



ENW Finance plc
*(incorporated with limited liability under
the laws of England and Wales)*

£300,000,000
1.415 per cent. Guaranteed Bonds due 2030

guaranteed by

Electricity North West Limited
*(incorporated with limited liability under
the laws of England and Wales)*

The issue price of the £300,000,000 1.415 per cent. Guaranteed Bonds due 2030 (the “**Bonds**”) of ENW Finance plc (the “**Issuer**”) is 100 per cent. of their principal amount.

An investment in the Bonds involves certain risks. For a description of these risks see “Risk Factors” below.

Unless previously redeemed or cancelled, the Bonds will be redeemed at their principal amount on 30 July 2030. The Bonds are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Bonds may also be redeemed at the option of the Issuer, in whole or in part, at the higher of their principal amount and an amount calculated by reference to the yield on United Kingdom Government Stock together with accrued interest (other than (i) in the case of any date fixed for redemption which falls in the period from but excluding the date falling three months prior to the scheduled maturity date of the Bonds to but excluding the scheduled maturity date, or (ii), following the occurrence of a Substantial Purchase Event, in which case the Issuer may redeem the Bonds in whole only at their principal amount together with accrued interest). In addition, the holder of a Bonds may, by the exercise of the relevant option, require the Issuer to redeem such Bonds at its principal amount together with accrued interest on the occurrence of a Put Event. See “*Terms and Conditions of the Bonds—Redemption and Purchase*”.

The Bonds will bear interest from 30 July 2020 at the rate of 1.415 per cent. per annum payable annually in arrear on 30 July each year commencing on 30 July 2021.

Payments on the Bonds will be made in Sterling without deduction for or on account of taxes imposed or levied by the United Kingdom to the extent described under “*Terms and Conditions of the Bonds—Taxation*”. Electricity North West Limited (the “**Guarantor**”) will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds.

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”), as the competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The FCA only approves Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the Guarantor that are the subject of this Prospectus nor as an endorsement of the quality of any Bonds. Investors should make their own assessment as to the suitability of investing in such Bonds. Applications have been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the “**London Stock Exchange**”). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments, (as amended, “**MiFID II**”).

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the “**Securities Act**”) and are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in “*Subscription and Sale*”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 each. The Bonds will initially be in the form of a temporary global bond (the “**Temporary Global Bond**”), without interest coupons, which will be deposited on or around 30 July 2020 (the “**Closing Date**”) with a common safekeeper for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a permanent global bond (the “**Permanent Global Bond**”), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form with interest coupons attached. See “*Summary of Provisions Relating to the Bonds in Global Form*”.

The Bonds are expected to be rated upon issue BBB+ by S&P Global Ratings Europe Limited, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) and A- by Fitch Ratings Limited (“**Fitch**”). 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. Each of S&P and Fitch is established in the European Union (“**EU**”) or the United Kingdom and is registered in accordance with Regulation (EC) No. 1060/2009, as amended, of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”) and are included in the list of registered credit rating agencies published at the website of the European Securities and Markets Authority (“**ESMA**”). A rating is not a recommendation to buy, sell or hold Bonds and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

MiFID II professionals/ECPs-only/No PRIIPs KID: the Manufacturers' target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA.

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

HSBC

**Santander Corporate
Investment Banking**

28 July 2020

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IMPORTANT NOTICES

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of their knowledge the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Each of the Issuer and the Guarantor has confirmed to the Joint Lead Managers named under “*Subscription and Sale*” below (the “**Joint Lead Managers**”) that this Prospectus contains all information regarding the Issuer, the Guarantor and the Bonds (as applicable) which is (in the context of the issue of the Bonds) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Bonds other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers.

Neither the Joint Lead Managers, the Trustee nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer, the Guarantor or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Bonds. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

The distribution of this Prospectus and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Prospectus and other offering material relating to the Bonds, see “*Subscription and Sale*”.

