9 thereof.

The Securities will be unsecured securities of the Issuer and will constitute subordinated obligations of the Issuer and the Guarantee will constitute unsecured and subordinated obligations of the Guarantor, all as more particularly described in “*Terms and Conditions of the 2079 Euro Securities — Status of the Securities and the Coupons*”, “*Terms and Conditions of the 2079 Euro Securities — Subordination of the Securities and the Coupons*”, “*Terms and Conditions of the 2079 Euro Securities — Guarantee*”, “*Terms and Conditions of the 2082 Euro Securities — Status of the Securities and the Coupons*”, “*Terms and Conditions of the 2082 Euro Securities — Subordination of the Securities and the Coupons*” and “*Terms and Conditions of the 2082 Euro Securities — Guarantee*”.

Payments in respect of the Securities of each Tranche shall be made free and clear of, and without withholding or deduction for or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, the Guarantor shall pay additional amounts, subject to certain exceptions as are more fully described in “*Terms and Conditions of the 2079 Euro Securities — Taxation*” and “*Terms and Conditions of the 2082 Euro Securities — Taxation*”.

Applications will be made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the “**FCA**”) for the Securities of each Tranche to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Securities of such Tranche to be admitted to trading on the London Stock Exchange’s Main Market (the “**Market**”). References in this prospectus (the “**Prospectus**”) to the Securities of a Tranche being “**listed**” (and all related references) shall mean that the Securities of such Tranche have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, “**MiFID II**”).

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuer and the Guarantor; or (b) an endorsement of the quality of the Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Securities.

The Securities of each Tranche will initially be represented by a temporary global security (in respect of each, a “**Temporary Global Security**” and, together with the Temporary Global Security in respect of the other Tranche, the “**Temporary Global Securities**”), without interest coupons or talons attached, which will be deposited with a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) on or about the Issue Date. Each Temporary Global Security will be exchangeable for interests in a permanent global security (in respect of each the “**Permanent Global Security**” and, together with the Permanent Global Security in respect of the other Tranche, the “**Permanent Global Securities**” and, together with the Temporary Global Securities, the “**Global Securities**”), without interest coupons or talons attached, on or after a date which is expected to be 16 October 2019, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Security will be exchangeable for Definitive Securities (as defined in “*Summary of Provisions relating to the Securities while in Global Form*” below) in bearer form in the denominations of (i) €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000 in respect of the 2079 Euro Securities and (ii) €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000 in respect of the 2082 Euro Securities, in each case in the limited circumstances set out in it. No Definitive Securities will be issued with a denomination above €199,000 in respect of the 2079 Euro Securities and above €199,000 in respect of the 2082 Euro Securities. See “*Summary of Provisions relating to the Securities while in Global Form*”.

Each Tranche is expected to be rated BBB- by Fitch Ratings Limited (“**Fitch**”), BBB by S&P Global Ratings Europe Limited (“**S&P**”) and Baa3 by Moody’s Investors Service Ltd. (“**Moody’s**”) and, together with Fitch and S&P, the “**Rating Agencies**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (as amended) (the “**CRA Regulation**”). In general, European regulated investors are restricted from using a credit rating for regulatory purposes if such credit rating is not issued by a rating agency established in the European Union and registered under the CRA Regulation.

**Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.**

*SOLE STRUCTURING AGENT TO THE ISSUER, JOINT  
GLOBAL CO-ORDINATOR AND JOINT LEAD MANAGER*

**J.P. MORGAN**

*JOINT GLOBAL CO-ORDINATOR AND JOINT LEAD  
MANAGER*

**BARCLAYS**

*JOINT LEAD MANAGERS*

**BARCLAYS**

**BNP PARIBAS**

**GOLDMAN SACHS  
INTERNATIONAL**

**J.P. MORGAN**

*CO-MANAGERS*

**CITIGROUP**

**HSBC**

**ING**

**MIZUHO SECURITIES**

**NATWEST MARKETS**

**SOCIÉTÉ GÉNÉRALE  
CORPORATE &  
INVESTMENT BANKING**

The date of this Prospectus is 3 September 2019

This Prospectus comprises a prospectus for the purposes of the Prospectus Regulation. The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

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

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the offer, issue or sale of the Securities and, if given or made, any such information or representation must not be relied upon as having been authorised by either the Issuer or the Guarantor or the Managers (as defined in “*Subscription and Sale*”).

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Security shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof, or 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 hereof 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 hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Securities 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 Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restriction.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) and will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (“**Regulation S**”). For a description of certain restrictions on offers and sales of Securities and on distribution of this Prospectus, see “*Subscription and Sale*”.

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”):** In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Managers to subscribe for, or purchase, any Securities.

None of the Managers and 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 statement is 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 Trustee or the Managers

that any recipient of this Prospectus or any other financial statements should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Prospectus and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Managers and the Trustee undertakes to review the financial condition or affairs of the Issuer and/or the Guarantor during the life of the Securities or to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Managers and the Trustee.

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where euro is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments and such instruments would generally be purchased by investors 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 the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities would generally perform under changing conditions, the resulting effects on the value of such Securities and the impact that this investment will have on the potential investor's overall investment portfolio.

Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Securities.

The credit ratings assigned to the Securities 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 Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

The investment activities of certain investors are subject to legal 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) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Unless otherwise specified or the context requires, references to “**£**”, “**sterling**”, “**pounds sterling**” and “**pence**” are to the lawful currency of the United Kingdom and references to “**euro**” and “**€**” are to the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

IN CONNECTION WITH THE ISSUE OF EACH TRANCHE, J.P. MORGAN SECURITIES PLC (THE “**STABILISING MANAGER**”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT THE RELEVANT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE RELEVANT SECURITIES 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 SECURITIES 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 SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Amounts payable under the Securities are calculated by reference to the mid-swap rate for euro swaps with a term of five years which appears on the Reuters screen “**ICESWAP2**” as of 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date (as defined in the relevant Conditions) which is provided by ICE Benchmark Administration Limited or by reference to EURIBOR, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration Limited and the European Money Markets Institute each appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011).

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## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the pages of:

- (i) the audited consolidated annual financial statements of the Guarantor for the financial years ended 31 March 2018 and 31 March 2019 (<https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2017-18/annual-report-and-accounts.pdf> and <https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2018-19/ng-annual-report-and-accounts-2018-19.pdf>); and
- (ii) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 March 2018 and 31 March 2019 (<https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2017-18/NGGF.pdf> and <https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2018-19/NGG%20Finance%20plc%20accounts%20March%202019.pdf>),

as set out in the tables below.

Such documents (together, the “**Documents Incorporated by Reference**”) shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained 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.

### *Annual Reports and Accounts of the Guarantor*

	<b>2018</b>	<b>2019</b>
Consolidated income statement	94	103-104
Consolidated statement of comprehensive income	97	105
Consolidated statement of financial position	99	107
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### *Annual Reports and Accounts of the Issuer*

	<b>2018</b>	<b>2019</b>
Profit and loss account	11	11
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Those parts of the Annual Reports and Accounts of the Guarantor and the Annual Reports and Accounts of the Issuer referred to above, as applicable, which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Securities or the relevant information is included elsewhere in this Prospectus.

## OVERVIEW

*The following overview refers to certain provisions of the Terms and Conditions of the 2079 Euro Securities and the Terms and Conditions of the 2082 Euro Securities and is qualified in its entirety by the remainder of this Prospectus. Capitalised terms used herein have the meaning given to them in “Terms and Conditions of the 2079 Euro Securities” or, as the case may be, “Terms and Conditions of the 2082 Euro Securities”.*

<b>Issuer:</b>	NGG Finance plc
<b>Guarantor:</b>	National Grid plc
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Principal Paying Agent:</b>	The Bank of New York Mellon, London Branch
<b>Issue Size:</b>	€500,000,000 of 2079 Euro Securities and €750,000,000 of 2082 Euro Securities
<b>Issue Date:</b>	5 September 2019
<b>Maturity Date:</b>	5 December 2079 in respect of the 2079 Euro Securities and 5 September 2082 in respect of the 2082 Euro Securities
<b>Interest:</b>	<p>The 2079 Euro Securities will bear interest from (and including) the Issue Date to (but excluding) 5 December 2024 (that is, the 2079 Euro Securities First Reset Date) at a rate of 1.625 per cent. per annum, payable, subject as described herein, annually in arrear on 5 December in each year. The first payment of interest, to be made on 5 December 2019, will be in respect of the period from (and including) the Issue Date to (but excluding) 5 December 2019 and will amount to €4.05 per €1,000 in principal amount of the 2079 Euro Securities.</p> <p>The 2082 Euro Securities will bear interest from (and including) the Issue Date to (but excluding) 5 September 2027 (that is, the 2082 Euro Securities First Reset Date) at a rate of 2.125 per cent. per annum, payable, subject as described herein, annually in arrear on 5 September in each year. The first payment of interest, to be made on 5 September 2020, will be in respect of the period from (and including) the Issue Date to (but excluding) 5 September 2020 and will amount to €21.25 per €1,000 in principal amount of the 2082 Euro Securities.</p> <p>From the 2079 Euro Securities First Reset Date, the 2079 Euro Securities will, in respect of each Reset Period up to and including the period from 5 December 2074 to their Maturity Date bear interest at a rate per annum which shall be the aggregate of the 2079 Euro Securities Margin (as specified below) and the relevant 5-year Swap Rate for the relevant Reset Period and payable annually in arrear on 5 December in each year.</p> <p>From the 2082 Euro Securities First Reset Date, the 2082 Euro Securities will, in respect of each Reset Period up to and including the period from 5 September 2077 to their Maturity Date bear interest at a rate per annum which shall be the</p>

aggregate of the 2082 Euro Securities Margin (as specified below) and the relevant 5-year Swap Rate for the relevant Reset Period and payable annually in arrear on 5 September in each year.

In respect of the 2079 Euro Securities, the “**2079 Euro Securities Margin**” shall equal (i) 2.141 per cent. per annum from the 2079 Euro Securities First Reset Date to (but excluding) the 2029 Step-up Date, (ii) 2.391 per cent. per annum from the 2029 Step-Up Date to (but excluding) the 2044 Step-Up Date and (iii) 3.141 per cent. per annum from the 2044 Step-Up Date to (but excluding) the Maturity Date and in respect of the 2082 Euro Securities, the “**2082 Euro Securities Margin**” shall equal (i) 2.532 per cent. per annum from the 2082 Euro Securities First Reset Date to (but excluding) the 2032 Step-up Date, (ii) 2.782 per cent. per annum from the 2032 Step-up Date to (but excluding) the 2047 Step-up Date and (iii) 3.532 per cent. per annum from the 2047 Step-up Date to (but excluding) the Maturity Date.

**Interest Payment Dates:**

Interest in respect of the 2079 Euro Securities will be payable, subject as provided herein, annually in arrear on 5 December in each year commencing on 5 December 2019 and ending on the relevant Maturity Date.

Interest in respect of the 2082 Euro Securities will be payable, subject as provided herein, annually in arrear on 5 September in each year commencing on 5 September 2020 and ending on the relevant Maturity Date.

**Status of the Securities and the Coupons:**

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and with any Parity Securities of the Issuer (as defined in the relevant Conditions).

**Subordination of the Securities and the Coupons:**

The rights and claims of the Holders and the Couponholders (both as defined in the relevant Conditions) will be subordinated to the claims of holders of all Senior Obligations of the Issuer (as defined in the relevant Conditions) in that if at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a “successor in business” (as defined in the relevant Trust Deed (as defined below)) of the Issuer or a relevant substitution effected in accordance with the relevant Condition 15) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders will be subordinated in accordance with the relevant Condition 3(a) thereof. Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders under the Guarantee, the claims of holders of all Senior Obligations of the

Issuer will first have to be satisfied in any winding-up or analogous proceedings before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “*Risk Factors – Risks related to the Securities generally – Limited Remedies*”.

**Status of the Guarantee:**

The obligations of the Guarantor under the Guarantees constitute direct, unsecured and subordinated obligations of the Guarantor and rank *pari passu* and without any preference among themselves and with any Parity Securities of the Guarantor (as defined in the relevant Conditions).

**Subordination of the Guarantee:**

The rights and claims of the Holders and the Couponholders under each Guarantee will be subordinated to the claims of holders of all Senior Obligations of the Guarantor (as defined in the relevant Conditions) in that if at any time an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (otherwise than for the purposes of a solvent winding-up or substitution in place of the Guarantor of a “successor in business” (as defined in the relevant Trust Deed) of the Guarantor or a relevant substitution effected in accordance with the relevant Condition 15) or an administrator of the Guarantor is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders under the relevant Guarantee will be subordinated in accordance with the relevant Condition 4(c) thereof. Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings before the Holders may expect to obtain from the Guarantor any recovery pursuant to the relevant Guarantee in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “*Risk Factors – Risks related to the Securities generally – Limited Remedies*”.

**Optional Interest Deferral:**

In relation to each Tranche, the Issuer may, at its discretion, elect to defer all or part of any Interest Payment (as defined in the relevant Conditions) in relation to such Tranche which is otherwise scheduled to be paid on an Interest Payment Date (except the Maturity Date) by giving prior notice thereof to the relevant Holders. Any such Deferred Interest Payments (as defined in the relevant Conditions), together with further interest accrued thereon (at the interest rate per annum prevailing from time to time), shall constitute “**Deferred Interest**”. The Issuer may pay outstanding Deferred Interest, in whole or in part, at any time.

In relation to each Tranche, notwithstanding the above, the Issuer shall pay any outstanding Deferred Interest, in whole but not in part, in relation to such Tranche on the first to occur of the following dates:

- (i) the date on which such Tranche is 10 Business Days following the occurrence of a Compulsory Payment Event;
- (ii) the next scheduled Interest Payment Date if the Issuer pays interest on such Tranche on such date;
- (iii) the date on which the Securities of such Tranche are redeemed or repaid in accordance with the relevant Conditions; and
- (iv) the date on which the Securities of such Tranche are substituted for, or where the terms of the Securities of such Tranche are varied so that the Securities of such Tranche become, Qualifying Securities in accordance with the relevant Condition 8 thereof,

all as more particularly described in “*Terms and Conditions of the 2079 Euro Securities — Optional Interest Deferral — Deferred Interest*” and “*Terms and Conditions of the 2082 Euro Securities — Optional Interest Deferral — Deferred Interest*”, respectively.

**Optional Redemption:**

The Securities of each Tranche may be redeemed, at the option of the Issuer and subject to the relevant provisions of Conditions 7 and 9, in whole but not in part on any Optional Redemption Date, at its principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**Special Event Redemption:**

Upon the occurrence of a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event, and subject to the relevant provisions of Conditions 7 and 9 the Issuer shall have the option to redeem, in whole but not in part, the Securities of the relevant Tranche at (i) 101 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest (in the case of a Rating Capital Event or a Tax Deductibility Event where any such redemption occurs before the date falling three months prior to the First Reset Date) or (ii) their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest (in the case of a Withholding Tax Event or a Substantial Repurchase Event where any such redemption occurs at any time or, in the case of a Rating Capital Event or a Tax Deductibility Event where any such redemption occurs on or after the date falling three months prior to the First Reset Date).

**Substitution or Variation instead of Special Event Redemption:**

The Issuer may, upon the occurrence of a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event, and subject to the provisions of Conditions 8 and 9, at any time, without the consent of the relevant Holders, either (i) substitute all, but not some only, of the Securities of the relevant Tranche for, or (ii) vary the terms of the Securities of the relevant Tranche with the effect that the Securities of such Tranche remain or become, as the case may be, Qualifying Securities.

**Event of Default:**

If a default is made by the Issuer or the Guarantor for a period of 30 days or more in the payment of or in respect of any interest (including any Deferred Interest), in each case in respect of any Security of such Tranche, which is due, then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default in respect of such Tranche and the Trustee at its sole discretion may, or shall, if so requested by an Extraordinary Resolution of the relevant Holders or in writing by the relevant Holders of at least one-quarter in principal amount of such Tranche, subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction, institute any actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.

**Additional Amounts:**

Payments by or on behalf of the Issuer in respect of the Securities and the Coupons or by or on behalf of the Guarantor in respect of the relevant Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described under “*Terms and Conditions of the 2079 Euro Securities — Taxation*” and “*Terms and Conditions of the 2082 Euro Securities — Taxation*”.

**Replacement Intention:**

In relation to each Tranche, the Issuer and the Guarantor intend (without thereby assuming a legal obligation), that if they redeem the Securities pursuant to the relevant Condition 7(b) or repurchase the Securities of a Tranche, they will so redeem or repurchase the Securities of such relevant Tranche only to the extent the aggregate principal amount of the Securities of such Tranche to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer, the Guarantor or any Subsidiary of the Guarantor from the sale or issuance by the Issuer, the Guarantor or such Subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P Global Ratings Europe Limited (“**S&P**”), as the case may be, an aggregate “equity credit” (or such similar

nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the relevant Tranche at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the relevant Tranche), unless:

- (i) the issuer credit rating assigned by S&P to the Guarantor is at least “A-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
- (ii) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the relevant Tranche originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the relevant Tranche originally issued in any period of 10 consecutive years; or
- (iii) the relevant Tranche is not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or
- (iv) in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued or guaranteed by the Guarantor remaining outstanding after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or
- (v) such redemption or repurchase occurs on or after 5 December 2044 (in the case of the 2079 Euro Securities) and 5 September 2047 (in the case of the 2082 Euro Securities).

**Form:**

The Securities will be in bearer form and the Securities of each Tranche will initially be represented by a Temporary Global Security, without interest coupons or talons attached, which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Each Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons or talons attached, on or after a date which is expected to be 16 October 2019, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Security will be exchangeable for Definitive Securities in bearer form in the denominations of (i) €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000 in respect of the 2079 Euro Securities and (ii) €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000 in respect of the 2082 Euro Securities, in each case in the limited circumstances set out in it. No Definitive Securities will be issued with a



denomination above €199,000 in respect of the 2079 Euro Securities and above €199,000 in respect of the 2082 Euro Securities. See “*Summary of Provisions relating to the Securities while in Global Form*”.

<b>Denominations:</b>	€100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000 in respect of the 2079 Euro Securities and €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000 in respect of the 2082 Euro Securities.
<b>Listing and Admission to Trading:</b>	Applications will be made to the FCA for the Securities of each Tranche to be admitted to the Official List and to the London Stock Exchange for the Securities of each Tranche to be admitted to trading on the Market.
<b>Governing Law of the Securities and the Guarantee:</b>	English law.
<b>Ratings:</b>	Each Tranche is expected to be rated BBB- by Fitch, BBB by S&P and Baa3 by Moody’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and registered under the CRA Regulation.
<b>Use of Proceeds:</b>	The net proceeds of the issue of the Securities will be used for general corporate purposes, including the refinancing of the Issuer’s existing 4.25 per cent. €1,250,000,000 Capital Securities with first call date on 18 June 2020.
<b>Selling Restrictions:</b>	<p>The United States, the United Kingdom, Prohibition on sales to EEA retail investors, Hong Kong, Singapore and Japan. See “<i>Subscription and Sale</i>”.</p> <p>Category 2 offering restrictions have been implemented for the purposes of Regulation S under the Securities Act.</p>
<b>Risk Factors:</b>	Prospective investors should carefully consider the information set out in “ <i>Risk Factors</i> ” in conjunction with the other information contained or incorporated by reference in this Prospectus.
<b>ISIN:</b>	XS2010044977 in respect of the 2079 Euro Securities and XS2010045511 in respect of the 2082 Euro Securities.
<b>Common Code:</b>	201004497 in respect of the 2079 Euro Securities and 201004551 in respect of the 2082 Euro Securities.

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Securities or the Guarantee, as the case may be.*

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

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

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

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

The Issuer'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 Securities or other securities issued by it from time to time, or entry into of other obligations from time to time and any on-loan made by it of the proceeds of the issue of the Securities. Therefore, the Issuer 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 Securities. See "*Risks relating to the Guarantor and its business*" below.