In particular, the Bonds have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area, references to “**£**”, “**GBP**” and “**pounds**” are to the lawful currency of the United Kingdom

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

PROHIBITION OF SALES TO EEA OR UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”) or the United Kingdom. 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. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise

making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

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

HSBC Bank plc will not regard any actual or prospective holders of Bonds (whether or not a recipient of this Prospectus) as its client in relation to the offering described in this Prospectus and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections afforded to its clients nor for providing the services in relation to any offering described in this Prospectus or any transaction or arrangement referred to in this Prospectus. The other Joint Lead Manager reserves the right to consider whether holders or prospective holders of Bonds described in this Prospectus are "clients" for the purposes of the inducements regime on an individual basis.

INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus 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 statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Principal Paying Agent and on the website of the Guarantor at <https://www.enwl.co.uk/about-us/financial-investor-relations/financial-reports/>, unless such documents have been modified or superseded.

For ease of reference, the tables below set out the relevant page references for the financial statements, the notes to the financial statements and the Auditors' reports for the years ended 31 March 2019 and 21 March 2020 for each of the Issuer and the Guarantor, as set out in the respective annual reports.

ENW Finance plc

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Electricity North West Limited

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ENW Finance plc

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Electricity North West Limited

Consolidated Financial Statements Year ended 31 March 2019

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Any documents themselves incorporated by reference in the document incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

ALTERNATIVE PERFORMANCE MEASURES

ENWL uses adjusted figures, which are not defined by generally accepted accounting principles (“GAAP”) such as IFRS. Adjusted figures and underlying growth rates are presented as additional performance measures used by ENWL’s management, as they provide relevant information in assessing ENWL’s performance, position and cash flows. ENWL believes that these measures enable investors to track more clearly the core operational performance of ENWL, while providing investors with a clear basis for assessing ENWL’s ability to raise debt and invest in new business opportunities. ENWL’s management uses these financial measures, along with IFRS financial measures, in evaluating the operating performance of ENWL. Adjusted financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. The measures may not be directly comparable to similarly reported measures by other companies.

The adjusted financial measures used are:

APM	Definition of APM	Reconciliation ¹	Rationale for inclusion
Capital expenditure (Capex)	Capital Expenditure represents total additions to property, plant and equipment and software.	Additions to property, plant and equipment, plus additions to software. Full reconciliation provided in the table below.	Measure of capital investment in the business.
Interest cover ratio	Interest cover ratio represents the operating profit from continuing operations divided by net interest expense, adjusted for indexation and capitalisation of borrowing costs.	Operating profit from continuing operations divided the total of net interest expense, less amounts relating to indexation, accretion and the capitalisation of borrowing costs. Full reconciliation provided in the table below.	Measure of how much cash is generated in the business relative to the debt service costs.
Net debt	Net debt represents the gross levels of borrowings, less cash.	Current borrowings, plus non-current borrowings less cash and cash equivalents. Full reconciliation provided in the table below.	Measure of financial indebtedness.
Adjusted Net Debt	Adjusted Net Debt represents Net Debt, adjusted to reflect debt held at fair value and the amortised cost to outstanding principal, plus accretion on derivatives, less cash not available for distribution, less cash arising as a result of overpayment.	Net debt, restated to reflect debt held at fair value and the amortised cost to outstanding principal, plus accretion on derivatives, less cash not available for distribution, less cash arising as a result of overpayment. Full reconciliation provided in the table the below.	Measure of financial indebtedness.
Adjusted Net debt to RAV ratio	Adjusted Net debt to RAV represents Adjusted Net Debt divided by RAV.	Adjusted Net Debt divided by Nominal RAV. Full reconciliation provided in the table the below.	Measure of financial indebtedness.
RAV	RAV is the regulated asset base of the company as determined and published by Ofgem in November 2019. All values are expressed in 2012/13 prices.	Regulated asset value base of the company as determined and published by Ofgem in November 2019. All values are expressed in 2012/13 prices.	Measure of regulatory performance.
Nominal RAV	RAV, adjusted to take account of inflation.	RAV adjusted to take account of inflation (RPI index at the relevant date divided by average 2012/2013 price index 244.675). Full reconciliation provided in the table below.	Measure of regulatory performance.

¹ Reconciliations are made to Electricity North West Limited’s audited consolidated annual financial statements (including the auditors’ report thereon and the notes thereto) for the financial years ended 31 March 2020, 31 March 2019, 31 March 2018, 31 March 2017 and 31 March 2016, unless otherwise stated.

A summary of ENWL's Capital Expenditure reconciliation² is as follows:

	2016	2017	2018	2019	2020
Additions: IT systems (Note 12 AR)	14.9	10.1	9.6	8.9	8.0
Additions: Property, plant and equipment (Note 13 AR)	206.4	200.4	208.9	232.5	210.5
Capital Expenditure	221.3	210.5	218.5	241.4	218.5

A summary of ENWL's Interest Cover Ratio reconciliation³ is as follows:

	2016	2017	2018	2019	2020
Total Interest Expense	51.2	72.9	73.1	56.6	54.4
Investment income	(0.9)	(0.7)	(1.0)	(0.4)	(0.1)
Indexation of index-linked debt	(3.9)	(9.5)	(15.3)	(11.4)	(10.2)
Accretion paid on index-linked swaps	-	(16.2)	(8.8)	-	-
Capitalisation of borrowing costs under IAS 23	1.0	0.8	1.0	1.1	1.1
Net Interest Expense	47.4	47.3	49.0	45.9	45.2
Operating profit	214.6	259.4	183.3	190.5	212.2
ICR	4.5x	5.5x	3.7x	4.2x	4.7x

² Reconciliations are made to Electricity North West Limited's audited consolidated annual financial statements (including the auditors' report thereon and the notes thereto) for the financial years ended 31 March 2020, 31 March 2019, 31 March 2018, 31 March 2017 and 31 March 2016.

³ Reconciliations are made to Electricity North West Limited's audited consolidated annual financial statements (including the auditors' report thereon and the notes thereto) for the financial years ended 31 March 2020, 31 March 2019, 31 March 2018, 31 March 2017 and 31 March 2016.

A summary of ENWL's Nominal RAV reconciliation⁴ is as follows:

	2016	2017	2018	2019	2020
RAV (from Ofgem PCFM, £m) (2012/13 prices)	1,538.0	1,534.2	1,548.6	1,567.3	1,585.1
Inflation factor ⁵	1.067	1.101	1.137	1.165	1.196
Nominal RAV (£m)	1,641.2	1,688.6	1,761.4	1,826.3	1,895.6

A summary of ENWL's Net Debt, Adjusted Net Debt and Adjusted Net Debt to Nominal RAV reconciliation is as follows:

	2016	2017	2018	2019	2020
Current Borrowings (£m)	4.6	6.4	6.6	6.8	8.9
Long-term Borrowings (£m)	1,228.4	1,242.7	1,230.7	1,161.8	1,196.7
Less: Cash and Cash equivalents (£m)	(119.3)	(142.7)	(87.0)	(22.7)	(56.2)
Less: short-term money market deposits (Note 17 AR) (£m)	(23.5)	(10.0)	-	-	-
Net Debt	1,090.2	1,096.4	1,150.3	1,145.9	1,149.4
Restatement of debt held at fair value and amortised cost to outstanding principal (£m)	(124.1)	(135.1)	(112.1)	(37.1)	(33.1)
Accretion on derivatives (£m)	38.5	31.0	36.8	46.5	54.9
Cash not available for distribution (£m)	10.4	8.4	16.7	4.7	1.7
Cash arising as a result of an overpayment (£m)	10.8	14.8	0.4	-	9.5
Adjusted Net Debt	1,025.8	1,015.5	1,092.1	1,160.0	1,182.4

⁴ Regulatory Asset Value ("RAV") means the regulatory asset value of ENWL for such date as determined by Ofgem in the electricity distribution Price Control Financial Model ("PCFM") published in November 2019 (at 2012/13 prices). Nominal RAV adjusts those figures to take account of inflation (based on RPI), calculated using the RPI index at the relevant date divided by average 2012/2013 price index 244.675).

⁵ Inflation factor is the RPI index at the relevant date divided by the average 2012/13 price index (244.675).