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

##### **A. Operational Risks relating to the Guarantor and its businesses**

*The risks described under this heading A (Operational Risks relating to the Guarantor and its business) have been categorised as operational risks. Operational risks relate to losses resulting from inadequate or failed internal processes, people and systems, or due to external events. Should an operational risk materialise without effective prevention or mitigation controls it would have a high level of impact. Operational risks are managed through policy, standards, procedure-based controls, active prevention and monitoring. Principal risk assessment includes reasonable worst-case scenario testing i.e. gas transmission pipeline failure, loss of licence to operate, cyber security attack – and the financial and reputational impact should a single risk or multiple risks materialise. External events in 2018/19 – the extreme weather events, the fires in California and the Columbia Gas Company incident – were considered in the assessment and testing, as well as in the development of mitigation actions. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

- **Catastrophic asset failure results in a significant safety and/or environmental event. See "*Potentially harmful activities*" below.**
- **Major cyber security breach of business, operational technology and/or critical national infrastructure (CNI) systems/data. See "*Infrastructure and IT systems*" below.**
- **Failure to predict and respond to a significant disruption of energy that adversely affects customers and/or the public. See "*Infrastructure and IT systems*" below.**

- **Failure to adequately identify, collect, use and keep private the physical and digital data required to support Company operations and future growth. See “Infrastructure and IT systems” below.**

Further context on the Guarantor’s operational risks is set out below:

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

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

Potentially hazardous activities that arise in connection with the Guarantor’s business include the generation, transmission and distribution of electricity and the storage, transmission and distribution of gas. Electricity and gas utilities also typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of the Guarantor’s operations that are not currently regarded or proved to have adverse effects but could become so, such as the effects of electric and magnetic fields. A significant safety or environmental incident, a catastrophic failure of the Guarantor’s assets or a failure of its safety processes or of its occupational health plans, as well as the breach of the Guarantor’s regulatory or contractual obligations or its climate change targets, could materially adversely affect the Guarantor’s results of operations and its reputation. Safety is a fundamental priority for the Guarantor and it commits significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting its obligations under negotiated settlements. The Guarantor is subject to laws and regulations in the U.K. and U.S. 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 Guarantor to costs and liabilities relating to the Guarantor’s operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by the Guarantor, 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 Guarantor is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce its own carbon emissions as well as to enable a reduction in energy use by its customers. If more onerous requirements are imposed or the Guarantor’s ability to recover these costs under regulatory frameworks changes, then this could have a material adverse impact on the Guarantor’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 Guarantor’s assets or networks, inadequate forecasting of demand, inadequate record keeping or control of physical or digital data or a failure of information systems and supporting technology. This in turn could cause the Guarantor to fail to meet agreed standards of service, incentive and reliability targets, or to 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 Guarantor’s reputation. Where there is a significant disruption of energy or the demand for electricity or gas exceeds supply and the Guarantor’s balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage its reputation. In addition to these risks, the Guarantor 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 the Guarantor's actual or perceived response, could materially adversely affect operational and potentially business performance and the Guarantor's reputation. Malicious attack, sabotage or other intentional acts, including breaches of the Guarantor's cyber security, may also damage its assets (which include critical national infrastructure), systems or data 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 Guarantor's IT systems may also lead to manipulation of the Guarantor'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 Guarantor establishes business continuity controls and security against threats against its systems, these may not be sufficient.

### ***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 Guarantor does business will not satisfy their obligations, which could materially adversely affect its financial position. This risk is significant where the Guarantor's subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers, and may also arise where customers are unable to pay the Guarantor 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, the Guarantor may suffer supply interruption.

There is also a risk to the Guarantor where it invests excess cash or enters into derivatives and other financial contracts with banks or other financial institutions. Banks who provide the Guarantor with credit facilities may also fail to perform under those contracts.

## **B. Strategic and regulatory risks relating to the Guarantor and its businesses**

*The risks described under this heading B (Strategic and regulatory risks relating to the Guarantor and its businesses) have been categorised as strategic and regulatory risks. Strategic risk is the risk of failing to achieve the Guarantor's overall strategic business plans and objectives, as well as failing to have the 'right' strategic plan. The political climate and policy decisions of the Guarantor's regulators in 2018/19 were key considerations in assessing strategic and regulatory risks. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

- **Failure to influence future energy policy and secure satisfactory regulatory agreements.** See "***Law and regulation***" below.
- **Failure to deliver the Guarantor's customer, stakeholder and investor proposition due to increased political and economic uncertainty.** See "***Law and regulation***" below.
- **Failure to adequately anticipate and minimise the adverse impact from disruptive forces such as technology and innovation on the Guarantor's business model.** See "***Growth and business development activity***" below.

Further context on the Guarantor's strategic and regulatory risks is set out below:

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

*Changes in law or regulation or decisions by governmental bodies or regulators and increased political and economic uncertainty could materially adversely affect the Guarantor.*

Most of the Guarantor's businesses are utilities or networks subject to regulation by governments and other authorities. Changes in law or regulation or regulatory policy and precedent (including any changes arising as a result of the U.K.'s exit from the European Union), and/or any decisions of governmental bodies or regulators, in the countries or states in which the Guarantor operates could materially adversely affect it. It may fail to deliver any one of its customer, investor and wider stakeholder propositions due to increased political and economic uncertainty. If the Guarantor fails to engage in the energy policy debate, it may not be able to influence future energy policy, secure satisfactory regulatory agreements and deliver its strategy. Decisions or rulings concerning, for example: (i) the RIIO-T2 price controls and 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; (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, the impact of U.S. tax reform, 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 Guarantor's businesses and in relation to proposed business development activities; and (iii) the nationalisation of any utilities in the countries or states in which the Guarantor operates, could have a material adverse impact on the Guarantor's results of operations, cash flows, the financial condition of its businesses and the ability to develop those businesses in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Guarantor or the National Grid Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

#### ***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 the Guarantor undertakes alone, or with partners, may not deliver target outcomes and may expose the Guarantor to additional operational and financial risk.*

Failure by the Guarantor to grow its core business 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 its networks to meet the challenges of increasing distributed energy resources) and innovation could negatively affect its credibility and reputation and jeopardise the achievement of intended financial returns. The Guarantor's business development activities and the delivery of its growth ambition involve acquisitions, disposals, 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 the impact of competition for onshore transmission in both the U.K. and U.S.), and internal uncertainties (including actual performance of the Guarantor and its business planning model assumptions and its ability to integrate acquired businesses effectively). As a result, the Guarantor may suffer unanticipated costs and liabilities and other unanticipated effects. The Guarantor 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, the Guarantor may have limited control over operations and its joint venture partners may have interests that diverge from the Guarantor's interests. The occurrence of any of these events could have a material adverse impact on the Guarantor's results of operations or financial condition, and could also impact its ability to enter into other transactions.

## ***Business performance***

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

Earnings maintenance and growth from the Guarantor's regulated gas and electricity businesses will be affected by its ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, its regulators. If the Guarantor does not meet these targets and standards, or if it is not able to deliver its U.S. rate plans 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.

## **C. People risks**

*The risks described under this heading C (People risks) have been categorised as people risks. Building and fostering an engaged and talented team that has the knowledge, training, skills and experience to deliver the Guarantor's strategic objectives is vital to its success. The Guarantor is exposed to risk if it cannot attract, integrate and retain the talent it needs at all levels of the business. This introductory paragraph in italicised text forms part of the risk factor in this section but is not a risk factor itself.*

- **Failure to build sufficient capability and leadership capacity (including effective succession planning) required to deliver the Guarantor's vision and strategy.**

Further context on the Guarantor's people risks is set out in "Employees and others" below:

### ***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 vision and ensure they are engaged to act in the Guarantor'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 the Guarantor's business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on the Guarantor'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 Guarantor's results of operations, its reputation and its relationship with its regulators and other stakeholders.

## **D. Financial risks**

*The risks described under this heading D (Financial risks) have been categorised as financial risks. While all risks have a financial liability, financial risks are those which relate to financial controls and performance. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

Further context on the Guarantor's financial risks is set out below:

### ***Exchange rates, interest rates and commodity price indices***

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

The Guarantor has significant operations in the U.S. and is therefore subject to the exchange rate risks normally associated with non-U.K. operations, including the need to translate U.S. assets and liabilities, and income and

expenses, into sterling, the Guarantor's primary reporting currency. In addition, the Guarantor'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, in particular the dollar to sterling exchange rate. Furthermore, the Guarantor's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate, interest rate and commodity price exposure or by cash collateral movements relating to derivative market values, which also depend on the sterling exchange rate into Euro and other currencies.

### ***Post-retirement benefit contributions***

*The Guarantor may be required to make significant contributions to fund pension and other post-retirement benefits.*

The Guarantor participates in a number of pension schemes that together cover substantially all of its employees. In both the U.K. and the U.S., the principal schemes are defined benefit schemes where the scheme assets are held independently of the Guarantor's own financial resources. In the U.S., the Guarantor also has other post-retirement benefit schemes. Estimates of the amount and timing of future funding for the U.K. and U.S. schemes 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 or other factors may require the Guarantor to make additional contributions to these pension schemes which, to the extent they are not recoverable under its price controls or state rate plans, could materially adversely affect the Guarantor'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.*

The Guarantor's businesses are 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 Guarantor is rated by credit rating agencies and changes to these ratings may affect both the Guarantor's borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators may also limit how the Guarantor services the financial requirements of its current businesses or the financing of newly acquired or developing businesses. Financial markets can be subject to periods of volatility and shortages of liquidity. If the Guarantor were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, the Guarantor'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 Guarantor 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 the Guarantor's regulatory agreements impose lower limits for the long term senior unsecured debt credit ratings that certain companies within the group must hold or the amount of equity within their capital structures. One of the principal limits requires the Guarantor to hold an investment grade long term senior unsecured debt credit rating. In addition, some of the Guarantor's regulatory arrangements impose restrictions on the way it can operate. These include regulatory requirements for the Guarantor to maintain adequate financial resources within certain parts of its operating businesses and may restrict the ability of the Guarantor and some of its subsidiaries 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 Guarantor's business and financial condition.

The Guarantor's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity and financial covenants, such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of the Guarantor's debt and may restrict the Guarantor's ability to draw upon its facilities or access the capital markets.

## **2. Risks related to the Securities generally**

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

### ***The Issuer's and the Guarantor's obligations in respect of the Securities are subordinated***

The Issuer's obligations under the Securities will be unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a "successor in business" of the Issuer) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders will rank (i) junior to the claims of holders of all Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Securities of the Issuer and (iii) in priority to the claims of holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary share capital.

The Guarantor's obligations under the Guarantees will be unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (otherwise than for the purposes of a solvent winding-up or substitution in place of the Guarantor of a "successor in business" of the Guarantor) or an administrator of the Guarantor has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders under the Guarantee will rank (i) junior to the claims of holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of holders of all Parity Securities of the Guarantor and (iii) in priority to the claims of holders of the ordinary share capital of the Guarantor and any other obligations of the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary share capital.

See "*Terms and Conditions of the 2079 Euro Securities — Status of the Securities and the Coupons*", "*Terms and Conditions of the 2079 Euro Securities — Subordination of the Securities and the Coupons*" and "*Terms and Conditions of the 2079 Euro Securities — Guarantee*", "*Terms and Conditions of the 2082 Euro Securities — Status of the Securities and the Coupons*", "*Terms and Conditions of the 2082 Euro Securities — Subordination of the Securities and the Coupons*" and "*Terms and Conditions of the 2082 Euro Securities — Guarantee*".

By virtue of such subordination, (i) in relation to the Issuer but without prejudice to the rights of the Trustee, the relevant Holders and the relevant Couponholders under the Guarantees, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the relevant Holders or relevant Couponholders may expect to receive from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons and (ii) in relation to the Guarantor but without prejudice to the rights of the Trustee, the relevant Holders and the relevant Couponholders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings of the Guarantor before the relevant Holders or relevant Couponholders may expect to receive from the Guarantor any recovery in respect of their Securities or matured but unpaid Coupons. A Holder may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer and the Guarantor. Furthermore, the relevant Conditions will not limit the amount of the liabilities ranking



senior to, or *pari passu* with, the relevant Securities or the Guarantees, as the case may be, which may be incurred or assumed by the Issuer and/or the Guarantor from time to time, whether before or after the Issue Date. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer and/or the Guarantor in respect of, or arising under or in connection with, the relevant Securities and each Holder shall, by virtue of his holding, be deemed to have waived all such rights of set-off, compensation or retention.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer and/or the Guarantor become insolvent.

### ***The Issuer has the right to defer interest payments on the Securities***

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities, subject to limited exceptions. See “*Terms and Conditions of the 2079 Euro Securities — Optional Interest Deferral*” and “*Terms and Conditions of the 2082 Euro Securities — Optional Interest Deferral*”.

Any such deferral of interest payments shall not constitute a default under the Securities or for any other purpose unless such payments are required to be made in accordance with Condition 6(c) of the relevant Tranche and are not so paid within the applicable grace period.

Any deferral of interest payments or perceived likelihood of a future deferral of interest payments will likely have an adverse effect on the market price of the Securities of the relevant Tranche. In addition, as a result of the interest deferral provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer’s and/or the Guarantor’s financial condition.

### ***Limited Remedies***

The only event of default in the relevant Conditions is if a default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of any principal or interest (including Deferred Interest) in respect of the relevant Securities, which is due and payable. In the event of such a default the Trustee may institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor for such payment.

In addition, in the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a “successor in business” of the Issuer) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders against the Issuer will be subordinated in the case of each Tranche in accordance with the relevant Condition 3(a) thereof. Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders under the Guarantee, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or analogous proceedings before the relevant Holders or relevant Couponholders may expect to obtain any recovery in respect of their Securities or matured but unpaid Coupons and prior thereto the relevant Holders and Couponholders will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

Furthermore, in the event that an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (otherwise than for the purposes of a solvent winding-up or substitution in place of the Guarantor of a “successor in business” of the Guarantor) or an administrator of the Guarantor is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders

and the Couponholders under the Guarantees will be subordinated in accordance with Condition 4(c) thereof. Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings before the relevant Holders or relevant Couponholders may expect to obtain from the Guarantor any recovery pursuant to the Guarantee in respect of their Securities or matured but unpaid Coupons and prior thereto the relevant Holders and relevant Couponholders will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

***The Securities will be subject to optional redemption by the Issuer including upon the occurrence of Special Events***

Unless previously repaid, redeemed, purchased and cancelled or (pursuant to Condition 8) substituted, the Issuer will redeem the 2079 Euro Securities on 5 December 2079 and the 2082 Euro Securities on 5 September 2082, each at 100 per cent. of their principal amount together with any accrued and unpaid interest to such date (including any accrued but unpaid Deferred Interest). However, the Securities of each Tranche may be redeemed, at the option of the Issuer and subject to the relevant provisions in Conditions 7 and 9, in whole but not in part on any relevant Optional Redemption Date (being (i) any Business Day from (and including) 5 September 2024 in respect of the 2079 Euro Securities and 5 June 2027 in respect of the 2082 Euro Securities to (and including) the relevant First Reset Date and (ii) each relevant Interest Payment Date thereafter), at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

In addition, upon the occurrence of a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event, and subject to the relevant provisions in Conditions 7 and 9, the Issuer shall have the option to redeem, in whole but not in part, the Securities of the relevant Tranche at (i) 101 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest (in the case of a Rating Capital Event or a Tax Deductibility Event where any such redemption occurs before 5 September 2024 in respect of the 2079 Euro Securities and 5 June 2027 in respect of the 2082 Euro Securities) or (ii) 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest (in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time or in the case of a Rating Capital Event or a Tax Deductibility Event where any such redemption occurs on or after 5 September 2024 in respect of the 2079 Euro Securities and 5 June 2027 in respect of the 2082 Euro Securities).

Furthermore, if a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event occurs, then, subject to the provisions of the relevant Conditions 8 and 9, the Issuer may (without any requirement for the consent or approval of the relevant Holders or Couponholders) at any time, instead of giving notice to redeem the Securities of the relevant Tranche, substitute all, but not some only, of the Securities of such Tranche for, or vary the terms of the Securities of such Tranche so that the Securities of such Tranche remain or become, as the case may be, Qualifying Securities. Whilst Qualifying Securities are required to have terms not otherwise materially less favourable to Holders than the terms of the relevant Securities, there can be no assurance that the variation to Qualifying Securities will not have a significant adverse impact on the price of, and/or market for, the relevant Securities or the circumstances of relevant individual Holders. For example, it is possible that the Qualifying Securities will contain conditions that are contrary to the investment criteria of certain investors and the tax and stamp duty consequences of holding the Qualifying Securities could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the relevant Securities prior to such substitution or variation.

The Issuer may be expected to redeem the Securities of the relevant Tranche when its cost of borrowing is lower than the interest payable on the relevant Securities. 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 payable on the Securities of the relevant Tranche 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.

***An optional redemption feature is likely to limit the market value of the Securities***

During any period when the Issuer may elect to redeem or is perceived to be able to elect to redeem the Securities of the relevant Tranche, the market value of the Securities of the relevant Tranche generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

***Modification, Waiver and Substitution***

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

The relevant Conditions will also provide that the Trustee may, without the consent of the Holders, agree to (i) any modification of the relevant Conditions or of any other provisions of the relevant Trust Deed or the relevant Paying Agency Agreement (as defined below) which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification to (except as mentioned in the relevant Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of, any of the relevant Conditions or of the provisions of the relevant Trust Deed or the relevant Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the relevant Holders (which will not include, for the avoidance of doubt, any provision entitling the relevant Holders to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor in circumstances which are more extensive than those set out in the relevant Condition 12), (iii) subject, *inter alia*, to the Trustee being satisfied that the interests of the relevant Holders and Couponholders will not be materially prejudiced by the substitution, the substitution on a subordinated basis equivalent to that referred to in the relevant Conditions 2, 3 and 4 of any other company in place of the Issuer or the Guarantor, as the case may be, (or any previous Substituted Obligor (as defined in the relevant Condition 15)) as a new principal debtor under the relevant Trust Deed, the relevant Securities, the relevant Coupons and the relevant Talons or, in the case of the Guarantor, a new guarantor under the relevant Trust Deed on terms *mutatis mutandis* as those of the relevant Guarantee, (iv) any Benchmark Amendments (as defined in the relevant Conditions) required by the Issuer or the Guarantor pursuant to the relevant Condition 5(i) or (v) either (a) substitute all, but not some only, of the relevant Securities for, or (b) vary the terms of the relevant Securities with the effect that the relevant Securities remain or become, as the case may be, Qualifying Securities, in each case upon the occurrence of a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event and subject to the receipt by the Trustee of the certificate of the directors of the Guarantor referred to in the relevant Condition 9 thereof.

Any such modification, waiver, and/or substitution may have a significant adverse impact on the price of, and/or the market for, the relevant Securities.

***Future discontinuance of EURIBOR or the occurrence of a Benchmark Event may adversely affect the value of the Securities***

***Future discontinuance of EURIBOR and benchmark reforms***

EURIBOR and any other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Regulation (EU) No. 2016/1011 (the "**Benchmark Regulation**"), published in the Official Journal of the European Union on 29 June 2016 and applicable from 1 January 2018, could have a material impact on the

Securities linked to EURIBOR, in particular, if the methodology or other terms of the “benchmark” are 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.

Following the implementation of any potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the EURIBOR benchmark, or changes in the manner of its administration, could require or result in an adjustment to the interest calculation provisions of the relevant Conditions, or result in adverse consequences to holders of the relevant Securities. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Securities, the return on the relevant Securities and the trading market for securities (including the relevant Securities) based on the same benchmark.