	2016	2017	2018	2019	2020
(£m)					
Nominal RAV (£m)	1,641.2	1,688.6	1,761.4	1,826.3	1,895.6
Adjusted Net Debt / Nominal RAV	62.5%	60.1%	62.0%	63.5%	62.4%

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	ENW Finance plc
The Guarantor:	Electricity North West Limited
Joint Lead Managers:	Banco Santander, S.A. and HSBC Bank plc
Trustee:	HSBC Corporate Trustee Company (UK) Limited
The Bonds:	£300,000,000 1.415 per cent. Guaranteed Bonds due 2030
Issue Price:	100 per cent. of the principal amount of the Bonds.
Issue Date:	Expected to be on or about 30 July 2020.
Use of Proceeds:	The net proceeds of the issue will be on-lent by the Issuer to ENWL pursuant to the Intercompany Loan Agreement and used by ENWL for its general corporate purposes. See “ <i>Use and Estimated Net Amount of Proceeds</i> ”.
Interest:	The Bonds will bear interest from 30 July 2020 at a rate of 1.415 per cent. per annum payable annually in arrear on 30 July in each year commencing on 30 July 2021.
Status and Guarantee:	The Bonds are senior, unsubordinated, unconditional and unsecured obligations of the Issuer. The guarantee is a senior, unsubordinated, unconditional and unsecured obligation of the Guarantor.
Form and Denomination:	The Bonds will be issued in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000.

The Bonds will initially be in the form of a Temporary Global Bond, without interest coupons, which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a Permanent Global Bond without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denominations of £100,000 each and integral multiples of £1,000 in excess thereof, up to and including £199,000 and with interest coupons attached.

Final Redemption: 30 July 2030.

Optional Redemption: The Issuer may, at its option, redeem the Bonds in whole or in part at a redemption price per Bond equal to (a) if the date fixed for redemption falls in the period from but excluding 30 April 2030, to but excluding the scheduled maturity date, the principal amount of the Bond; or (b) otherwise, the higher of the principal amount of the Bond and an amount calculated by reference to the then yield of the 0.375 per cent. United Kingdom Treasury Stock due 22 October 2030 plus a margin of 0.2 per cent. as described under Condition 7(b) (*Redemption and Purchase – Redemption at the Option of the Issuer*). The Issuer may also, at its option, redeem the Bonds in whole but not in part at a redemption price per Bond equal to the principal amount of the Bond if a Substantial Purchase Event (as defined in Condition 3 (*Definitions*)) has occurred.

Put Event: Upon the occurrence of a Restructuring Event (as defined in Condition 11 (*Restructuring Event*)) leading to certain contemporaneous negative ratings action being taken by any relevant credit rating agency or agencies, each Bondholder shall have the option to require the Issuer to redeem the Bonds of such holder at a cash purchase price equal to the principal amount thereof plus accrued interest.

Tax Redemption: In the event of certain tax changes, the Issuer may redeem the Bonds in whole, but not in part, at any time at an amount equal to their principal amount, together with unpaid interest accrued to (but excluding) the date fixed for redemption, as more fully provided in Condition 7 (*Redemption and Purchase*).

Negative Pledge:	The Bonds will have the benefit of a negative pledge as described in Condition 4 (<i>Negative Pledge</i>).
Cross Default:	The Bonds will have the benefit of a cross default provision as described in Condition 10 (<i>Events of Default</i>).
Rating:	<p>The Bonds are expected to be rated BBB+ by S&P and A- by Fitch. Each of S&P and Fitch is established in the United Kingdom/European Union and registered under the CRA Regulation.</p> <p>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA or the United Kingdom and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA or the United Kingdom but is endorsed by a credit rating agency established in the EEA or the United Kingdom and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the United Kingdom which is certified under the CRA Regulation.</p>
Withholding Tax:	All payments of principal and interest in respect of the Bonds and the Coupons made by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom, or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. See further Condition 8 (<i>Taxation</i>).
Governing Law:	The Bonds, the Trust Deed, the Agency Agreement and the Subscription Agreement will be governed by English law.
Listing and Trading:	Applications have been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange.

Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	See “ <i>Subscription and Sale</i> ”.
Risk Factors:	Investing in the Bonds involves risks. See “Risk Factors”.
ISIN:	XS2208638838
Common Code:	220863883

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer and the Guarantor and the industries in which each of them operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Prospectus and their personal circumstances.