#### *Potential for a fixed rate return*

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Securities for the period from (and including) the relevant Reset Date, which is based on a reset mid-swap rate, may be affected. If such rate is not available, the rate of interest on the Securities will be determined by the fall-back provisions applicable to the Securities. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page.

In addition, any changes to the administration of the applicable annualised mid-swap rate for swap transactions in euro with a term of five years as referred to in the relevant Conditions or the emergence of alternatives to such mid-swap rate as a result of these potential reforms, may cause such rate to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of such rate or changes to its administration could require changes to the way in which the relevant Reset Interest Rate is calculated on the Securities from (and including) the relevant Reset Date. Uncertainty as to the nature of alternative reference rates and as to potential changes to the relevant mid-swap rate may adversely affect the relevant Reset Interest Rate, the return on the Securities and the trading market for securities (such as the Securities) based on the same mid-swap rate. The development of alternatives to the relevant mid-swap rate may result in the Securities performing differently than would otherwise have been the case if such alternatives to the relevant mid-swap rate had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the Securities.

#### *Benchmark Events*

The Conditions of each Tranche also provide for certain fall-back arrangements in the event that the Issuer or the Guarantor determines that a Benchmark Event has occurred. The Issuer may, having used reasonable endeavours to appoint and consult an Independent Adviser, determine a Successor Rate or, failing which, an Alternative Reference Rate to be used in place of the relevant mid-swap rate. The use of any such Successor Rate or Alternative Reference Rate to determine the relevant Reset Interest Rate may result in the Securities performing differently (including paying a lower Reset Interest Rate than they would do if the relevant mid-swap rate were to continue to apply in its current form).

Furthermore, if a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions of each Tranche provide that the Issuer may vary the Conditions of the relevant Securities, the relevant Agency Agreement and/or the relevant Trust Deed, as necessary, to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the relevant Securityholders.

If a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions of each Tranche also provide that an Adjustment Spread will be determined by the Issuer to be applied to such Successor Rate or Alternative Reference Rate. Accordingly, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Securities may not do so and may result in the relevant Securities performing differently (which may include payment of a lower interest rate) than they would do if sub-paragraph (i) of the definition of 5-year Swap Rate in the 2079 Euro Conditions and 5-year Swap Rate in the 2082 Euro Conditions were to apply. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the relevant Securities. However, no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer and the Guarantor, the same could reasonably be expected to cause a Rating Capital Event (as defined in the relevant Conditions) to occur.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, the potential for further regulatory developments and the fact that the provisions of the relevant Condition 5(i) will not be applied if the same could reasonably be expected to cause a Rating Capital Event to occur, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of the relevant mid-swap rate could adversely affect the ability of the Issuer to meet its obligations under the Securities and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities.

#### ***Integral multiples of less than the specified denomination***

The denominations of the 2079 Euro Securities are €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. The denominations of the 2082 Euro Securities are €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. Therefore, it is possible that the 2079 Euro Securities may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000 and that the 2082 Euro Securities may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 of the 2079 Euro Securities and €100,000 of the 2082 Euro Securities will not receive a Definitive Security in respect of such holding (should Definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If Definitive Securities are issued, relevant Holders should be aware that Definitive Securities which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade. Except in circumstances set out in the relevant Global Security, investors will not be entitled to receive Definitive Securities.

#### ***Change of law***

The relevant Conditions will be based on English law in effect as at the Issue Date. 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 the issue of the Securities.

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

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk which are specifically relevant to the Securities:

#### ***The secondary market generally***

Although application will be made to admit the Securities of each Tranche to trading on the Market, the Securities of each Tranche 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 Securities 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 Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been prepared to meet the investment requirements of limited categories of investors. These types of Securities 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 Securities.

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

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro 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 euro would decrease (1) the Investor's Currency equivalent yield on the relevant Securities, (2) the Investor's Currency equivalent value of the principal payable on the relevant Securities and (3) the Investor's Currency equivalent market value of the relevant Securities.

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

***Interest rate risks***

Investment in the Securities involves the risk that changes in market interest rates during the life of the Securities (for example, if the prevailing bank interest rate in the relevant investor's jurisdiction were to increase), could result in the rate of interest for the time being payable under the terms of the Securities becoming relatively less attractive which may in turn adversely affect the value of the Securities.

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

The credit ratings assigned to the Securities 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 Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

## TERMS AND CONDITIONS OF THE 2079 EURO SECURITIES

*The following, except for paragraphs in italics, are the terms and conditions of the 2079 Euro Securities which will be endorsed on each 2079 Euro Security in definitive form (if issued).*

The issue of the €500,000,000 Capital Securities due 2079 (the “**Securities**”, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 19 and forming a single series with the Securities) of NGG Finance plc (the “**Issuer**”) was authorised by a written resolution of the board of directors of the Issuer dated 20 August 2019. The obligations of the Issuer in respect of the Securities, the Coupons (as defined below) and the Trust Deed are guaranteed (such guarantee, the “**Guarantee**”) by National Grid plc (the “**Guarantor**”) as described below and in the Trust Deed. The Guarantee was authorised by a resolution of the Finance Committee of the board of directors of the Guarantor passed on 29 July 2019. The Securities are constituted by a trust deed (as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 5 September 2019 between the Issuer, 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 holders of the Securities (the “**Holders**”). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities, of the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”), of the Talons appertaining to Securities in definitive form and of the Guarantee. Copies of (i) the Trust Deed and (ii) the paying agency agreement (as amended and/or supplemented and/or restated from time to time, the “**Paying Agency Agreement**”) dated 5 September 2019 relating to the Securities between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as the initial principal paying agent and calculation agent (the “**Principal Paying Agent**” and the “**Calculation Agent**”, which expressions shall include any successors thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection by prior arrangement during usual business hours at the principal office of the Trustee and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the Securities) (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, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

### 1 **Form, Denomination and Title**

#### *(a) Form and Denomination*

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and one Talon attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

#### *(b) Title*

Title to the Securities, Coupons and each Talon passes by delivery. The holder of any Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

## 2 Status of the Securities and the Coupons

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and with any Parity Securities of the Issuer. The rights and claims of the Holders in respect of the Securities and the Couponholders in respect of the Coupons, in each case against the Issuer are subordinated as described in Condition 3.

## 3 Subordination of the Securities and the Coupons

### (a) General

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, (A)(x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security and matured but unpaid Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon), such amounts, if any, as would have been payable to the Holder of such Security and Couponholder if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder and Couponholder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares of the Issuer**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary shares, but ranking junior to the claims of holders of all Senior Obligations of the Issuer (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder and Couponholder were entitled to receive in respect of each Notional Preference Share of the Issuer on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and, in the case of a Coupon and its Couponholder, any accrued and unpaid interest represented by such Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up). For the purpose of construing the provisions of the Guarantee and the Guarantor’s payment obligations in respect thereof, the latter amounts shall be treated as due and payable by the Issuer on the date such order is made or such resolution is passed or notice is given, as the case may be and, consequently, a claim under the Guarantee in respect of such amount may be made on, or at any time after, such date.



*Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders under the Guarantee, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the Holders or Couponholders may expect to obtain from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupons), as the case may be, and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.*

**(b) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

## **4 Guarantee**

**(a) Guarantee**

The payment of the principal, premium and interest in respect of the Securities and the Coupons and all other monies payable by the Issuer under or pursuant to the Securities, the Coupons and/or the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee.

**(b) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank *pari passu* and without any preference or priority among themselves and with any Parity Securities of the Guarantor. The rights and claims of the Holders and the Couponholders in respect of the Guarantee against the Guarantor are subordinated as described in Condition 4(c).

**(c) Subordination of the Guarantee**

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Guarantor (A) (x) of a “successor in business” (as defined in the Trust Deed) of the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Guarantor being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Guarantor under the Guarantee in respect of each Security and matured but unpaid Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon), such amounts, if any, as would have been payable to the Holder of such Security and Couponholder if, on the

day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder and Couponholder were the holder of one of a class of preference shares in the capital of the Guarantor (“**Notional Preference Shares of the Guarantor**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of the ordinary share capital of the Guarantor and any other obligations of the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary shares, but ranking junior to the claims of holders of all Senior Obligations of the Guarantor (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder and Couponholder were entitled to receive in respect of each Notional Preference Share of the Guarantor on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and, in the case of a Coupon and its Couponholder, any accrued and unpaid interest represented by such Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up).

*Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings of the Guarantor before the Holders or Couponholders may expect to obtain from the Guarantor any recovery pursuant to the Guarantee in respect of their Securities or matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupons), as the case may be, under the Guarantee and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.*

**(d) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Securities, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

## **5 Interest Payments**

**(a) Interest Payment Dates**

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 5 September 2019 (the “**Issue Date**”) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 5.

Subject to Condition 6, interest shall be payable on the Securities annually in arrear on 5 December in each year (each an “**Interest Payment Date**”) and ending on the Maturity Date, as provided in this Condition 5, except that the first payment of interest, to be made on 5 December 2019, will be in respect of the period from (and including) the Issue Date to (but excluding) 5 December 2019.

**(b) Interest Accrual**

The Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 7 or the date of substitution

or variation thereof pursuant to Condition 8, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 5(c), where it is necessary to compute an amount of interest in respect of any Security for a period which is less than or equal to a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (or, in respect of interest accruing during the first Interest Period, the period from (and including) 5 December 2018 to (but excluding) 5 December 2019) (“**day-count fraction**”). Where it is necessary to compute an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest calculated per Calculation Amount for any period shall, save as provided in Condition 5(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

(c) ***Initial Interest Rate***

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 1.625 per cent. per annum (the “**Initial Interest Rate**”). The Interest Payment in respect of each such Interest Period will amount to €16.25 per Calculation Amount. The first payment of interest, to be made on 5 December 2019, will be in respect of the period from (and including) the Issue Date to (but excluding) 5 December 2019 and will amount to €4.05 per Calculation Amount.

(d) ***Reset Interest Rates***

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5-year Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a “**Reset Interest Rate**”).

(e) ***Determination of Reset Interest Rates and Calculation of Interest Amounts***

The Calculation Agent will, as soon as practicable after 11.00 hours (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the “**Interest Amount**”).

(f) ***Publication of Reset Interest Rates and Interest Amounts***

Unless the Securities are to be redeemed on the First Reset Date, the Issuer (failing which the Guarantor) shall cause notice of each Reset Interest Rate and the related Interest Amount per Calculation Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 18, the Holders, in each case

as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

**(g) Calculation Agent and Reference Banks**

Unless the Securities are to be redeemed on the First Reset Date, the Issuer and the Guarantor will, no later than fourteen days before the first Reset Interest Determination Date, appoint and thereafter maintain a Calculation Agent.

The Issuer and the Guarantor may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer and the Guarantor shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(h) Determinations of Calculation Agent Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence as aforesaid) no liability to the Holders, the Couponholders, the Issuer or the Guarantor shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**(i) Benchmark Event**

(i) Notwithstanding the provisions above in this Condition 5, if the Issuer or the Guarantor determines that a Benchmark Event has occurred when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer and the Guarantor shall use their reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to advise the Issuer and the Guarantor in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(i)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(i)(iv)).

In making such determination and any other determination pursuant to this Condition 5(i), the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Agents, the Holders or the Couponholders for any advice given to the Issuer and/or the Guarantor in connection with any determination made by the Issuer and the Guarantor, pursuant to this Condition 5(i).

If the Issuer and the Guarantor fail to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(i)(i) prior to the relevant Reset Interest Determination Date in respect of a relevant Reset Period, the 5-year Swap Rate applicable to the next succeeding Interest Period ending during that Reset Period shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(i).

- (ii) If the Issuer and the Guarantor, following consultation with the Independent Adviser or acting alone, as the case may be, determine that:
  - (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 5(i)); or
  - (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 5(i)).
- (iii) The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (iv) If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(i) and the Issuer and the Guarantor, following consultation with the Independent Adviser, determine (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer and the Guarantor shall, subject to giving notice thereof in accordance with Condition 5(i)(v), without any requirement for the consent or approval of Holders or the Couponholders, 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 and the Guarantor, but subject to receipt by the Trustee and the Principal Paying Agent of a certificate signed by two Directors of the Guarantor pursuant to Condition 5(i)(v), the Trustee and the Principal Paying Agent shall (at the expense and direction of the Issuer and the Guarantor), without any requirement for the consent or approval of the Holders or Couponholders be obliged to concur with the Issuer and the Guarantor in using their reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and/or the Agency Agreement) and the Trustee and the Principal Paying Agent shall not be liable to any party for any consequences thereof, provided that the Trustee and the Principal Paying Agent shall not be obliged so to concur if in the opinion of the Trustee or the Principal Paying Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it 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 5(i)(iv), the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 5(i), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be

made, if and to the extent that, in the determination of the Issuer and the Guarantor, the same could reasonably be expected to cause a Rating Capital Event to occur.

- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(i) will be notified promptly by the Issuer or the Guarantor to the Trustee, the Agents and, in accordance with Condition 18, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Agents of the same, the Issuer or (as applicable) the Guarantor shall deliver to the Trustee and the Agents a certificate signed by two Directors of the Guarantor:

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(i); and
- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread 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 and the Benchmark Amendments (if any) and without prejudice to the Trustee's and the Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Agents, the Holders and the Couponholders.

- (vi) Without prejudice to the obligations of the Issuer and the Guarantor under Condition 5(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(d) and the related definitions will continue to apply unless and until the Issuer and the Guarantor determine that a Benchmark Event has occurred and the Trustee and the Agents have been notified of the Successor Rate or the Alternative Rate (as the case may be), and the Adjustment Spread and any Benchmark Amendments, in accordance with Condition 5(i)(v).

- (vii) As used in this Condition 5(i):

**“Adjustment Spread”** means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (b) the Issuer and the Guarantor, following consultation with the Independent Adviser or acting alone, as the case may be, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original

Reference Rate; or (if the Issuer and the Guarantor determine that no such spread is customarily applied)

- (c) the Issuer and the Guarantor, following consultation with the Independent Adviser or acting alone, as the case may be, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer and the Guarantor, following consultation with the Independent Adviser, determines is customarily applied in international debt capital markets transactions for the purposes of determining resettable rates of interest (or the relevant component part thereof) in euro.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(i)(iv).

“**Benchmark Event**” means:

- (1) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally or in respect of the Securities; or
- (5) a public statement by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used; or
- (6) it has or will become unlawful for any Agent or the Issuer to calculate any payments due to be made to any Holders using the Original Reference Rate,

provided that in the case of sub-paragraphs (2), (3), (4) and (5), the Benchmark Event shall be deemed to occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer and the Guarantor at their expense under Condition 5(i)(i) and notified in writing to the Trustee.

“**Original Reference Rate**” means the originally specified benchmark or screen rate (as applicable) used to determine the Reset Interest Rate (or any component part thereof) on the Securities (or, if applicable, any other Successor Rate or Alternative Rate (or any component part

thereof) determined and applicable to the Securities pursuant to the earlier application of Condition 5(i)).

“**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.

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

## 6 Optional Interest Deferral

### (a) *Deferral of Interest Payments*

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (any such deferred Interest Payment, a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not more than 30 nor less than 7 Business Days prior to the relevant Interest Payment Date. Subject to Condition 6(c), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date in accordance with this Condition 6(a), then neither it nor the Guarantor will have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach of its obligations under the Securities or the Guarantee or for any other purpose.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being “**Deferred Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 6(c), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Deferred Interest (or part thereof) shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose, unless such payment is required in accordance with Condition 6(c).

### (b) *Optional payment of Deferred Interest*

Deferred Interest may be paid at the option of the Issuer in whole or in part at any time (the “**Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not more than 30 nor less than 7 Business Days prior to the relevant Deferred Interest Settlement Date informing them of



its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.

**(c) *Mandatory payment of Deferred Interest***

Notwithstanding the proceeding provisions of this Condition 6, the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event;
- (ii) the next scheduled Interest Payment Date if the Issuer pays interest on the Securities on such date;
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 3, Condition 4, any paragraph of Condition 7 or Condition 12; and
- (iv) the date on which the Securities are substituted for, or where the terms of the Securities are varied so that they become, Qualifying Securities in accordance with Condition 8.

## **7 Redemption**

**(a) *Final Redemption Date***

Unless previously repaid, redeemed, purchased and cancelled or (pursuant to Condition 8) substituted as provided in these Conditions, the Securities will be redeemed on the Maturity Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the Maturity Date (including any accrued but unpaid Deferred Interest).

**(b) *Issuer's Call Option***

The Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Securities on any Optional Redemption Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**(c) *Redemption for Taxation Reasons***

If, immediately prior to the giving of the notice referred to below, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount in the case of a Withholding Tax Event, or, in the case of a Tax Deductibility Event, (i) 101 per cent. of their principal amount where such redemption occurs before 5 September 2024, or (ii) 100 per cent. of their principal amount where such redemption occurs on or after 5 September 2024, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(d) *Redemption for Rating Reasons***

If, immediately prior to the giving of the notice referred to below, a Rating Capital Event has occurred and is continuing, then the Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any

time at (i) 101 per cent. of their principal amount, where such redemption occurs before 5 September 2024, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after 5 September 2024, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(e) *Redemption Following Substantial Repurchase***

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

## **8 Substitution or Variation**

If a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 9 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 8 have been complied with, and having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 8 and subject to the receipt by it of the certificate of the directors of the Guarantor referred to in Condition 9 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 8.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 6(c).

The Trustee shall use reasonable endeavours to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as the case may be, become, Qualifying Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities, or the participation in or assistance with such substitution or variation, would impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 7.

In connection with any substitution or variation in accordance with this Condition 8, the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

## **9 Preconditions to Special Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 7 (other than redemption pursuant to Condition 7(b)) or any notice of substitution or variation pursuant to Condition 8, the Guarantor shall deliver to the Trustee a certificate signed by two directors of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer or the Guarantor, as the case may be, to be taken, the relevant Special Event cannot be avoided by the Issuer or the Guarantor, as the case may be, taking such measures. In relation to a substitution or variation pursuant to Condition 8, such certificate shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities, that such determination was reached by the Guarantor in consultation with an independent investment bank or counsel and that the criteria specified in paragraphs (a) to (g) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Securities in accordance with Condition 7 or any substitution or variation of the Securities in accordance with Condition 8 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 6 on or prior to the date of such redemption, substitution or, as the case may be, variation, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

## **10 Purchases and Cancellation**

### **(a) Purchases**

Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

### **(b) Cancellation**

All Securities redeemed or substituted by the Issuer pursuant to Condition 7 or 8, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may, at the option of the Issuer or the Guarantor, as the case may be, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent. Securities held by the Issuer, the Guarantor and/or any of their respective Subsidiaries shall not entitle the holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 15.

## 11 Payments

### *(a) Method of Payment*

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the Target System.
- (ii) Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 14).

### *(b) Payments Subject to Fiscal Laws*

Without prejudice to the terms of Condition 13, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

### *(c) Days for Payments*

A Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and New York (and, in the case of payment by transfer to a euro account, a day on which the Target System is operating). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date.

## 12 Events of Default

### *(a) Proceedings*

If a default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of principal or in respect of any interest (including any Deferred Interest) in respect of the Securities which is due and payable, then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the Coupons and the Trustee at its discretion may (subject to Condition 12(c)), and if so requested by the holders of at least one-quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor for such payment.

### *(b) Enforcement*

The Trustee may at its discretion (subject to Condition 12(c)) and without further notice institute such actions, steps or proceedings against the Issuer and/or the Guarantor, as the case may be, as it may think

fit to enforce any term or condition binding on the Issuer and/or the Guarantor, as the case may be, under the Trust Deed, the Securities or the Coupons but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

**(c) Entitlement of Trustee**

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or 12(b) above against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed, the Securities or the Coupons or any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

**(d) Right of Holders**

No Holder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor or to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails or is unable to do so within 60 days and such failure or inability shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 12.

**(e) Extent of Holders' remedy**

No remedy against the Issuer and/or the Guarantor, other than as referred to in this Condition 12, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Securities, the Coupons or under the Trust Deed (including the Guarantee) or in respect of any breach by the Issuer and/or the Guarantor of any of its/their other obligations under or in respect of the Securities, the Coupons or the Trust Deed.

### **13 Taxation**

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Securities and the Coupons or by or on behalf of the Guarantor in respect of the Guarantee shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature ("**Taxes**") imposed or levied by or on behalf of the United Kingdom or any political subdivision of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Holders and the Couponholders of such amounts as would have been receivable in respect of the Securities or Coupons had no such withholding or deduction been made, except that no such Additional Amounts shall be payable in respect of any Security or Coupon:

- (a) presented for payment by or on behalf of, a person who is liable to such taxes or duties in respect of such Security or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Security or Coupon; or
- (b) presented for payment by or on behalf of a person 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) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to such additional amounts on presenting the same for payment on such 30th day (assuming that day to have been a day on which presentation for payment is permitted by Condition 11(c)); or
- (d) presented for payment by or on behalf of a Holder or Couponholder 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 these Conditions or the Trust Deed, any amounts to be paid on the Securities by or on behalf of the Issuer or the Guarantor 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”). None of the Issuer, the Guarantor nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

#### **14 Prescription**

Claims against the Issuer and/or the Guarantor in respect of Securities and Coupons (which for this purpose shall not include Talons) or under the Guarantee will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Securities and the Guarantee (in respect of claims relating to principal and premium) and five years in the case of Coupons and the Guarantee (in respect of claims relating to interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 14 or Condition 11(a)(iii).

#### **15 Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests or those of Couponholders, 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 Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3 and/or Condition 4, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities, any applicable premium or the Interest Rate or modifying or cancelling the Guarantee) and certain other provisions of the Trust Deed, the quorum shall be two or more persons holding or representing not

less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments required by the Issuer or Guarantor pursuant to Condition 5(i), any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 8 in connection with the substitution or variation of the terms of the Securities so that they remain or become Qualifying Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 8.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, 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 Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders 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 Holders.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor in circumstances which are more extensive than those set out in Condition 12). In addition, the Trustee and the Principal Paying Agent shall be obliged to concur with the Issuer and the Guarantor in using their reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5(i) without the consent or approval of the Holders or Couponholders. Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 18, as soon as practicable.

The Trust Deed contains provisions permitting the Trustee to agree, subject to the Trustee being satisfied that the interests of the Holders and Couponholders will not be materially prejudiced by the substitution and to such amendment of the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2, 3 and 4 of any other company (any such entity, a “**Substituted Obligor**”) in place of the Issuer or the Guarantor, as the case may be, (or any previous Substituted Obligor under this Condition) as, in the case of the Issuer, a new principal debtor under the Trust Deed, the Securities, the Coupons and the Talons or, in the case of the Guarantor, a new guarantor under the Trust Deed on terms *mutatis mutandis* as those of the Guarantee.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 15), the Trustee shall have regard to the general interests of the Holders and Couponholders as a class but shall not have regard to the consequences of such substitution or such exercise for individual Holders or Couponholders. In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Guarantor, the Substituted Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise

upon any individual Holders or Couponholders, except to the extent already provided in Condition 13 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 18 as soon as practicable thereafter.

## **16 Replacement of the Securities, Coupons and Talons**

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 18, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Security, 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 on demand the amount payable by the Issuer in respect of such Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before any replacement Securities, Coupons or Talons will be issued.

## **17 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification or prefunding of, and/or provision of security for, the Trustee and for its relief from responsibility. 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, the Guarantor or any of their respective subsidiary undertakings, parent undertakings, joint ventures or associated undertakings. The Trustee may rely without liability to Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Holders.

## **18 Notices**

Notices required to be given to Holders pursuant to these Conditions will be valid if published in a daily newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in another leading daily English language newspaper of 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, on the first date on which such publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

## **19 Further Issues**

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further securities ranking *pari passu* in all respects (or in all respects save for the date from which interest



thereon accrues and the amount of the first payment of interest on such further securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

## **20 Paying Agents**

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that the Issuer and the Guarantor will:

- (a) at all times maintain a Principal Paying Agent; and
- (b) at all times maintain a Paying Agent having its specified office in a major European city, which shall be London so long as the Securities are admitted to the Official List and admitted to trading on the London Stock Exchange's Main Market.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 18.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer and the Guarantor shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

## **21 Governing Law and Jurisdiction**

The Trust Deed, the Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Trust Deed, the Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them.

The Issuer 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.

Nothing in this Condition 21 prevents the Trustee or any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Holders may take concurrent Proceedings in any number of jurisdictions.

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

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

## **23 Definitions**

In these Conditions:

"**5-year Swap Rate**" means (i) the annualised mid-swap rate with a term of five years as displayed on the Reset Screen Page as at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date or, (ii) if the 5-year Swap Rate does not appear on such screen page at such time on the relevant Reset Interest Determination Date, the 5-year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

The “**5-year Swap Rate Quotations**” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

- (a) has a term of five years commencing on the relevant Reset Date;
- (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Act/360 day count basis);

“**2029 Step-up Date**” means 5 December 2029;

“**2044 Step-up Date**” means 5 December 2044;

“**Additional Amounts**” has the meaning given in Condition 13;

“**Agents**” means the Paying Agents and the Calculation Agent;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and the Target System is operating;

“**Calculation Agent**” has the meaning given to it in the preamble to these Conditions;

“**Calculation Amount**” has the meaning given to it in Condition 5(b);

Each of the following is a “**Compulsory Payment Event**”:

- (i) (subject as provided below) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor declares or pays any distribution or dividend (other than a dividend declared by the Issuer or the Guarantor, as the case may be, before the earliest Deferral Notice in respect of the then-outstanding Deferred Interest was given in accordance with Condition 6(a)) or makes any other payment on, the ordinary share capital of the Issuer or the Guarantor or any Parity Securities of the Issuer or any Parity Securities of the Guarantor (other than, for the avoidance of doubt, the payment or making of a dividend or distribution by any Subsidiary of the Issuer and/or the Guarantor on any of its share capital or other securities which do not benefit from a guarantee or support agreement of the type referred to in the definition of either Parity Securities of the Issuer or Parity Securities of the Guarantor) except where (A) such distribution or dividend or other payment was required to be made in respect of any stock option plan of the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor; or (B) such distribution dividend or other payment was required to be declared, paid or made under the terms of such Parity Securities of the Issuer or Parity Securities of the Guarantor or by mandatory operation of law;
- (ii) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor redeems, purchases, cancels, reduces or otherwise acquires, any ordinary shares of the Issuer, any ordinary shares of the Guarantor, any Parity Securities of the Issuer or any Parity Securities of the Guarantor, except where (A) such redemption, purchase, cancellation, reduction or other acquisition was required to be made in respect of any stock option plan or employee share scheme of the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor; (B) such redemption, purchase, cancellation, reduction or other acquisition is effected as a public cash tender offer or public exchange offer in respect of Parity Securities of the Issuer or Parity Securities of the Guarantor at a purchase price per security which is below its par value; or (C) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor is obliged under the terms and conditions of such Parity Securities of the Issuer or Parity Securities of the Guarantor or by mandatory operation of law to make such redemption, purchase, cancellation, reduction or other acquisition,

A Compulsory Payment Event shall not occur pursuant to paragraph (i) above in respect of any *pro rata* payment of deferred interest on a Parity Security of the Issuer and/or any Parity Security of the Guarantor which is made

simultaneously with a *pro rata* payment of any Deferred Interest provided that such *pro rata* payment on a Parity Security of the Issuer and/or a Parity Security of the Guarantor is not proportionately more than the *pro rata* settlement of any such Deferred Interest.

“**Conditions**” means these terms and conditions of the Securities, as amended from time to time;

“**Coupon**” has the meaning given in the preamble to these Conditions;

“**Couponholder**” has the meaning given in the preamble to these Conditions;

“**Deferred Interest**” has the meaning given in Condition 6(a);

“**Deferred Interest Settlement Date**” has the meaning given in Condition 6(a);

“**Deferral Notice**” has the meaning given in Condition 6(a);

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate;

“**Euro zone**” means the zone comprising the Member States of the European Union which adopt or have adopted the Euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended;

“**euro**” or “**€**” means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**First Reset Date**” means 5 December 2024;

“**Guarantee**” has the meaning given in the preamble to these Conditions;

“**Guarantor**” means National Grid plc;

“**Holder**” has the meaning given in the preamble to these Conditions;

“**Initial Interest Rate**” has the meaning given in Condition 5(c);

“**Interest Amount**” has the meaning given in Condition 5(e);

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 5;

“**Interest Payment Date**” has the meaning given in Condition 5(a);

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

“**Interest Rate**” means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

“**Issue Date**” has the meaning given in Condition 5(a);

“**Issuer**” means NGG Finance plc;

“**Margin**” means (i) 2.141 per cent. per annum from and including the First Reset Date to (but excluding) the 2029 Step-up Date (ii) 2.391 per cent. per annum from (and including) the 2029 Step-up Date to (but excluding) the 2044 Step-up Date and (iii) 3.141 per cent. per annum from (and including) the 2044 Step-up Date to (but excluding) the Maturity Date;

“**Maturity Date**” means 5 December 2079;

“**Notional Preference Shares of the Guarantor**” has the meaning given in Condition 4;

“**Notional Preference Shares of the Issuer**” has the meaning given in Condition 3;

“**Official List**” means the Official List of the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended or superseded);

“**Optional Redemption Date**” means (i) any Business Day from (and including) 5 September 2024 to (and including) the First Reset Date and (ii) each Interest Payment Date thereafter;

“**Parity Securities of the Guarantor**” means (if any) the most junior class of preference share capital in the Guarantor and any other obligations of (i) the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee or such preference shares or (ii) any Subsidiary of the Guarantor (other than the Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee or such preference shares;

“**Parity Securities of the Issuer**” means (if any) the most junior class of preference share capital in the Issuer and any other obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares or (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Securities or such preference shares;

“**Paying Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Paying Agents**” has the meaning given to it in the preamble to these Conditions;

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Qualifying Securities**” means securities that contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Guarantor (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two directors of the Guarantor shall have been delivered to the Trustee prior to the substitution or variation of the Securities upon which certificate the Trustee shall rely absolutely), provided that:

- (a) they shall be issued by the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a winding-up or administration (in circumstances where the administrator has given notice of its intention to declare and distribute a dividend) of the Issuer with the Securities and the Guarantor with the Guarantee; and
- (c) they shall contain terms which provide for the same Interest Rate from time to time applying to the Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer and the Guarantor as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under these Conditions to any accrued interest which has accrued to Holders and not been paid: and
- (f) they shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and

- (g) they shall otherwise contain substantially identical terms (as reasonably determined by the Guarantor) to the Securities, save where (without prejudice to the requirement that the terms are not materially less favourable to Holders than the terms of the Securities as described above) any modifications to such terms are required to be made to avoid the occurrence or effect of a Rating Capital Event, a Tax Deductibility Event or, as the case may be, a Withholding Tax Event; and
- (h) they shall be (i) listed on the Official List and admitted to trading on the London Stock Exchange's Main Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Guarantor;

**“Rating Agency”** means Fitch Ratings Limited or any of its subsidiaries and their successors or Moody's Investors Service, Ltd. or any of its subsidiaries and their successors or S&P Global Ratings Europe Limited or any of its subsidiaries and their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Guarantor from time to time with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of the Holders);

a **“Rating Capital Event”** shall be deemed to occur if the Issuer and/or Guarantor has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency that, as a result of a change, or proposed change, in its hybrid capital methodology or the interpretation thereof which becomes, or would become, effective on or after 5 September 2019, the Securities will no longer be eligible for the same, or higher amount of, “equity credit” (or such other nomenclature as the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date or, if later, at the time when the relevant Rating Agency first publishes its confirmation of the “equity credit” attributed by it to the Securities;

**“Recognised Stock Exchange”** means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

**“Relevant Date”** means:

- (a) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor, as the case may be, in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 18; and
- (b) in respect of any sum (i) to be paid by or on behalf of the Issuer or the Guarantor, as the case may be, in a winding-up of the Issuer or the Guarantor, as the case may be, or (ii) if following the appointment of an administrator of the Issuer or the Guarantor, as the case may be, the administrator gives notice of an intention to declare and distribute a dividend, to be paid by the administrator by way of such dividend, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

**“Reset Date”** means the First Reset Date and each fifth anniversary thereof up to and including 5 December 2074;

**“Reset Interest Determination Date”** means the day falling two Business Days prior to the relevant Reset Date;

**“Reset Interest Rate”** has the meaning given in Condition 5(d);

“**Reset Period**” means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and “**relevant Reset Period**” shall be construed accordingly;

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the 5-year Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the applicable Reset Reference Bank Rate shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent;

“**Reset Reference Banks**” means five leading swap dealers in the interbank market selected by the Calculation Agent after consultation with the Guarantor;

“**Reset Screen Page**” means Reuters screen “ICESWAP2” or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Calculation Agent, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity;

“**Securities**” has the meaning given in the preamble to these Conditions;

“**Senior Obligations of the Guarantor**” means all obligations of the Guarantor issued directly or indirectly by it (including, without limitation, any obligation of the Guarantor under any guarantee which ranks or is expressed to rank *pari passu* with the most senior present or future preferred stock or preference shares of the Guarantor and with any present or future guarantee entered into by the Guarantor in respect of any of the most senior present or future preferred stock or preference stock of any Subsidiary of the Guarantor) other than Parity Securities of the Guarantor and the ordinary share capital of the Guarantor;

“**Senior Obligations of the Issuer**” means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Securities of the Issuer and the ordinary share capital of the Issuer;

“**Special Event**” means any of a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and “**Subsidiaries**” shall be construed accordingly;

“**Substantial Repurchase Event**” shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer, the Guarantor or any of their respective Subsidiaries repurchases (and effects corresponding cancellations) or redeems Securities in respect of 75 per cent. or more in the principal amount of the Securities initially issued (which shall for this purpose include any further securities issued pursuant to Condition 19);

“**Substituted Obligor**” has the meaning given in Condition 15;

“**Talons**” has the meaning given in the preamble to these Conditions;

“**Target System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

“**Taxes**” has the meaning given in Condition 13;

a “**Tax Deductibility Event**” shall be deemed to have occurred if as a result of a Tax Law Change:

- (a) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer or (provided there has been no default by the Issuer in respect of such Interest Payment and the Guarantor is treated for tax purposes as payer of that Interest Payment) the Guarantor would not be entitled to claim a deduction in respect of the expense recognised by the Issuer for accounting purposes as attributable to such Interest Payment in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced or materially delayed (a “**disallowance**”); or
- (b) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer or (provided there has been no default by the Issuer in respect of such Interest Payment and the Guarantor is treated for tax purposes as payer of that Interest Payment) the Guarantor would not to any material extent be entitled to have any loss attributable to, or resulting from, such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 5 September 2019 or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance in (a);

and, in each case, the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it;

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which the United Kingdom is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 5 September 2019;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

a “**Withholding Tax Event**” shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities or the Guarantee, the Issuer or the Guarantor, as the case may be, has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing in connection with the Securities or the Guarantee, as the case may be, by taking reasonable measures available to it.

*The following paragraph does not form part of the terms and conditions of the Securities.*

*The Issuer and the Guarantor intend (without thereby assuming a legal obligation), that if they redeem the Securities pursuant to Condition 7(b) or repurchase the Securities, they will so redeem or repurchase the Securities only to the extent the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer, the Guarantor or any Subsidiary of the Guarantor from the sale or issuance by the Issuer, the Guarantor or such Subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P Global Ratings Europe Limited (“S&P”), as the case may be, an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:*

- (i) the issuer credit rating assigned by S&P to the Guarantor is at least “A-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*
- (ii) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years; or*
- (iii) the Securities are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or*
- (iv) in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued or guaranteed by the Guarantor remaining outstanding after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or*
- (v) such redemption or repurchase occurs on or after 5 December 2044.*



## TERMS AND CONDITIONS OF THE 2082 EURO SECURITIES

*The following, except for paragraphs in italics, are the terms and conditions of the 2082 Euro Securities which will be endorsed on each 2082 Euro Security in definitive form (if issued).*

The issue of the €750,000,000 Capital Securities due 2082 (the “**Securities**”, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 19 and forming a single series with the Securities) of NGG Finance plc (the “**Issuer**”) was authorised by a written resolution of the board of directors of the Issuer dated 20 August 2019. The obligations of the Issuer in respect of the Securities, the Coupons (as defined below) and the Trust Deed are guaranteed (such guarantee, the “**Guarantee**”) by National Grid plc (the “**Guarantor**”) as described below and in the Trust Deed. The Guarantee was authorised by a resolution of the Finance Committee of the board of directors of the Guarantor passed on 29 July 2019. The Securities are constituted by a trust deed (as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 5 September 2019 between the Issuer, 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 holders of the Securities (the “**Holders**”). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities, of the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”), of the Talons appertaining to Securities in definitive form and of the Guarantee. Copies of (i) the Trust Deed and (ii) the paying agency agreement (as amended and/or supplemented and/or restated from time to time, the “**Paying Agency Agreement**”) dated 5 September 2019 relating to the Securities between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as the initial principal paying agent and calculation agent (the “**Principal Paying Agent**” and the “**Calculation Agent**”, which expressions shall include any successors thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection by prior arrangement during usual business hours at the principal office of the Trustee and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the Securities) (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, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

### 1 **Form, Denomination and Title**

#### *(a) Form and Denomination*

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and one Talon attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

#### *(b) Title*

Title to the Securities, Coupons and each Talon passes by delivery. The holder of any Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

## 2 Status of the Securities and the Coupons

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and with any Parity Securities of the Issuer. The rights and claims of the Holders in respect of the Securities and the Couponholders in respect of the Coupons, in each case against the Issuer are subordinated as described in Condition 3.

## 3 Subordination of the Securities and the Coupons

### (a) General

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, (A)(x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security and matured but unpaid Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon), such amounts, if any, as would have been payable to the Holder of such Security and Couponholder if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder and Couponholder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares of the Issuer**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary shares, but ranking junior to the claims of holders of all Senior Obligations of the Issuer (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder and Couponholder were entitled to receive in respect of each Notional Preference Share of the Issuer on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and, in the case of a Coupon and its Couponholder, any accrued and unpaid interest represented by such Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up). For the purpose of construing the provisions of the Guarantee and the Guarantor’s payment obligations in respect thereof, the latter amounts shall be treated as due and payable by the Issuer on the date such order is made or such resolution is passed or notice is given, as the case may be and, consequently, a claim under the Guarantee in respect of such amount may be made on, or at any time after, such date.

*Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders under the Guarantee, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the Holders or Couponholders may expect to obtain from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupons), as the case may be, and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.*

**(b) *Set-off***

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

#### **4 Guarantee**

**(a) *Guarantee***

The payment of the principal, premium and interest in respect of the Securities and the Coupons and all other monies payable by the Issuer under or pursuant to the Securities, the Coupons and/or the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee.

**(b) *Status of the Guarantee***

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank *pari passu* and without any preference or priority among themselves and with any Parity Securities of the Guarantor. The rights and claims of the Holders and the Couponholders in respect of the Guarantee against the Guarantor are subordinated as described in Condition 4(c).

**(c) *Subordination of the Guarantee***

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Guarantor (A) (x) of a “successor in business” (as defined in the Trust Deed) of the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 15; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Guarantor being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Guarantor under the Guarantee in respect of each Security and matured but unpaid Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon), such amounts, if any, as would have been payable to the Holder of such Security and Couponholder if, on the

day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder and Couponholder were the holder of one of a class of preference shares in the capital of the Guarantor (“**Notional Preference Shares of the Guarantor**”) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of the ordinary share capital of the Guarantor and any other obligations of the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary shares, but ranking junior to the claims of holders of all Senior Obligations of the Guarantor (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder and Couponholder were entitled to receive in respect of each Notional Preference Share of the Guarantor on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and, in the case of a Coupon and its Couponholder, any accrued and unpaid interest represented by such Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up).