Factors that may affect the Issuer's ability to fulfil its obligations under the Bonds

The Issuer is a special purpose financing entity with no business operations of its own other than raising funding for the Guarantor

The Issuer is a special purpose financing entity within the North West Electricity Networks (Jersey) Limited group of companies. It has no business operations of its own, other than raising funding for ENWL through the issuance of external debt.

The proceeds of the issuance of the Bonds will also be on-lent to ENWL under an internal loan agreement (the "**Intercompany Loan Agreement**"). After the Issue Date, other than the proceeds of the issuance of the Bonds, the Issuer's principal source of funds in order for it to make payment on the Bonds will be pursuant to the Intercompany Loan Agreement. The Issuer's dependence on payments from ENWL under the Intercompany Loan Agreement is subject to all the same risks relating to revenues and expenses to which ENWL and the Group are subject. Such risks could limit funds available to the Issuer to enable the Issuer to satisfy in full and on a timely basis its obligations under the Bonds.

Factors that may affect the business of the Group, the Issuer's ability to fulfil its obligations under the Bonds and the Guarantor's ability to fulfil its obligations under the Guarantee

Regulation of public distribution networks business

The electricity industry is subject to extensive regulatory obligations. ENWL is engaged in the public distribution networks business and is regulated by the Gas and Electricity Markets Authority ("**GEMA**"), which operates through its executive body, the Office of Gas and Electricity Markets ("**Ofgem**"). The principal objective of Ofgem, as set out in the Electricity Act 1989 as amended by the Utilities Act 2000, the Energy Act 2004, the Energy Act 2008, the Energy Act 2010, the Energy Act 2013, the Electricity and Gas (Internal Markets) Regulations 2011, the Energy Act 2016 and other legislation is to protect the interests of existing and future consumers in relation to electricity conveyed by distribution systems or transmission systems. Ofgem is required to carry out its functions under Part I of the Electricity Act 1989 in the manner it considers is best calculated to further the principal objective, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors. In performing certain of its duties, Ofgem is required to have regard to the need to secure that all reasonable demands for electricity are met, the need to secure that licence holders are able to finance their statutory and licensed obligations, and have regard to the need to contribute to the achievement of sustainable development.

Ofgem grants licences and enforces licence conditions, regulates quality of service and sets network price controls. The current price control (RIIO-ED1, "**ED1**") runs from 1 April 2015 to 31 March 2023. ED1 is the first electricity distribution price control to reflect the RIIO model (Revenue = Incentives + Innovation + Outputs) for network regulation.

Non-compliance with licence obligations can result in Ofgem taking enforcement action, which includes imposing financial penalties, issuing consumer redress orders and licence revocation. Although ENWL is not aware of any circumstances that would constitute a material breach of its statutory or licence obligations, there is a risk that any breach of such statutory or licence obligation may lead to enforcement action by Ofgem. If Ofgem deemed a failure to be so serious that severe penalties, enforcement orders or compensation payments were imposed on ENWL, it would have a significant negative impact on the ability of ENWL to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. Non-compliance is also likely to have a negative reputational impact for ENWL.

Ofgem also has formal powers to modify the distribution licences of DNOs, including ENWL. ENWL is not aware of any proposed material modifications to its distribution licence, however discussions are currently taking place in respect of RIIO-ED2 and there is no guarantee that Ofgem will not introduce a material modification to ENWL's distribution licence under RIIO-ED2 or other measures in the future. This could have a significant negative impact on the ability of ENWL to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Changes to the regulatory framework could also have significant impacts on the operation of the business and on ENWL's allowed revenues. Based on Ofgem's decisions to date on RIIO-2, it is likely that the next price control will be more challenging for ENWL, with a much lower allowed cost of capital, as well as tougher service, quality and delivery standards and further pressure on expenditure allowances. If the next electricity price control review does not permit the generation of sufficient revenues to enable ENWL to meet its financial obligations, this would have a significant negative impact on the ability of ENWL to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. ENWL is actively engaging with Ofgem on the appropriate financial and incentive framework for RIIO-ED2, which will continue to be developed over the next two years.

Network Assets

There are significant risks associated with network assets owned by ENWL where failure could result in a loss of supply of electricity to customers. These include, without limitation, risks of damage to network assets caused by natural disasters and severe weather. Customer service and continuity and quality of supply are core regulatory requirements and poor performance in these areas can result in financial penalties imposed on ENWL as the owner of network assets or a requirement to compensate affected customers. Any such incidents could adversely affect ENWL's financial performance and its ability to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds and may also cause adverse publicity, negatively impacting the ENWL's reputation.

Health and safety

Failure to comply with legislation, or a health and safety incident, could lead to prosecution by the Health and Safety Executive, which could result in ENWL being subject to penalties, reputational damage, disruption of operations or criminal sanctions against ENWL, its directors and employees. ENWL is committed to achieving the highest standards of health, safety and welfare and to eliminating or minimising risks to employees, consumers, the public and the environment where reasonably practicable and applies robust management practices to all aspects of health, safety and welfare. However, failure to implement and maintain effective health and safety management and governance could result in a health and safety incident which may have a negative impact on the ability of ENWL to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Environmental laws and regulations

ENWL is subject to laws and regulations relating to the safeguarding of the environment, relating to, amongst other things, standards for quality of electricity supply. These laws and regulations expose ENWL to costs and liabilities relating to its operations and properties, whether current, including those inherited from predecessor bodies, or formerly owned by ENWL and sites used for the disposal of its waste.

Significant resources are committed towards ensuring compliance with these laws and regulations. Nevertheless, a major environmental impact incident could expose employees, contractors and third parties to the risk of injury, therefore exposing ENWL to potential liability and/or loss of reputation. In addition, breaches of applicable environmental laws or regulations could expose ENWL to penalties, claims for financial compensation and/or adverse regulatory consequences. Furthermore, environmental laws and regulations are complex and change frequently. The laws and regulations, and their enforcement, have tended to become more stringent over time. There can be no assurance that costs of compliance with applicable environmental standards and regulations will not increase and any such increase could adversely affect ENWL's financial performance and its ability to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

IT Systems

ENWL's business is heavily reliant on information technology ("IT") systems. There is a risk that key IT infrastructure, networks or systems of ENWL's business are compromised or otherwise rendered unavailable, due to software or hardware issues, including telecoms network and connectivity and power supplies, malicious cyber-attack, breach of information security rules, poor management of resilience expertise, employee and contractor understanding and awareness of information security requirements (such as the General Data Protection Regulation (Regulation (EU) 2016/679)).

Due to advances in the sophistication and prevalence of cyber-attacks and fast-paced technological advancements, computing capabilities and other developments, there can be no certainty that ENWL's security measures will be sufficient to prevent breaches which could result in legal liability, negative publicity and/or regulatory action against ENWL, any of which could have a material adverse effect on its business and its ability to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Insurance

ENWL seeks to maintain insurance cover on all its key property and liability exposures to a level consistent with sound business practice, using appropriate insurance products and providers, including self-insurance where applicable. However, the insurance market is volatile, and it is not always possible to obtain appropriate cover at commercially acceptable premia or at all, which means that ENWL may not always be able to obtain or renew insurance cover in respect of some risks. If one or more major incidents were to occur which were not covered, or not adequately covered, by insurance, this could adversely affect ENWL's financial position and could have a significant negative impact on the ability of ENWL to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Events beyond Issuer's control

Damage to infrastructure

ENWL may be affected by potential events that are largely outside its control such as the impact of extreme weather, unlawful or unintentional acts of third parties (including contractors) or employees or force majeure. Terrorist attacks, sabotage, cybercrime or other intentional acts may also damage its assets or otherwise significantly affect corporate activities.