*Accordingly, without prejudice to the rights of the Trustee, the Holders and the Couponholders against the Issuer, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any winding-up or analogous proceedings of the Guarantor before the Holders or Couponholders may expect to obtain from the Guarantor any recovery pursuant to the Guarantee in respect of their Securities or matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupons), as the case may be, under the Guarantee and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.*

**(d) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Securities, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

## **5 Interest Payments**

**(a) Interest Payment Dates**

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 5 September 2019 (the “**Issue Date**”) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 5.

Subject to Condition 6, interest shall be payable on the Securities annually in arrear on 5 September in each year (each an “**Interest Payment Date**”) and ending on the Maturity Date, as provided in this Condition 5.

**(b) Interest Accrual**

The Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 7 or the date of substitution or variation thereof pursuant to Condition 8, as the case may be, unless, upon due presentation, payment

of all unpaid amounts in respect of the Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 5(c), where it is necessary to compute an amount of interest in respect of any Security for a period which is less than or equal to a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (“**day-count fraction**”). Where it is necessary to compute an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The amount of interest calculated per Calculation Amount for any period shall, save as provided in Condition 5(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

**(c) Initial Interest Rate**

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 2.125 per cent. per annum (the “**Initial Interest Rate**”). The Interest Payment in respect of each such Interest Period will amount to €21.25 per Calculation Amount.

**(d) Reset Interest Rates**

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5-year Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a “**Reset Interest Rate**”).

**(e) Determination of Reset Interest Rates and Calculation of Interest Amounts**

The Calculation Agent will, as soon as practicable after 11.00 hours (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the “**Interest Amount**”).

**(f) Publication of Reset Interest Rates and Interest Amounts**

Unless the Securities are to be redeemed on the First Reset Date, the Issuer (failing which the Guarantor) shall cause notice of each Reset Interest Rate and the related Interest Amount per Calculation Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 18, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

**(g) *Calculation Agent and Reference Banks***

Unless the Securities are to be redeemed on the First Reset Date, the Issuer and the Guarantor will, no later than fourteen days before the first Reset Interest Determination Date, appoint and thereafter maintain a Calculation Agent.

The Issuer and the Guarantor may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer and the Guarantor shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(h) *Determinations of Calculation Agent Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence as aforesaid) no liability to the Holders, the Couponholders, the Issuer or the Guarantor shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**(i) *Benchmark Event***

(i) Notwithstanding the provisions above in this Condition 5, if the Issuer or the Guarantor determines that a Benchmark Event has occurred when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer and the Guarantor shall use their reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to advise the Issuer and the Guarantor in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(i)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(i)(iv)).

In making such determination and any other determination pursuant to this Condition 5(i), the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Agents, the Holders or the Couponholders for any advice given to the Issuer and/or the Guarantor in connection with any determination made by the Issuer and the Guarantor, pursuant to this Condition 5(i).

If the Issuer and the Guarantor fail to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(i)(i) prior to the relevant Reset Interest Determination Date in respect of a relevant Reset Period, the 5-year Swap Rate applicable to the next succeeding Interest Period ending during that Reset Period shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(i).

(ii) If the Issuer and the Guarantor, following consultation with the Independent Adviser or acting alone, as the case may be, determine that:

- (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 5(i)); or
  - (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 5(i)).
- (iii) The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
  - (iv) If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(i) and the Issuer and the Guarantor, following consultation with the Independent Adviser, determine (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer and the Guarantor shall, subject to giving notice thereof in accordance with Condition 5(i)(v), without any requirement for the consent or approval of Holders or the Couponholders, 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 and the Guarantor, but subject to receipt by the Trustee and the Principal Paying Agent of a certificate signed by two Directors of the Guarantor pursuant to Condition 5(i)(v), the Trustee and the Principal Paying Agent shall (at the expense and direction of the Issuer and the Guarantor), without any requirement for the consent or approval of the Holders or Couponholders be obliged to concur with the Issuer and the Guarantor in using their reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and/or the Agency Agreement) and the Trustee and the Principal Paying Agent shall not be liable to any party for any consequences thereof, provided that the Trustee and the Principal Paying Agent shall not be obliged so to concur if in the opinion of the Trustee or the Principal Paying Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it 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 5(i)(iv), the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 5(i), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer and the Guarantor, the same could reasonably be expected to cause a Rating Capital Event to occur.

- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(i) will be notified promptly by the Issuer or the Guarantor to the Trustee, the Agents and, in accordance with Condition 18, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Agents of the same, the Issuer or (as applicable) the Guarantor shall deliver to the Trustee and the Agents a certificate signed by two Directors of the Guarantor:

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(i); and
- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread 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 and the Benchmark Amendments (if any) and without prejudice to the Trustee's and the Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Agents, the Holders and the Couponholders.

- (vi) Without prejudice to the obligations of the Issuer and the Guarantor under Condition 5(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(d) and the related definitions will continue to apply unless and until the Issuer and the Guarantor determine that a Benchmark Event has occurred and the Trustee and the Agents have been notified of the Successor Rate or the Alternative Rate (as the case may be), and the Adjustment Spread and any Benchmark Amendments, in accordance with Condition 5(i)(v).
- (vii) As used in this Condition 5(i):

**“Adjustment Spread”** means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (b) the Issuer and the Guarantor, following consultation with the Independent Adviser or acting alone, as the case may be, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer and the Guarantor determine that no such spread is customarily applied)



- (c) the Issuer and the Guarantor, following consultation with the Independent Adviser or acting alone, as the case may be, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer and the Guarantor, following consultation with the Independent Adviser, determines is customarily applied in international debt capital markets transactions for the purposes of determining resettable rates of interest (or the relevant component part thereof) in euro.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(i)(iv).

“**Benchmark Event**” means:

- (1) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally or in respect of the Securities; or
- (5) a public statement by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used; or
- (6) it has or will become unlawful for any Agent or the Issuer to calculate any payments due to be made to any Holders using the Original Reference Rate,

provided that in the case of sub-paragraphs (2), (3), (4) and (5), the Benchmark Event shall be deemed to occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer and the Guarantor at their expense under Condition 5(i)(i) and notified in writing to the Trustee.

“**Original Reference Rate**” means the originally specified benchmark or screen rate (as applicable) used to determine the Reset Interest Rate (or any component part thereof) on the Securities (or, if applicable, any other Successor Rate or Alternative Rate (or any component part thereof) determined and applicable to the Securities pursuant to the earlier application of Condition 5(i)).

“**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.

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

## 6 Optional Interest Deferral

### (a) *Deferral of Interest Payments*

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (any such deferred Interest Payment, a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not more than 30 nor less than 7 Business Days prior to the relevant Interest Payment Date. Subject to Condition 6(c), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date in accordance with this Condition 6(a), then neither it nor the Guarantor will have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach of its obligations under the Securities or the Guarantee or for any other purpose.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being “**Deferred Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 6(c), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Deferred Interest (or part thereof) shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose, unless such payment is required in accordance with Condition 6(c).

### (b) *Optional payment of Deferred Interest*

Deferred Interest may be paid at the option of the Issuer in whole or in part at any time (the “**Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 18, the Trustee and the Principal Paying Agent not more than 30 nor less than 7 Business Days prior to the relevant Deferred Interest Settlement Date informing them of its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.

**(c) *Mandatory payment of Deferred Interest***

Notwithstanding the proceeding provisions of this Condition 6, the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event;
- (ii) the next scheduled Interest Payment Date if the Issuer pays interest on the Securities on such date;
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 3, Condition 4, any paragraph of Condition 7 or Condition 12; and
- (iv) the date on which the Securities are substituted for, or where the terms of the Securities are varied so that they become, Qualifying Securities in accordance with Condition 8.

## **7 Redemption**

**(a) *Final Redemption Date***

Unless previously repaid, redeemed, purchased and cancelled or (pursuant to Condition 8) substituted as provided in these Conditions, the Securities will be redeemed on the Maturity Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the Maturity Date (including any accrued but unpaid Deferred Interest).

**(b) *Issuer's Call Option***

The Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Securities on any Optional Redemption Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**(c) *Redemption for Taxation Reasons***

If, immediately prior to the giving of the notice referred to below, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount in the case of a Withholding Tax Event, or, in the case of a Tax Deductibility Event, (i) 101 per cent. of their principal amount where such redemption occurs before 5 June 2027, or (ii) 100 per cent. of their principal amount where such redemption occurs on or after 5 June 2027, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(d) *Redemption for Rating Reasons***

If, immediately prior to the giving of the notice referred to below, a Rating Capital Event has occurred and is continuing, then the Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at (i) 101 per cent. of their principal amount, where such redemption occurs before 5 June 2027, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after 5 June 2027,

together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(e) *Redemption Following Substantial Repurchase***

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable) and subject to Condition 9, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

## **8 Substitution or Variation**

If a Rating Capital Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 9 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 8 have been complied with, and having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 18, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 8 and subject to the receipt by it of the certificate of the directors of the Guarantor referred to in Condition 9 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 8.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 6(c).

The Trustee shall use reasonable endeavours to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as the case may be, become, Qualifying Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities, or the participation in or assistance with such substitution or variation, would impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 7.

In connection with any substitution or variation in accordance with this Condition 8, the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

## **9 Preconditions to Special Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 7 (other than redemption pursuant to Condition 7(b)) or any notice of substitution or variation pursuant to Condition 8, the Guarantor shall deliver

to the Trustee a certificate signed by two directors of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer or the Guarantor, as the case may be, to be taken, the relevant Special Event cannot be avoided by the Issuer or the Guarantor, as the case may be, taking such measures. In relation to a substitution or variation pursuant to Condition 8, such certificate shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities, that such determination was reached by the Guarantor in consultation with an independent investment bank or counsel and that the criteria specified in paragraphs (a) to (g) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Securities in accordance with Condition 7 or any substitution or variation of the Securities in accordance with Condition 8 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 6 on or prior to the date of such redemption, substitution or, as the case may be, variation, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

## **10 Purchases and Cancellation**

### **(a) Purchases**

Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

### **(b) Cancellation**

All Securities redeemed or substituted by the Issuer pursuant to Condition 7 or 8, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may, at the option of the Issuer or the Guarantor, as the case may be, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent. Securities held by the Issuer, the Guarantor and/or any of their respective Subsidiaries shall not entitle the holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 15.

## **11 Payments**

### **(a) Method of Payment**

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as

appropriate) of the Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the Target System.

- (ii) Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 14).

**(b) *Payments Subject to Fiscal Laws***

Without prejudice to the terms of Condition 13, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

**(c) *Days for Payments***

A Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and New York (and, in the case of payment by transfer to a euro account, a day on which the Target System is operating). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date.

## **12 Events of Default**

**(a) *Proceedings***

If a default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of principal or in respect of any interest (including any Deferred Interest) in respect of the Securities which is due and payable, then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the Coupons and the Trustee at its discretion may (subject to Condition 12(c)), and if so requested by the holders of at least one-quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor for such payment.

**(b) *Enforcement***

The Trustee may at its discretion (subject to Condition 12(c)) and without further notice institute such actions, steps or proceedings against the Issuer and/or the Guarantor, as the case may be, as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor, as the case may be, under the Trust Deed, the Securities or the Coupons but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) ***Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or 12(b) above against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed, the Securities or the Coupons or any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) ***Right of Holders***

No Holder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor or to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up or administration of the Issuer and/or the Guarantor and/or claim in the liquidation or administration of the Issuer and/or the Guarantor unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails or is unable to do so within 60 days and such failure or inability shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 12.

(e) ***Extent of Holders' remedy***

No remedy against the Issuer and/or the Guarantor, other than as referred to in this Condition 12, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Securities, the Coupons or under the Trust Deed (including the Guarantee) or in respect of any breach by the Issuer and/or the Guarantor of any of its/their other obligations under or in respect of the Securities, the Coupons or the Trust Deed.

### **13 Taxation**

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Securities and the Coupons or by or on behalf of the Guarantor in respect of the Guarantee shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature ("**Taxes**") imposed or levied by or on behalf of the United Kingdom or any political subdivision of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Holders and the Couponholders of such amounts as would have been receivable in respect of the Securities or Coupons had no such withholding or deduction been made, except that no such Additional Amounts shall be payable in respect of any Security or Coupon:

- (a) presented for payment by or on behalf of, a person who is liable to such taxes or duties in respect of such Security or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Security or Coupon; or
- (b) presented for payment by or on behalf of a person 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) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to such additional amounts on presenting the same for payment on such 30th day (assuming that day to have been a day on which presentation for payment is permitted by Condition 11(c)); or

- (d) presented for payment by or on behalf of a Holder or Couponholder 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 these Conditions or the Trust Deed, any amounts to be paid on the Securities by or on behalf of the Issuer or the Guarantor 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**”). None of the Issuer, the Guarantor nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

#### **14 Prescription**

Claims against the Issuer and/or the Guarantor in respect of Securities and Coupons (which for this purpose shall not include Talons) or under the Guarantee will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Securities and the Guarantee (in respect of claims relating to principal and premium) and five years in the case of Coupons and the Guarantee (in respect of claims relating to interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 14 or Condition 11(a)(iii).

#### **15 Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests or those of Couponholders, 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 Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3 and/or Condition 4, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities, any applicable premium or the Interest Rate or modifying or cancelling the Guarantee) and certain other provisions of the Trust Deed, the quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments required by the Issuer or Guarantor pursuant to Condition 5(i), any variation of these Conditions and/or the



Trust Deed required to be made in the circumstances described in Condition 8 in connection with the substitution or variation of the terms of the Securities so that they remain or become Qualifying Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 8.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, 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 Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders 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 Holders.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute actions, steps or proceedings for the winding-up of the Issuer and/or the Guarantor in circumstances which are more extensive than those set out in Condition 12). In addition, the Trustee and the Principal Paying Agent shall be obliged to concur with the Issuer and the Guarantor in using their reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5(i) without the consent or approval of the Holders or Couponholders. Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 18, as soon as practicable.

The Trust Deed contains provisions permitting the Trustee to agree, subject to the Trustee being satisfied that the interests of the Holders and Couponholders will not be materially prejudiced by the substitution and to such amendment of the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2, 3 and 4 of any other company (any such entity, a “**Substituted Obligor**”) in place of the Issuer or the Guarantor, as the case may be, (or any previous Substituted Obligor under this Condition) as, in the case of the Issuer, a new principal debtor under the Trust Deed, the Securities, the Coupons and the Talons or, in the case of the Guarantor, a new guarantor under the Trust Deed on terms *mutatis mutandis* as those of the Guarantee.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 15), the Trustee shall have regard to the general interests of the Holders and Couponholders as a class but shall not have regard to the consequences of such substitution or such exercise for individual Holders or Couponholders. In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Guarantor, the Substituted Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders or Couponholders, except to the extent already provided in Condition 13 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 18 as soon as practicable thereafter.

## **16 Replacement of the Securities, Coupons and Talons**

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 18, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Security, 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 on demand the amount payable by the Issuer in respect of such Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before any replacement Securities, Coupons or Talons will be issued.

## **17 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification or prefunding of, and/or provision of security for, the Trustee and for its relief from responsibility. 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, the Guarantor or any of their respective subsidiary undertakings, parent undertakings, joint ventures or associated undertakings. The Trustee may rely without liability to Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Holders.

## **18 Notices**

Notices required to be given to Holders pursuant to these Conditions will be valid if published in a daily newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in another leading daily English language newspaper of 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, on the first date on which such publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

## **19 Further Issues**

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

## 20 Paying Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that the Issuer and the Guarantor will:

- (a) at all times maintain a Principal Paying Agent; and
- (b) at all times maintain a Paying Agent having its specified office in a major European city, which shall be London so long as the Securities are admitted to the Official List and admitted to trading on the London Stock Exchange's Main Market.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 18.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer and the Guarantor shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

## 21 Governing Law and Jurisdiction

The Trust Deed, the Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Trust Deed, the Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them.

The Issuer 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.

Nothing in this Condition 21 prevents the Trustee or any Holder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Holders may take concurrent Proceedings in any number of jurisdictions.

## 22 Contracts (Rights of Third Parties) Act 1999

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

## 23 Definitions

In these Conditions:

“**5-year Swap Rate**” means (i) the annualised mid-swap rate with a term of five years as displayed on the Reset Screen Page as at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date or, (ii) if the 5-year Swap Rate does not appear on such screen page at such time on the relevant Reset Interest Determination Date, the 5-year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

The “**5-year Swap Rate Quotations**” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

- (a) has a term of five years commencing on the relevant Reset Date;

- (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Act/360 day count basis);

“**2032 Step-up Date**” means 5 September 2032;

“**2047 Step-up Date**” means 5 September 2047;

“**Additional Amounts**” has the meaning given in Condition 13;

“**Agents**” means the Paying Agents and the Calculation Agent;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and the Target System is operating;

“**Calculation Agent**” has the meaning given to it in the preamble to these Conditions;

“**Calculation Amount**” has the meaning given to it in Condition 5(b);

Each of the following is a “**Compulsory Payment Event**”:

- (i) (subject as provided below) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor declares or pays any distribution or dividend (other than a dividend declared by the Issuer or the Guarantor, as the case may be, before the earliest Deferral Notice in respect of the then-outstanding Deferred Interest was given in accordance with Condition 6(a)) or makes any other payment on, the ordinary share capital of the Issuer or the Guarantor or any Parity Securities of the Issuer or any Parity Securities of the Guarantor (other than, for the avoidance of doubt, the payment or making of a dividend or distribution by any Subsidiary of the Issuer and/or the Guarantor on any of its share capital or other securities which do not benefit from a guarantee or support agreement of the type referred to in the definition of either Parity Securities of the Issuer or Parity Securities of the Guarantor) except where (A) such distribution or dividend or other payment was required to be made in respect of any stock option plan of the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor; or (B) such distribution dividend or other payment was required to be declared, paid or made under the terms of such Parity Securities of the Issuer or Parity Securities of the Guarantor or by mandatory operation of law;
- (ii) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor redeems, purchases, cancels, reduces or otherwise acquires, any ordinary shares of the Issuer, any ordinary shares of the Guarantor, any Parity Securities of the Issuer or any Parity Securities of the Guarantor, except where (A) such redemption, purchase, cancellation, reduction or other acquisition was required to be made in respect of any stock option plan or employee share scheme of the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor; (B) such redemption, purchase, cancellation, reduction or other acquisition is effected as a public cash tender offer or public exchange offer in respect of Parity Securities of the Issuer or Parity Securities of the Guarantor at a purchase price per security which is below its par value; or (C) the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor is obliged under the terms and conditions of such Parity Securities of the Issuer or Parity Securities of the Guarantor or by mandatory operation of law to make such redemption, purchase, cancellation, reduction or other acquisition,

A Compulsory Payment Event shall not occur pursuant to paragraph (i) above in respect of any *pro rata* payment of deferred interest on a Parity Security of the Issuer and/or any Parity Security of the Guarantor which is made simultaneously with a *pro rata* payment of any Deferred Interest provided that such *pro rata* payment on a Parity Security of the Issuer and/or a Parity Security of the Guarantor is not proportionately more than the *pro rata* settlement of any such Deferred Interest.

“**Conditions**” means these terms and conditions of the Securities, as amended from time to time;

“**Coupon**” has the meaning given in the preamble to these Conditions;

“**Couponholder**” has the meaning given in the preamble to these Conditions;

“**Deferred Interest**” has the meaning given in Condition 6(a);

“**Deferred Interest Settlement Date**” has the meaning given in Condition 6(a);

“**Deferral Notice**” has the meaning given in Condition 6(a);

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate;

“**Euro zone**” means the zone comprising the Member States of the European Union which adopt or have adopted the Euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended;

“**euro**” or “**€**” means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**First Reset Date**” means 5 September 2027;

“**Guarantee**” has the meaning given in the preamble to these Conditions;

“**Guarantor**” means National Grid plc;

“**Holder**” has the meaning given in the preamble to these Conditions;

“**Initial Interest Rate**” has the meaning given in Condition 5(c);

“**Interest Amount**” has the meaning given in Condition 5(e);

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 5;

“**Interest Payment Date**” has the meaning given in Condition 5(a);

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

“**Interest Rate**” means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

“**Issue Date**” has the meaning given in Condition 5(a);

“**Issuer**” means NGG Finance plc;

“**Margin**” means (i) 2.532 per cent. per annum from and including the First Reset Date to (but excluding) the 2032 Step-up Date (ii) 2.782 per cent. per annum from (and including) the 2032 Step-up Date to (but excluding) the 2047 Step-up Date and (iii) 3.532 per cent. per annum from (and including) the 2047 Step-up Date to (but excluding) the Maturity Date;

“**Maturity Date**” means 5 September 2082;

“**Notional Preference Shares of the Guarantor**” has the meaning given in Condition 4;

“**Notional Preference Shares of the Issuer**” has the meaning given in Condition 3;

“**Official List**” means the Official List of the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended or superseded);

“**Optional Redemption Date**” means (i) any Business Day from (and including) 5 June 2027 to (and including) the First Reset Date and (ii) each Interest Payment Date thereafter;

“**Parity Securities of the Guarantor**” means (if any) the most junior class of preference share capital in the Guarantor and any other obligations of (i) the Guarantor, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee or such preference shares or (ii) any Subsidiary of the Guarantor (other than the Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee or such preference shares;

“**Parity Securities of the Issuer**” means (if any) the most junior class of preference share capital in the Issuer and any other obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares or (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Securities or such preference shares;

“**Paying Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Paying Agents**” has the meaning given to it in the preamble to these Conditions;

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Qualifying Securities**” means securities that contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Guarantor (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two directors of the Guarantor shall have been delivered to the Trustee prior to the substitution or variation of the Securities upon which certificate the Trustee shall rely absolutely), provided that:

- (a) they shall be issued by the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a winding-up or administration (in circumstances where the administrator has given notice of its intention to declare and distribute a dividend) of the Issuer with the Securities and the Guarantor with the Guarantee; and
- (c) they shall contain terms which provide for the same Interest Rate from time to time applying to the Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer and the Guarantor as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under these Conditions to any accrued interest which has accrued to Holders and not been paid: and
- (f) they shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall otherwise contain substantially identical terms (as reasonably determined by the Guarantor) to the Securities, save where (without prejudice to the requirement that the terms are not materially less favourable to Holders than the terms of the Securities as described above) any modifications to such

terms are required to be made to avoid the occurrence or effect of a Rating Capital Event, a Tax Deductibility Event or, as the case may be, a Withholding Tax Event; and

- (h) they shall be (i) listed on the Official List and admitted to trading on the London Stock Exchange's Main Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Guarantor;

**“Rating Agency”** means Fitch Ratings Limited or any of its subsidiaries and their successors or Moody's Investors Service, Ltd. or any of its subsidiaries and their successors or S&P Global Ratings Europe Limited or any of its subsidiaries and their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Guarantor from time to time with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of the Holders);

a **“Rating Capital Event”** shall be deemed to occur if the Issuer and/or Guarantor has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency that, as a result of a change, or proposed change, in its hybrid capital methodology or the interpretation thereof which becomes, or would become, effective on or after 5 September 2019, the Securities will no longer be eligible for the same, or higher amount of, “equity credit” (or such other nomenclature as the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date or, if later, at the time when the relevant Rating Agency first publishes its confirmation of the “equity credit” attributed by it to the Securities;

**“Recognised Stock Exchange”** means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

**“Relevant Date”** means:

- (a) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor, as the case may be, in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 18; and
- (b) in respect of any sum (i) to be paid by or on behalf of the Issuer or the Guarantor, as the case may be, in a winding-up of the Issuer or the Guarantor, as the case may be, or (ii) if following the appointment of an administrator of the Issuer or the Guarantor, as the case may be, the administrator gives notice of an intention to declare and distribute a dividend, to be paid by the administrator by way of such dividend, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

**“Reset Date”** means the First Reset Date and each fifth anniversary thereof up to and including 5 September 2077;

**“Reset Interest Determination Date”** means the day falling two Business Days prior to the relevant Reset Date;

**“Reset Interest Rate”** has the meaning given in Condition 5(d);

**“Reset Period”** means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and **“relevant Reset Period”** shall be construed accordingly;

**“Reset Reference Bank Rate”** means the percentage rate determined on the basis of the 5-year Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the applicable Reset Reference Bank Rate shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent;

**“Reset Reference Banks”** means five leading swap dealers in the interbank market selected by the Calculation Agent after consultation with the Guarantor;

**“Reset Screen Page”** means Reuters screen “ICESWAP2” or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Calculation Agent, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity;

**“Securities”** has the meaning given in the preamble to these Conditions;

**“Senior Obligations of the Guarantor”** means all obligations of the Guarantor issued directly or indirectly by it (including, without limitation, any obligation of the Guarantor under any guarantee which ranks or is expressed to rank *pari passu* with the most senior present or future preferred stock or preference shares of the Guarantor and with any present or future guarantee entered into by the Guarantor in respect of any of the most senior present or future preferred stock or preference stock of any Subsidiary of the Guarantor) other than Parity Securities of the Guarantor and the ordinary share capital of the Guarantor;

**“Senior Obligations of the Issuer”** means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Securities of the Issuer and the ordinary share capital of the Issuer;

**“Special Event”** means any of a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

**“Subsidiary”** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and **“Subsidiaries”** shall be construed accordingly;

**“Substantial Repurchase Event”** shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer, the Guarantor or any of their respective Subsidiaries repurchases (and effects corresponding cancellations) or redeems Securities in respect of 75 per cent. or more in the principal amount of the Securities initially issued (which shall for this purpose include any further securities issued pursuant to Condition 19);

**“Substituted Obligor”** has the meaning given in Condition 15;

**“Talons”** has the meaning given in the preamble to these Conditions;

**“Target System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

**“Taxes”** has the meaning given in Condition 13;

a **“Tax Deductibility Event”** shall be deemed to have occurred if as a result of a Tax Law Change:

- (a) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer or (provided there has been no default by the Issuer in respect of such Interest Payment



and the Guarantor is treated for tax purposes as payer of that Interest Payment) the Guarantor would not be entitled to claim a deduction in respect of the expense recognised by the Issuer for accounting purposes as attributable to such Interest Payment in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced or materially delayed (a “**disallowance**”); or

- (b) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer or (provided there has been no default by the Issuer in respect of such Interest Payment and the Guarantor is treated for tax purposes as payer of that Interest Payment) the Guarantor would not to any material extent be entitled to have any loss attributable to, or resulting from, such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 5 September 2019 or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance in (a);

and, in each case, the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it;

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which the United Kingdom is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 5 September 2019;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

a “**Withholding Tax Event**” shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities or the Guarantee, the Issuer or the Guarantor, as the case may be, has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing in connection with the Securities or the Guarantee, as the case may be, by taking reasonable measures available to it.

*The following paragraph does not form part of the terms and conditions of the Securities.*

*The Issuer and the Guarantor intend (without thereby assuming a legal obligation), that if they redeem the Securities pursuant to Condition 7(b) or repurchase the Securities, they will so redeem or repurchase the Securities only to the extent the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer, the Guarantor or any Subsidiary of the Guarantor from the sale or issuance by the Issuer, the Guarantor or such Subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P Global Ratings Europe Limited (“S&P”), as the case may be, an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:*

- (i) *the issuer credit rating assigned by S&P to the Guarantor is at least “A-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*

- (ii) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years; or*
- (iii) the Securities are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or*
- (iv) in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued or guaranteed by the Guarantor remaining outstanding after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or*
- (v) such redemption or repurchase occurs on or after 5 September 2047.*

## **SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM**

### **Initial Issue of Securities**

Upon the initial deposit of a Temporary Global Security with a common depository for Euroclear and Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each subscriber with a principal amount of the relevant Securities equal to the principal amount of those Securities for which it has subscribed and paid.

The records of such clearing system shall be conclusive evidence of the principal amount of the relevant Securities represented by each Temporary Global Security 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.

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

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

The Trustee may call for any certificate or other document to be issued by Euroclear or Clearstream, Luxembourg as to the principal amount of relevant Securities represented by a Global Security 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 in 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 or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

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

The Global Securities will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive Definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Securities. While the Securities are represented by one or more Global Securities, investors will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Securities are represented by one or more Global Securities, the Issuer will discharge its payment obligations under such Securities by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Securities. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Securities.

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

## **Exchange**

### **1 Temporary Global Securities**

Each Temporary Global Security will be exchangeable, free of charge to the holder, on or after its Exchange Date, in whole or in part upon certification as to non-U.S. beneficial ownership substantially in the form set out in the relevant Paying Agency Agreement for interests in a Permanent Global Security.

### **2 Permanent Global Securities**

Each Permanent Global Security will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Securities if the relevant Permanent Global Security is held on behalf of Euroclear or Clearstream, Luxembourg 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 Permanent Global Security is exchanged for Definitive Securities, such Definitive Securities shall be issued in the denomination(s) specified in the relevant Conditions only. A Holder who holds a principal amount of less than the minimum so specified denomination will not receive a Definitive Security in respect of such holding and would need to purchase a principal amount of the relevant Securities such that it holds an amount equal to one or more such specified denominations.

### **3 Delivery of Securities**

On or after any due date for exchange the holder of a Global Security may surrender such Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for any Global Security, or the part of that Global Security to be exchanged, the Issuer will (a) in the case of a Temporary Global Security exchangeable for a Permanent Global Security, deliver, or procure the delivery of, the relevant Permanent Global Security in an aggregate principal amount equal to that of the whole or that part of the relevant Temporary Global Security that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, the relevant Permanent Global Security to reflect such exchange or (b) in the case of a Permanent Global Security exchangeable for Definitive Securities, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Securities. In this Prospectus, “**Definitive Securities**” means, in relation to any Permanent Global Security, the Definitive Securities for which such Permanent Global Security may be exchanged (if appropriate, having attached to them all Coupons that have not already been paid on the Global Security and a Talon). Definitive Securities 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 relevant Trust Deed. On exchange in full of each Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Securities.

### **4 Exchange Date**

“**Exchange Date**” means, in relation to a Temporary Global Security, the day falling after the expiry of 40 days after its issue date which is expected to be 16 October 2019 and, in relation to a Permanent Global Security, a day falling not less than 60 days, after that day 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 Principal Paying Agent is located and in the city in which the relevant clearing system is located.

## **Amendment to Conditions**

The Temporary Global Securities and Permanent Global Securities contain provisions that apply to the Securities which they represent, some of which modify the effect of the terms and conditions of the Securities 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 Temporary Global Security unless exchange for an interest in the relevant Permanent Global Security is improperly withheld or refused. Payments on any Temporary Global Security will only be made against presentation of certification as to non-U.S. beneficial ownership substantially in the form set out in the relevant Paying Agency Agreement. All payments in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the relevant Securities, surrender of such Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Securities. 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 Security, the relevant place of presentation shall be disregarded for the Securities in the relevant Condition 11(c) (*Days for Payments*).

The records of the relevant clearing systems which reflect the amount of the Holders' interests in the relevant Securities shall be conclusive evidence of the principal amount of relevant Securities represented by the relevant Global Securities.

### **2 Prescription**

Claims against the Issuer and/or the Guarantor in respect of Securities which are represented by a Permanent Global Security will become void unless it is presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the relevant Condition 23 (*Definitions*)).

### **3 Meetings**

The holder of a Permanent Global Security shall (unless such Permanent Global Security represents only one Security) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each €1,000 in principal amount of the 2079 Euro Securities or, as the case may be, €1,000 in principal amount of the 2082 Euro Securities.

### **4 Cancellation**

Cancellation of any Security represented by a Permanent Global Security which is required by the relevant Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Security.

## **5 Purchase**

Securities represented by a Permanent Global Security may only be purchased by the Issuer, the Guarantor or any of their respective Subsidiaries if they are purchased together with the right to receive all future payments of interest on those Securities.

## **6 Issuer's Option**

Any option of the Issuer provided for in the relevant Conditions while Securities of a Tranche are represented by a Permanent Global Security shall be exercised by the Issuer giving notice to the Holders within the time limits set out in and containing the information required by the relevant Conditions.

## **7 Trustee's Powers**

In considering the interests of Holders while any Global Security 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 Security and may consider such interests as if such accountholders were the holders of the Securities represented by such Global Security.

## **8 Notices**

So long as any Securities are represented by a Global Security and such Global Security is held on behalf of a clearing system, notices to the holders of Securities of that Tranche 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 relevant Conditions or by delivery of the relevant notice to the holder of the Global Security. Any such notice shall be deemed to have been given to the Holders on the day on which such notice is delivered to the relevant clearing system or to the holder of the Global Security.

## DESCRIPTION OF THE ISSUER

### Incorporation and Business

NGG Finance plc, the Issuer, is a finance vehicle and a member of the National Grid Group. It was incorporated on 21 May 2001 in England and Wales as a company with limited liability under registered number 4220381 and is a wholly-owned subsidiary of the Guarantor. The Issuer re-registered as a public limited company under the Companies Act 1985 on 27 July 2001.

The authorised and issued share capital of the Issuer comprises 1,925,000 ordinary shares of £1 each of which 1,924,967 are held by the Guarantor and 33 are held by National Grid Nominees Limited on trust for the Guarantor.

The address of the Issuer's registered office is c/o National Grid plc, 1-3 Strand, London, WC2N 5EH and the telephone number of the registered office is +44 20 7004 3000.

### Subsidiaries

As at the date of this Prospectus the Issuer has no subsidiaries.

### Directors

The Directors of the Issuer and their principal activities outside of the Issuer are as follows:

<b>Name</b>	<b>Title</b>	<b>Principal activities outside NGG Finance plc</b>
Andrew Agg	Director	Director of National Grid Holdings One plc ("NGH1") and certain other wholly owned subsidiaries of National Grid plc.
Simon Grant	Director	Director of NGH1 and certain other wholly owned subsidiaries of National Grid plc.
Stuart Humphreys	Director	Director of NGH1 and certain other wholly owned subsidiaries of National Grid plc.
Alexandra Lewis	Director	Director of NGH1 and certain other wholly owned subsidiaries of National Grid plc.
Andrew Mead	Director	Director of NGH1 and certain other wholly owned subsidiaries of National Grid plc.

The business address of each of the Directors of the Issuer is 1-3 Strand, London, WC2N 5EH.

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

## DESCRIPTION OF THE GUARANTOR

### Overview

National Grid plc (“**National Grid**”) is the name of the holding company of the group of companies (the “**National Grid Group**”) which was the product of a recommended merger between National Grid Group plc and Lattice Group plc (now Lattice Group Limited, “**Lattice**”). This merger was implemented by way of a sanctioned scheme of arrangement under the Companies Act 1985 between Lattice and its shareholders and was completed on 21 October 2002. Following the closing of the merger, National Grid Group plc was renamed National Grid Transco plc and on 26 July 2005 it changed its name to National Grid plc.

National Grid was incorporated in England and Wales on 11 July 2000 as a public company limited by shares under the Companies Act 1985. The address of National Grid’s registered office is 1-3 Strand, London, WC2N 5EH and the telephone number of the main switchboard at the registered office is +44 20 7004 3000. The website of the Guarantor is <https://www.nationalgrid.com/group>. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see “*Documents incorporated by reference*”.

National Grid is, directly or indirectly, the ultimate holding company of all the companies in the National Grid Group and its assets are substantially comprised of shares in such companies. National Grid does not conduct any other business and is accordingly dependent on the other members of the National Grid Group and revenues received from them.

National Grid’s senior unsecured debt obligations are rated BBB+ by S&P, BBB+ by Fitch and Baa1 by Moody’s and its short-term debt obligations are rated A2 by S&P, F2 by Fitch and P2 by Moody’s. S&P, Fitch and Moody’s are established in the European Union and registered under the CRA Regulation.

### Introduction

National Grid’s principal operations are the ownership and operation of regulated electricity and gas infrastructure networks in the U.K. and the U.S. National Grid also has interests in related markets, including electricity interconnectors, U.K. based gas metering activities, U.K. based liquefied natural gas (“**LNG**”) storage and importation facilities, U.K. property management, U.S. based LNG operations, U.S. based non-regulated gas transmission pipelines and other corporate activities.

On 31 March 2017, National Grid sold a 61 per cent. interest in its UK Gas Distribution business (now known as Cadent) to a consortium comprising Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management and others (the “**Consortium**”) and, at the same time, entered into an agreement with the Consortium for the potential future sale and purchase of an additional 14 per cent. equity interest in Cadent. On 30 April 2018, National Grid entered into a further agreement with the Consortium for the potential future sale and purchase of the remaining 25 per cent. equity interest in Cadent. National Grid’s sale of its remaining 39 per cent. equity interest to the Consortium completed at the end of June 2019.

In January 2017, National Grid issued a joint statement with the U.K.’s Office of Gas and Electricity Markets (“**Ofgem**”) and the UK Government about the enhanced role of the Electricity System Operator function and National Grid has, with effect from 1 April 2019 established a legally separate electricity transmission system operator company (“**ESO**”) within the National Grid Group to which relevant parts of the NGET transmission licence have been transferred.



## **Business overview**

### **Principal activities and markets**

National Grid's principal activities, which are reported by segments reflecting the management responsibilities and economic characteristics of each activity, are as follows:

- U.K. Electricity Transmission;
- U.K. Gas Transmission;
- U.S. Regulated; and
- National Grid Ventures and Other.

'National Grid Ventures' brings together key assets outside National Grid's core regulated businesses which it reports as an additional segment along with certain 'other' businesses, comprising assets including property (for the management, clean up and disposal of surplus sites in the U.K., most of which are former gas works), insurance and corporate centre costs.

National Grid's principal subsidiaries are: National Grid Electricity Transmission plc, which owns its U.K. electricity transmission business; National Grid Gas plc ("NGG"), which owns its U.K. gas transmission business; and National Grid USA ("NGUSA"), the holding company for its U.S. electricity transmission, electricity distribution and generation, and gas distribution businesses.

NGUSA's more significant subsidiary companies include KeySpan Corporation, which directly or indirectly owns public utilities consisting of Boston Gas Company, Colonial Gas Company, The Brooklyn Union Gas Company and KeySpan Gas East Corp. Other significant subsidiaries directly or indirectly owned by NGUSA include Niagara Mohawk Power Corporation, Massachusetts Electric Company, The Narragansett Electric Company, New England Power Company, Nantucket Electric Company and National Grid Generation LLC.

National Grid's objects and purposes are not restricted by its Articles of Association.

### **U.K. Electricity Transmission**

National Grid owns the electricity transmission system in England and Wales. Its networks comprise approximately 7,212 kilometres (4,481 miles) of overhead line, 2,280 kilometres (1,417 miles) of underground cable and 347 substations. The ESO now operates as a separate company within National Grid effective from 1 April 2019. The ESO is responsible for making sure supply and demand of electricity is balanced in real time across Great Britain. Day-to-day operation of the system involves the continuous real-time matching of demand and generation output.

### **U.K. Gas Transmission**

National Grid owns and operates the gas national transmission system in Great Britain, with day-to-day responsibility for balancing demand. Its network comprises approximately 7,660 kilometres (4,760 miles) of high pressure pipes and 24 compressor stations.

### **U.S. Regulated**

National Grid owns and operates electricity distribution networks in upstate New York, Massachusetts, and Rhode Island. National Grid's U.S. gas distribution networks provide services to consumers across the north-eastern U.S., located in service territories in upstate New York, New York City, Long Island, Massachusetts and Rhode Island. National Grid jointly owns and operates an electricity transmission system of approximately 14,293 kilometres (8,881 miles) of overhead line spanning upstate New York, Massachusetts, Rhode Island, New Hampshire and Vermont operating 169 kilometres (105 miles) of underground cable and 377 transmission

substations. National Grid owns and operates an electricity distribution network of approximately 117,230 kilometres (72,844 miles) and 763 distribution substations in New England and upstate New York and a gas distribution network of approximately 57,228 kilometres (35,560 miles) of gas pipeline serving an area of approximately 25,659 square kilometres (9,907 square miles). Its network also consists of approximately 787 kilometres (490 miles) of gas transmission pipe, as defined by the US Department of Transportation.

In the U.S., National Grid is responsible for billing, customer service and supply services.

### **National Grid Ventures and Other activities**

National Grid Ventures manages a diverse portfolio of energy businesses that are adjacent to National Grid's core regulated operations. This operating segment represents its main strategic growth area outside the regulated core in competitive markets across the US and the UK. The business comprises all commercial operations in energy metering, transporting primarily renewable energy long distances through electricity interconnectors and storing liquefied natural gas (LNG) in the UK.

In November 2018, National Grid Partners was established with a focus on investment and future activities in emerging growth areas.

Other activities mainly relate to UK property activities, together with corporate activities in the UK and US.

**Grain LNG:** National Grid Grain LNG Limited is one of three LNG importation facilities in the U.K. It operates under long-term contracts with customers and provides importation services of ship berthing, temporary storage and re-gasification into the national transmission system. National Grid's road tanker loading facility offers the U.K.'s transport and off-grid industrial sector a more environmentally friendly alternative to diesel or heavy fuel oil and allows road tanker operators to load and transport LNG in bulk.

**Interconnectors:** The England-France interconnector ("IFA") is a 2,000 MW high-voltage direct current ("HVDC") link between the French and British transmission systems with ownership shared between National Grid and Réseau de Transport d'Electricité. A substantial proportion of the flow continues to be in the import direction, from France to Great Britain with availability at 93.9 per cent. in the financial year ended 31 March 2019. BritNed Development Limited ("BritNed") is a joint venture between National Grid and TenneT, the Dutch transmission system operator, which built and now owns and operates a 1,000 MW HVDC link between the U.K. and the Netherlands, for which availability was 98.2 per cent. in the financial year ended 31 March 2019. BritNed, which entered into commercial operations on 1 April 2011, is a merchant interconnector that sells its capacity via a range of explicit and implicit auction products. As with IFA, a substantial proportion of the flow is in the import direction from the Netherlands to Great Britain. Nemo Link Limited ("Nemo"), which started operating on 31 January 2019, is an independent joint venture between National Grid and Elia, the Belgian transmission system operator. It owns and operates a 1 GW HVDC link between Great Britain and Belgium. Nemo's availability was 99.9 per cent. to 31 March 2019. Construction is now underway for two new interconnectors, between the U.K. and Norway (known as North Sea Link, due to be operational in 2021/22) and a second interconnector between the U.K. and France (known as IFA2, expected to be operational in 2020). In September 2018, National Grid took a final investment decision to build an interconnector with Denmark (known as Viking Link, expected to be operational in 2024).

**Metering:** National Grid Metering Limited provides installation and maintenance services to energy suppliers in the regulated market in Great Britain. It maintains an asset base of around 9.9 million domestic, industrial and commercial meters. National Grid continues to work with its customers on areas for improvement by exploring additional products and services so National Grid can respond to the rapidly changing non-domestic sector.

**U.S. Competitive transmission:** Orsted-owned renewables developer, Deepwater Wind, partnering together with National Grid, has won competitive tenders to supply electricity from the Revolution Wind offshore wind

farm to distribution utilities in Rhode Island and Connecticut. The proposed 700 MW wind farm will be located over 15 miles south of the Rhode Island and Massachusetts coasts in Deepwater Wind's federal lease area. Deepwater Wind expects Revolution Wind to be operational in late 2023, pending permits and final investment decisions. National Grid has the option to acquire the transmission connection between Revolution Wind and the onshore electric transmission network.

**U.S. large-scale renewables:** On 11 July 2019 National Grid completed its previously announced acquisition of Geronimo Energy, a Minnesota-based wind and solar developer, for \$100 million plus potential further payments subject to the development of Geronimo's project pipeline. Also on 11 July 2019, National Grid entered into a joint venture arrangement with the Washington State Investment Board pursuant to which National Grid made an initial capital contribution of approximately \$113 million for a 51 per cent. share of the joint venture. The joint venture currently holds 378 MW of solar and wind generation projects in operation and construction and has the right of first offer for future projects developed by Geronimo Energy.

**U.K. Property:** National Grid Property is responsible in the U.K. for the management, regeneration and disposal of surplus sites, most of which are former gas works. The specialist team works with communities to return these redundant sites back into beneficial use to provide new homes and employment opportunities across the UK.

**U.S. non-regulated businesses:** Some of National Grid's businesses are not subject to state or federal rate-making authority, including interests in certain of National Grid's LNG road transportation, certain gas transmission pipelines and certain commercial services relating to solar installations, fuel cells and other new technologies.

## **Regulatory environment**

National Grid's securities are listed on the London Stock Exchange and on the New York Stock Exchange and, as a consequence, National Grid is subject to regulation by the Financial Conduct Authority in the U.K., and by the U.S. Securities and Exchange Commission ("SEC") and the stock exchanges themselves.

National Grid operates in a highly-regulated environment, which means that good relationships with economic and safety regulators, in addition to its other stakeholders, are essential because they set the frameworks within which its businesses operate.

### **U.K. Regulation**

National Grid's licences are established under the Gas Act 1986 and Electricity Act 1989, as amended (together the "Acts"). The Acts require the licencees to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of gas and electricity in Great Britain. They also give National Grid statutory powers. These include the right to bury its pipes or cables under public highways and the ability to use compulsory powers to purchase land to enable the conduct of its business. National Grid's networks are regulated by Ofgem, which has a statutory duty under the Acts to protect the interests of consumers. As part of National Grid's licences, Ofgem established price controls that limit the amount of revenue National Grid's regulated businesses can earn. This gives National Grid a specified level of revenue for the duration of the price control that is sufficient to meet its statutory duties and licence obligations, and make a reasonable return on its investments. The price control includes a number of mechanisms designed to help achieve its objectives, including financial incentives that encourage National Grid to: (i) efficiently deliver by investment and maintenance the network outputs that customers and stakeholders require, including reliable supplies, new connections and infrastructure capacity; (ii) innovate in order to continuously improve the services it gives its customers, stakeholders and communities; and (iii) efficiently balance the transmission networks to support the wholesale markets.

The main price controls for electricity and gas transmission networks came into effect on 1 April 2013 for the eight-year period until 31 March 2021. They follow the RIIO (revenue = incentives + innovation + outputs) framework established by Ofgem.

Following the sale of a majority interest in Cadent on 31 March 2017, Cadent now has responsibility for operating within the price controls relating to its four gas distribution networks. The sale of National Grid's remaining 39 per cent. share in the Cadent gas distribution business completed in June 2019.

National Grid's U.K. Electricity Transmission and U.K. Gas Transmission businesses operate under four separate price controls. These comprise two for the U.K. electricity transmission operations, one covering its role as transmission owner ("TO") and the other for its role as ESO; and two for its gas transmission operations, again one as TO and one as ESO. In addition to the four regulated network price controls, there is also a tariff cap price control applied to certain elements of domestic sized metering activities carried out by National Grid Metering and also regulation of its electricity interconnector interests.

Interconnectors derive their revenues from sales of capacity to users who wish to move power between market areas with different prices. Under European Union legislation, these capacity sales are classified as congestion revenues because the market price differences result from congestion on the established interconnector capacity which limits full price convergence. European Union legislation governs how congestion revenues may be used and how interconnection capacity is allocated. It requires all interconnection capacity to be allocated to the market through auctions. Under U.K. legislation, interconnection businesses must be separate from transmission businesses.

There is a range of different regulatory models available for interconnector projects. These involve various levels of regulatory intervention, ranging from fully merchant (the project is fully reliant on sales of interconnector capacity) to 'cap and floor' (where sales revenues above the cap are returned to transmission system users and revenues below the floor are topped up by transmission system users, thus reducing the overall project risk). The cap and floor regime is now the regulated route for interconnector investment in Great Britain and may be sought by project developers who do not qualify or do not wish to apply for exemptions from European Union legislation which would facilitate a merchant development.

## **RIIO price controls**

The building blocks of the RIIO price control are broadly similar to the historical price controls used in the U.K. However, there are some significant differences in the mechanics of the calculations.

Under RIIO, the outputs National Grid delivers are explicitly articulated and its allowed revenues are linked to their delivery. These outputs have been determined through an extensive consultation process, which has given stakeholders a greater opportunity to influence the decisions.

There are five output categories for transmission under the current RIIO price controls:

- **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; and
- **Customer connections:** encouraging networks to connect customers quickly and efficiently.

Within each of these output categories are a number of primary and secondary deliverables, reflecting what National Grid's stakeholders want it to deliver over the price control period. The nature and number of these deliverables varies according to the output category, with some being linked directly to its allowed revenue, some linked to legislation, and others having only a reputational impact. Ofgem, using information submitted by National Grid along with independent assessments, determines the efficient level of expected costs necessary to deliver them. Under RIIO this is known as totex, which is a component of total allowable expenditure ("**totex**"), and is broadly the sum of what was defined in previous price controls as operating expenditure ("**opex**") and capital expenditure ("**capex**").

A number of assumptions are necessary in setting allowances for these outputs, including the volumes of work that will be needed and the price of the various external inputs to achieve them. Consequently, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to totex allowances if actual input prices or volumes differ from the assumptions. These mechanisms protect National Grid and its customers from windfall gains and losses.

Where National Grid under or over-spends the allowed totex for reasons that are not covered by uncertainty mechanisms, there is a sharing factor. This means that the under- or over-spend is shared between National Grid and its customers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for National Grid to provide the outputs efficiently, as National Grid is able to keep a portion of the savings it makes, with the remainder benefiting its customers.

The extended length of the price control to eight years is one of the ways that the first round of RIIO price controls has given innovation more prominence. Innovation refers to all the new ways of working that deliver outputs more efficiently. The broader challenge has an impact on everyone in National Grid's business.

Allowed revenue to fund totex costs is split between RIIO fast and slow money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex that National Grid is able to recover in the next available year. Slow money is added to its regulatory asset value ("**RAV**") – effectively the regulatory IOU.

In addition to fast money, in each year National Grid is allowed to recover a portion of the RAV (regulatory depreciation) and a return on the outstanding RAV balance. Regulatory depreciation in electricity and gas transmission permits recovery of RAV consistent with each addition bringing equal real benefit to consumers for a period of up to 45 years. National Grid is also allowed to collect additional revenues related to noncontrollable costs and incentives. In addition to totex sharing, RIIO incentive mechanisms can increase or decrease National Grid's allowed revenue to reflect its performance against various other measures related to its outputs. For example, performance against National Grid's customer and stakeholder satisfaction targets can have a positive or negative effect of up to 1 per cent. of allowed annual revenues. Many of National Grid's incentives affect its revenues two years after the year of performance.

During the eight-year period of the price control, the regulator included a provision for a mid-period review. This was completed during 2017 and led to some changes in allowances relating to certain specific costs. Further to the mid-period review, National Grid volunteered that £480 million (in 2009/2010 prices) of allowances for electricity transmission investments should be deferred and in August 2017 Ofgem determined how the RIIO allowances would be correspondingly adjusted.

The RIIO-T1 price controls for transmission included a ‘reopener mechanism’. This covered specific cost categories where there was uncertainty about expenditure requirements at the time of setting allowances. The mechanism specified two windows during which networks could propose adjustments to allowances: one in May 2015 and another in May 2018. Both UK ET and UK GT requested additional funding under this mechanism in May 2018, leading to some changes to the allowed revenues.

### **Competition in onshore transmission**

Ofgem stated in its final decision on the RIIO-T1 control for electricity transmission that it would consider holding a competition to appoint the constructor and owner of suitably large new transmission projects, rather than including these new outputs and allowances in existing transmission licensee price controls. In the absence of the legislation needed to support a competition, at the end of July 2018, and after consultation, Ofgem decided to fund the delivery of the Hinkley-Seabank electricity transmission project by National Grid the ‘Competition Proxy Model’. This regulatory model seeks to replicate the outcome of an efficient competitive process for the financing, construction and operation of the project and to provide National Grid Electricity Transmission with a project-specific revenue allowance over the period of its construction and 25 years of operation, but with reduced allowances reflecting prices that Ofgem has observed in other competitions. In addition, in September 2018 Ofgem consulted on the commercial and regulatory framework for the Special Purpose Vehicle (“SPV”) model of competition in onshore electricity transmission. This is an alternative model that could in the future be used for projects meeting the competition criteria (new, high value and separable). Under this model, the incumbent transmission owner would run a competition for the construction, financing and operation of a new, separable and high-value project through a project-specific SPV.

### **RIIO-T2**

Ofgem has started work on the next round of RIIO price controls, (“**RIIO-T2**”) for the energy network sectors it regulates, including both gas and electricity transmission. It has consulted on a wide range of topics, including incentives, outputs, the cost of capital and other financial parameters. Decisions that have already been taken include reducing the price control duration back to five years from eight years, extending the role of competition where appropriate from electricity transmission to other sectors and moving away from the U.K. Retail Prices Index (“**RPI**”) to Consumer Price Index including owner-occupiers’ housing costs (“**CPIH**”) for inflation measurement when calculating RAV and allowed returns. In addition, Ofgem has proposed a methodology the baseline allowed cost of equity which it said, based on evidence available in December 2018, points to a value that is lower than under the current RIIO price controls. The RIIO-T2 price controls will also apply, in part, to the ESO, however, due to the nature of its activities some elements are less applicable to the ESO, and Ofgem has proposed that the duration of its price control will be two years rather than five.

National Grid and other stakeholders will continue to work with Ofgem to develop the framework and parameters for RIIO-T2. National Grid will submit business plans in December 2019 and Ofgem is expected to publish a final view on the price control allowances for transmission companies by the end of 2020.

## **U.S. Regulation**

### **Regulators**

In the US, public utilities’ retail transactions are regulated by state utility commissions. The commissions serve as economic regulators, approving cost recovery and authorised rates of return. The state commissions establish the retail rates to recover the cost of transmission and distribution services, and focus on services and costs within their jurisdictions. They also serve the public interest by making sure utilities provide safe and reliable services at just and reasonable prices. The commissions establish service standards and approve public utility mergers and acquisitions.

Utilities are regulated at the federal level by the Federal Energy Regulatory Commission (“FERC”) for wholesale transactions, such as interstate transmission and wholesale electricity sales, including rates for these services. FERC also regulates public utility holding companies and centralised service companies, including those of National Grid’s US businesses

### **Regulatory process**

The US regulatory regime is premised on allowing the utility the opportunity to recover its cost of service and earn a reasonable return on its investments as determined by the commission. Utilities submit formal rate filings (rate cases) to the relevant state regulator when additional revenues are necessary to provide safe, reliable service to customers. Utilities can be compelled to file a rate case, either due to complaints filed with the commission or at the commission’s own discretion.

The rate case is typically litigated with parties representing customers and other interests. In the states where National Grid operates, it can take nine to 13 months for the commission to render a final decision. The utility is required to prove that the requested rate change is prudent and reasonable, and the requested rate plan can span multiple years. Unlike the state processes, the federal regulator has no specified timeline for adjudicating a rate case; typically it makes a final decision retroactive when the case is completed.

Gas and electricity rates are established from a revenue requirement, or cost of service, equal to the utility’s total cost of providing distribution or delivery service to its customers, as approved by the commission in the rate case. This revenue requirement includes operating expenses, depreciation, taxes and a fair and reasonable return on shareholder capital invested in certain components of the utility’s regulated asset base. This is typically referred to as its rate base.

The final revenue requirement and rates for service are approved in the rate case decision. The revenue requirement is derived from a comprehensive study of the utility’s total costs during a recent 12-month period of operations, referred to as a test year. Each commission has its own rules and standards for adjustments to the test year. These may include forecast capital investments and operating costs.

### **National Grid’s rate plans**

Each operating company has a set of rates for service. National Grid has three electric distribution operations (one in each of upstate New York, Massachusetts, and Rhode Island) and six gas distribution networks (one in each of upstate New York, New York City and Long Island, two in Massachusetts, and one in Rhode Island). National Grid’s operating companies have revenue decoupling mechanisms that de-link the companies’ revenues from the quantity of energy delivered and billed to customers. These mechanisms remove the natural disincentive utility companies have for promoting and encouraging customer participation in energy efficiency programmes that lower energy end use and thus distribution volumes.

National Grid’s rate plans are designed to produce a specific allowed return on equity (“ROE”), by reference to an allowed operating expense level and rate base. Some rate plans include earnings sharing mechanisms that allow National Grid to retain a proportion of the earnings above the allowed ROE it achieves through improving efficiency, with the balance benefiting customers.

In addition, National Grid’s performance under certain rate plans is subject to service performance targets. National Grid may be subject to monetary penalties in cases where it does not meet those targets.

One measure used to monitor the performance of National Grid’s regulated businesses is a comparison of achieved ROE to allowed ROE. However, this measure cannot be used in isolation, as several factors may prevent National Grid from achieving the allowed ROE. These include financial market conditions, regulatory lag and decisions by the regulator preventing cost recovery in rates from customers.

National Grid works to increase achieved ROE through:

- productivity improvements;
- positive performance against incentives or earned savings mechanisms, such as available energy-efficiency programmes; and
- filing a new rate case when achieved returns are lower than those the Company could reasonably expect to attain through a new rate case.

### **Features of National Grid's rate plans**

National Grid bills its U.S. customers for their use of electricity and gas services. Customer bills typically comprise a commodity charge, covering the cost of the electricity or gas delivered, and charges covering its delivery service. With the exception of residential gas customers in Rhode Island, National Grid's U.S. customers are allowed to select an unregulated competitive supplier for the supply component of electricity and gas utility services. A substantial proportion of National Grid's costs, in particular electricity and gas commodity purchases, are pass-through costs, meaning they are fully recoverable from its customers. These pass-through costs are recovered through separate charges to customers which are designed to recover those costs with no profit. Rates are adjusted from time to time to make sure that any over- or under-recovery of these costs is returned to, or recovered from, National Grid's customers.

National Grid's FERC-regulated transmission companies use formula rates (instead of rate cases) to set rates annually to recover their cost of service. Through the use of annual true ups, formula rates recover National Grid's actual costs incurred and the allowed ROE based on the actual transmission rate base each year. National Grid must make annual formula rate filings documenting the revenue requirement, which customers can review and challenge.

Revenue for National Grid's wholesale transmission businesses in New England and New York is collected from wholesale transmission customers, who are typically other utilities and include National Grid's own New England electricity distribution businesses. With the exception of upstate New York, which continues to combine retail transmission and distribution rates to end use customers, these wholesale transmission costs are incurred by distribution utilities on behalf of their customers and are fully recovered as a pass-through from end use customers as approved by each state commission.

National Grid's Long Island generation plants sell capacity to the Long Island Power Authority ("LIPA") under 15-year and 25-year power supply agreements and within wholesale tariffs approved by FERC. Through the use of cost-based formula rates, these long-term contracts provide a similar economic effect to cost of service rate regulation.

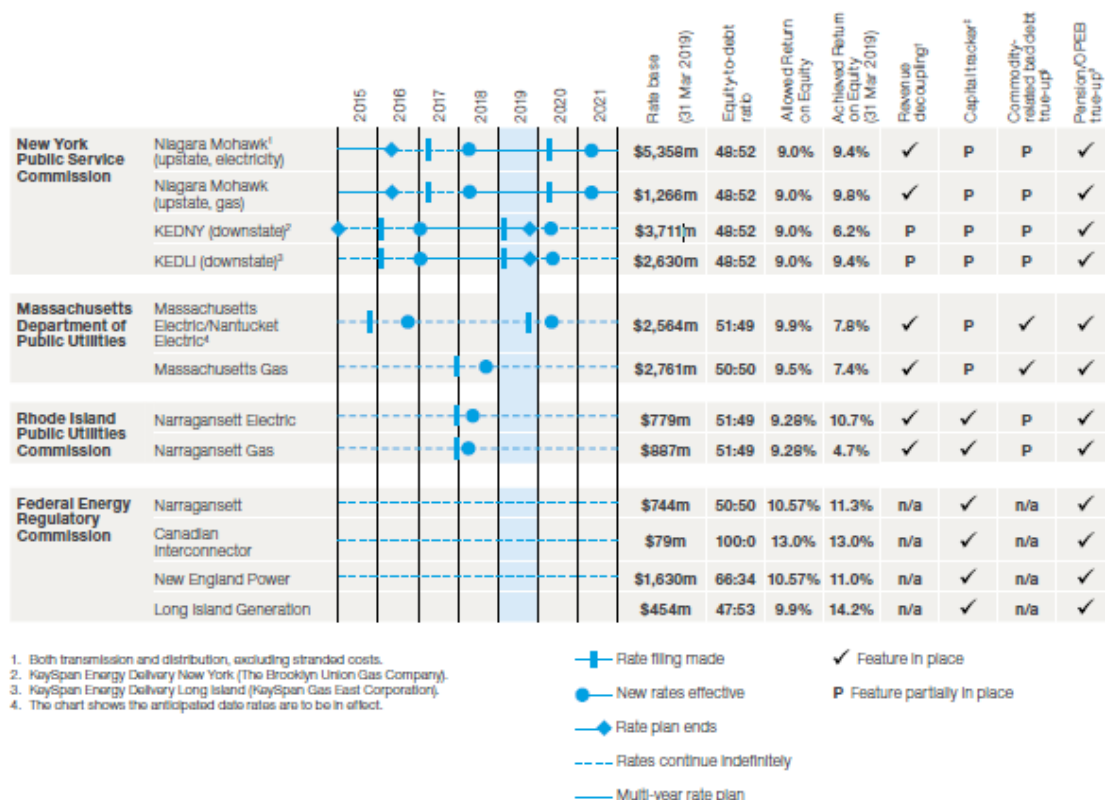
### **U.S. regulatory filings**

The objectives of National Grid's rate case filings are to make sure that National Grid has the right cost of service with the ability to earn a fair and reasonable rate of return, while providing safe, reliable and economical service to National Grid's customers. In order to achieve these objectives and to reduce regulatory lag, National Grid has been requesting structural changes, such as revenue decoupling mechanisms, capital trackers, commodity-related bad debt true ups, and pension and other post-employment benefit ("OPEB") true ups, separately from base rates. These terms are explained below in the table under the heading "*Summary of U.S. price controls and rate plans*".

Below is a summary of significant developments in rate filings and the regulatory environment during the year. Following the final stabilisation upgrade to its new financial systems and the availability of 12 months of historical test year data from those financial systems, National Grid concluded a first round of full rate case filings in fiscal year 2017, with a final rate case decision for Massachusetts Electric in September 2016, and



followed by approval of three-year rate plans for KeySpan Energy Delivery New York (“KEDNY”) and KeySpan Energy Delivery Rhode Island (“KEDLI”) in December 2016. In fiscal year 2017/18, National Grid made a second round of full rate case filings with Niagara Mohawk (electric and gas) in April 2017, Boston Gas and Colonial Gas in November 2017, and The Narragansett Electric Company also in November 2017. A Joint Proposal, setting forth a three-year rate plan for Niagara Mohawk was approved by the New York State Public Service Commission (“NYPSC”) in March 2018. An Amended Settlement Agreement setting forth a three-year rate plan for The Narragansett Electric Company was approved by the Rhode Island Public Utilities Commission in August 2018. In fiscal year 2018/19, National Grid made a full rate case filing again for Massachusetts Electric in November 2018, and, most recently, in fiscal year 2019/20, it made another full rate case filing for KEDNY and KEDLI in April 2019. These filings are expected to capture the benefit of recent increased investments in asset replacement and network reliability, and reflect long-term growth in costs, including property tax and healthcare costs. Along with a clear focus on productivity, the filings are key to improving achieved returns in the Company’s US electric and gas distribution activities.



†**Revenue decoupling:** A mechanism that removes the link between a utility’s revenue and sales volume so that the utility is indifferent to changes in usage. Revenues are reconciled to a revenue target, with differences billed or credited to customers. Allows the utility to support energy efficiency.

‡**Capital tracker:** A mechanism that allows for the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.

§**Commodity related bad debt true up:** A mechanism that allows a utility to reconcile commodity related bad debt to either actual commodity related bad debt or to a specified commodity related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.

◊**Pension/OPEB true up:** A mechanism that reconciles the actual non capitalised costs of pension and other post-employment benefits and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case.

## Impact of U.S. Tax Reform

Tax is a pass-through for utilities in the US. The reduction in the corporate tax rate from 35 per cent. to 21 per cent., resulting from the enactment of the federal Tax Cuts & Jobs Act of 2017 (the “**Act**”), is significantly beneficial to customers. The lower tax rate will be reflected in the collection of a lower tax allowance from customers.

National Grid’s upstate New York, Massachusetts Gas and Rhode Island utilities were all undergoing rate negotiations at the time the Act was enacted. National Grid has now updated the revenue requests for the prospective portion of the tax collection in each of these businesses. These companies represent 48 per cent. of the rate base, with a total revenue impact of approximately \$130 million. National Grid’s FERC businesses operate under formula rates. As a result, the majority of the full annual revenue impact (approximately \$50 million) of tax reform in these businesses was included in rates for the year ended 2018/19.

New York and Massachusetts regulators have conducted open generic proceedings to address the treatment of any tax savings. In New York, the regulator adopted proposals by KEDNY, KEDLI and Niagara Mohawk regarding the means and timing of how the tax benefits would be passed to customers. In Massachusetts the lower tax rate began to reduce revenue on 1 July 2018 for the electric business and 1 October 2018 for the gas business. In Rhode Island, the revenue effect of the lower federal rate began on 1 September 2018. The lower collections in revenue offset the lower tax charge, so there is no material impact to earnings under International Financial Reporting Standards (“**IFRS**”) or under Generally Accepted Accounting Principles in the U.S. (“**US GAAP**”). National Grid’s cash flows will reduce as it is currently in a net operating loss position for the purposes of calculating taxable profits in its US group. This means there is no offsetting reduction in cash tax payments.

## Recent trends, uncertainties and demands

Save as disclosed under “*Risk Factors – Factors that may affect the Issuer’s and the Guarantor’s ability to fulfil their respective obligations under or in connection with the Securities*” and “*Regulatory Environment*”, National Grid is not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its prospects for the current financial year.

## Board of Directors

The Directors of National Grid and their functions and principal activities outside the National Grid Group, are as follows:

Name	Title	Principal activities outside the National Grid Group
Sir Peter Gershon	Chairman (Non-Executive)	New Executive Chairman of the Aircraft Carrier Alliance Management Board and of Dreadnought Alliance, Trustee of The Sutton Trust Board and of the Education Endowment Foundation, Chairman of Join

<b>Name</b>	<b>Title</b>	<b>Principal activities outside the National Grid Group</b>
John Pettigrew	Chief Executive	Dementia Research Partnership Board and Board Member of The Investor Forum CIC. Member of Government's Inclusive Economy Partnership and the CBI's Presidents Committee and Non-Executive Director of Rentokil Initial plc.
Andy Agg	Interim Finance Director	None.
Jonathan Dawson	Non-Executive Director	Chairman of River and Mercantile Group PLC, Chairman of Crown Lodge Management Company Limited and Crown Lodge Freehold Limited, and Chairman and founding partner of Penfida Limited.
Therese Esperdy	Non-Executive Director	Trustee of Brooklyn Academy of Music, Non-Executive Director of Moody's Corporation and Non-Executive Director of Imperial Brands plc.
Paul Golby	Non-Executive Director	Chairman of Costain Group plc and of the U.K. National Air Traffic Services, Director of the Foundation for Science and Technology, Director of the Electrical Research (ERA) Association and a member of the Prime Minister's Council for Science and Technology.
Amanda Mesler	Non-Executive Director	Chief Executive Officer of Earthport plc, Chief Executive Officer of Earthport Ltd and Director of Women Can Limited,
Dean Seavers	Executive Director, U.S.	Board advisor to City Light Capital, Board member of Red Hawk Fire & Security, LLC and Non-Executive Director of Albermarle Corporation
Nicola Shaw	Executive Director, U.K.	Non-Executive Director of International Consolidated Airlines Group S.A., Director of Major Projects Association, Director of Energy Networks Association Limited,
Earl Shipp	Non-Executive Director	Non-Executive Director of Olin Corporation, Non-Executive Director of CHI St Luke's Health System of Texas
Jonathan Silver	Non-Executive Director	Director of Intellihot Inc, Director of Tax Equity Advisors LLC and Director of Plug Power Inc.
Mark Williamson	Non-Executive Director	Chairman of Imperial Brands plc and Chairman of Spectris plc.

The business address of each of the above is 1-3 Strand, London WC2N 5EH.

No actual or potential conflicts of interest between the duties to National Grid of any of the Directors listed above and their private interests or other duties were identified over the last year.

Andy Agg, having been acting Interim Chief Financial Officer (CFO) since Andrew Bonfield stepped down from the Board on 30 July 2018, was appointed as CFO with effect from 1 January 2019. Earl Shipp was appointed as a Non-Executive Director effective from 1 January 2019. Nora Mead Brownell resigned as a Non-Executive Director on 08 April 2019. Jonathan Silver was appointed as a Non-Executive Director on 16 May 2019.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Securities is expected to be approximately €1,246,609,375. Such proceeds will be used for the general corporate purposes of the Guarantor and its group, including the refinancing of the Issuer's existing 4.25 per cent. €1,250,000,000 Capital Securities with first call date on 18 June 2020.

## TAXATION

*The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer or the Guarantor and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the relevant Conditions). Any Holders who are in doubt as to their own tax position should consult their professional advisers. In particular, Holders should be aware that the tax legislation of any jurisdiction where a Holder is resident or otherwise subject to taxation (as well as the United Kingdom) may have an impact on the tax consequences of an investment in the Securities including in respect of any income received from the Securities.*

### **United Kingdom Taxation**

*The following applies only to persons who are the absolute beneficial owners of Securities and is a non-exhaustive summary of the Issuer's and the Guarantor's understanding of current United Kingdom tax law as applied in England & Wales and published HM Revenue and Customs ("HMRC") practice (which may not be binding on HMRC), in each case as at the latest practicable date before the publication of this Prospectus, relating to the United Kingdom withholding tax treatment of payments in respect of the Securities. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer and/or the Guarantor) to whom special rules may apply. The United Kingdom tax treatment of prospective Holders depends on their individual circumstances and may be subject to change in the future. Prospective Holders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

1. A payment of principal other than premium or discount in respect of any Securities will be payable without withholding or deduction for or on account of United Kingdom tax. No withholding or deduction for or on account of United Kingdom tax will arise in respect of a premium or discount unless it is regarded as interest, in which case paragraphs 2 to 4 below (as appropriate) will apply.
2. So long as the Securities carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the London Stock Exchange being such a recognised stock exchange for these purposes), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange.
3. In all other cases, interest on the Securities that has a United Kingdom source will generally be paid 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, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled, or to any notice to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.
4. The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Securities (or other amounts due under the Securities other than the repayment of amounts subscribed for the Securities) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption from withholding on account of United Kingdom tax 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 and they have a United Kingdom source, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

5. Any interest on any Securities is expected to have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment irrespective of the residence of a Holder. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Securities who are not resident for tax purposes in the United Kingdom (other than certain trustees), except where such persons carry on a trade, profession or vocation through a United Kingdom branch or agency or, in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Securities are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency or permanent establishment. Holders should note that the provisions relating to “Additional Amounts” referred to in Condition 13 would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. The provisions of an applicable double taxation treaty may also be relevant for such holders of the Securities.
6. Notwithstanding the fact that interest is received subject to deduction of income tax at source, holders of Securities may, however, be liable to pay further United Kingdom tax on the interest received or be entitled to a refund of all or part of the tax deducted at source depending on their individual circumstances.

#### **The Proposed Financial Transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (together, the “**participating Member States**”) and Estonia. However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

#### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, 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 Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, 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 Securities, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.



## SUBSCRIPTION AND SALE

J.P. Morgan Securities plc, Barclays Bank PLC, BNP Paribas, Goldman Sachs International, Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Mizuho International plc, NatWest Markets Plc and Société Générale (together, the “**Managers**”) have, pursuant to the Subscription Agreement (as defined below) dated 3 September 2019, jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the 2079 Euro Securities at an issue price of 100 per cent. of their principal amount and the 2082 Euro Securities at an issue price of 100 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment in respect of the Securities being made to the Issuer.

### United States

The Securities have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) 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 Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

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

### United Kingdom

Each Manager has represented and agreed that:

- (a) 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 Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

## **Prohibition of Sales to EEA Retail Investors**

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities 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; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **Hong Kong**

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Singapore**

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **Japan**

The Securities 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 Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **General**

No action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor or the Managers that would permit a public offering of the Securities, 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 comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Securities or have in their possession or distribute such offering material, in all cases at their own expense.

Each Manager has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this Prospectus or any other offering material and none of the Issuer, the Guarantor and any other Manager shall have responsibility for such material.

## GENERAL INFORMATION

1. The listing of the Securities of each Tranche on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Securities of each Tranche on the Official List and admission of the Securities of each Tranche to trading on the Market will be granted on or about 6 September 2019, subject in each case only to the issue of the relevant Temporary Global Security. Prior to official listing, dealings will be permitted by the Market in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
2. The issue of the Securities was authorised by a written resolution of the board of directors of the Issuer dated 20 August 2019 and the Guarantee was authorised by a resolution of the Finance Committee of the board of directors of the Guarantor passed on 29 July 2019.
3. There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have, or have in such period had, significant effects on the financial position or profitability of the Issuer, the Guarantor and/or the Guarantor and its subsidiaries (the “**Group**”).
4. There has been no significant change in the financial performance or position of the Issuer since 31 March 2019 to the date of this Prospectus and no significant change in the financial performance or position of the Guarantor or the Group since 31 March 2019 to the date of this Prospectus and no material adverse change in the prospects of the Issuer 31 March 2019 and no material adverse change in the prospects of the Guarantor or the Group since 31 March 2019.
5. Deloitte LLP, of 1 New Street Square, London, United Kingdom, EC4A 3HQ (registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements prepared under IFRS of the Issuer for the years ended 31 March 2019 and 31 March 2018.
6. Deloitte LLP, of 1 New Street Square, London, United Kingdom, EC4A 3HQ (registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements prepared under IFRS of the Guarantor for the years ended 31 March 2019 and 31 March 2018.
7. Each Security, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to the limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
8. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). In respect of the 2079 Euro Securities, the International Securities Identification Number (“**ISIN**”) is XS2010044977 and the Common Code is 201004497. In respect of the 2082 Euro Securities, the ISIN is XS2010045511 and the Common Code is 201004551. In respect of the 2079 Euro Securities, the Classification of Financial Instrument (“**CFI**”) code is DBFNFR, as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN and the Financial Instrument Short Name (“**FISN**”) code is NGG FINANCE PLC/EUR NT 20791205, as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN. In respect of the 2082 Euro Securities, the CFI code is DBFNFR, as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National

Numbering Agency that assigned the ISIN and the FISN code is NGG FINANCE PLC/EUR NT 20820905 RES, as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

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.

9. For the term of this Prospectus, starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available on the website of the Guarantor at <https://www.nationalgrid.com/group>:
  - (a) a copy of this Prospectus together with any supplement to this Prospectus or further prospectus;
  - (b) the Memorandum and Articles of Association of the Issuer;
  - (c) the Memorandum and Articles of Association of the Guarantor;
  - (d) the Documents Incorporated by Reference;
  - (e) the Trust Deed and the Paying Agency Agreement relating to the 2079 Euro Securities; and
  - (f) the Trust Deed and the Paying Agency Agreement relating to the 2082 Euro Securities.
10. In addition, this Prospectus will be available on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.
11. In relation to each Tranche, the Issuer and the Guarantor intend (without thereby assuming a legal obligation), that if they redeem the Securities pursuant to the relevant Condition 7(b) or repurchase the Securities of a Tranche, they will so redeem or repurchase the relevant Tranche only to the extent the aggregate principal amount of the Securities of the Tranche to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer, the Guarantor or any Subsidiary of the Guarantor from the sale or issuance by the Issuer, the Guarantor or such Subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P Global Ratings Europe Limited (“S&P”), as the case may be, an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the Tranche to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities of the relevant Tranche), unless:
  - (i) the rating assigned by S&P to the Guarantor is at least “A-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
  - (ii) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the Securities of the relevant Tranche originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the Securities of the relevant Tranche originally issued in any period of 10 consecutive years; or
  - (iii) the Securities of the relevant Tranche are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or
  - (iv) in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued or guaranteed by the Guarantor remaining outstanding

after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or

- (v) such redemption or repurchase occurs on or after 5 December 2044 (in the case of the 2079 Euro Securities) and 5 September 2047 (in the case of the 2082 Euro Securities).
12. For each Interest Period ending before the 2079 Euro Securities First Reset Date, the yield on the 2079 Euro Securities will be 1.625 per cent. per annum. For each Interest Period ending before the 2082 Euro Securities First Reset Date, the yield on the 2082 Euro Securities will be 2.125 per cent. per annum. The yield is calculated at the Issue Date on the basis of the relevant Issue Price. It is not an indication of future yield.
  13. The total expenses related to the admission of the Securities of each Tranche to the Official List and to trading on the Market are estimated to amount to £5,515.
  14. Certain of the Managers 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, the Guarantor 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 Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Managers 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 Issuer's or the Guarantor's securities, including potentially the Securities offered hereby. Any such positions could adversely affect future trading prices of the Securities offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

15. Save for the fees payable to the Managers, the Trustee and the Paying Agents, so far as the Issuer is aware, no person, natural or legal, involved in the issue of the Securities has an interest that is material to the issue of the Securities.
16. The Legal Entity Identifier (“LEI”) of the Guarantor is 8R95QZMKZLJX5Q2XR704.
17. The LEI of the Issuer is 549300MLDJ2T68G21W86.

**REGISTERED OFFICE OF NGG FINANCE PLC AND NATIONAL GRID PLC**

**c/o National Grid plc**  
1-3 Strand  
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**SOLE STRUCTURING AGENT TO THE ISSUER, JOINT GLOBAL COORDINATOR AND JOINT LEAD MANAGER**

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Canary Wharf  
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**JOINT GLOBAL COORDINATOR AND JOINT LEAD MANAGER**

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**JOINT LEAD MANAGERS**

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**CO-MANAGERS**

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United Kingdom

**Société Générale**  
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75009 Paris  
France

**AUDITORS OF NATIONAL GRID PLC AND NGG FINANCE PLC**

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**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
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100 Wood Street  
London EC2V 7EX

**PRINCIPAL PAYING AGENT AND CALCULATION AGENT**

**The Bank of New York Mellon, London Branch**  
One Canada Square  
London E14 5AL

**LEGAL ADVISORS**

*To the Issuer and the Guarantor as to English law*

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*To the Managers and the Trustee as to English law*

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