Whilst ENWL has in place measures to manage the risk that it sustains an adverse financial impact through inability to carry on its operations and has in place business continuity and IT disaster recovery plans, the risk remains that any failure or interruption could cause ENWL to fail to meet agreed standards of service or be in breach of a licence, approval, regulatory requirement or contractual obligation and could result in adverse regulatory, reputational and financial consequences and therefore adversely affect the ENWL's ability to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Financial risk

ENWL depends on being able to access financial markets to finance its operations and to refinance existing indebtedness as it becomes due. As evidenced during the global financial crisis, the 2016 UK referendum vote to leave the European Union and recently the Covid-19 pandemic, financial markets can be subject to periods of volatility and shortages of liquidity. The stability of the global economy and financial institutions remains uncertain and if ENWL were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, this could adversely affect the ability of ENWL to meet its funding requirements, which could have a significant negative impact on the ability of ENWL to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

ENWL is also exposed to a variety of other financial risks, including interest rate, liquidity and taxation risk. Although these risks are, wherever possible, monitored, reported on and managed within a strict framework of controls and procedures, adverse market, political or legislative developments could result in these risks having a material adverse effect on ENWL's financial position.

Pensions

ENWL participates in both defined benefit (closed to new members on 1 September 2006) and defined contribution pension schemes. Further details of both schemes are set out in "*Description of the Guarantor*" below.

UK legislation requires the Trustee Board of the DB Scheme to carry out triennial valuations. The defined benefit scheme is currently in deficit and the deficit as at the last approved valuation date of 31 March 2019, was £69.5m with the deficit recovery plan aiming to repay this deficit by 2023.

The deficit can be affected by a number of factors including asset volatility, bond yields, interest rates, inflation and life expectancy of scheme members and could result in ENWL being required to make higher ongoing contributions and/or deficit repair payments.

Under the electricity regulatory framework, the deficit repair payments relating to regulated distribution businesses and cash contributions payable in respect of new benefit accrual in defined benefit schemes, along with cash contributions payable to any defined contribution arrangements are subject to efficiency reviews and will only be funded under the price control mechanism if deemed to be efficient.

Following an efficiency review of the defined benefit scheme by Ofgem in 2017, it was confirmed that the deficit would continue to be funded through the price control mechanism. However, if Ofgem deems under future efficiency reviews that any cash contributions have not been efficiently incurred, it may restrict the amount that can be recovered from customers in the future which could adversely affect ENWL's financial position and ENWL's ability to meet its obligations under the Intercompany Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Special Administration Regime for electricity distribution network operators ("DNO")

The Energy Act 2004 provides for a special administration regime for the holders of electricity distribution licences. This regime makes provisions for energy administration orders and is designed to ensure the uninterrupted operation of electricity networks essential to secure supply of electricity in the event of actual or threatened insolvency of such a licence holder.

An application for an energy administration order can only be made by the Secretary of State, or by Ofgem with the consent of the Secretary of State. Upon application, a court can only make an energy administration order if it is satisfied that the DNO is or is likely to be unable to pay its debts or that, on a petition from the Secretary of State under the Insolvency Act 1986, it would be just and equitable (aside from the objective of energy administration) to wind up the DNO in the public interest.

The making of an application for an administration order in respect of ENWL would give rise to a moratorium on the enforcement of debts against ENWL.

The energy administrator may preserve the DNO as a going concern or may transfer its undertaking as a going concern to one or more other companies. The objective of an energy administrator is to ensure that a DNO's distribution network is maintained and developed efficiently and economically and this objective takes precedence over the protection of the respective interests of members and creditors of the DNO and therefore could adversely affect the interests of the holders of the Bonds.

The coronavirus pandemic

ENWL is a critical service provider and has continued to operate during the Covid-19 pandemic. For information on the impact of the coronavirus pandemic on ENWL, see the section headed "*Impact of the coronavirus pandemic*" on page 45 of this Prospectus. As set out in that section of the Prospectus the coronavirus pandemic has had a short-term impact on demand for electricity in the ENWL region and a resulting impact on ENWL's revenue.

At the date of this Prospectus, for the reasons stated in the section headed "*Impact of the coronavirus pandemic*" on page 45, neither ENWL's revenue nor its costs are expected to be materially adversely affected by the current pandemic. However, should there be a further outbreak, localised or national, depending on severity, this could adversely affect ENWL's financial performance and its ability to meet its obligations under the Issuer/ ENWL Loan Agreement and the Guarantee and in turn, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Risk Relating To The Bonds

There is no active trading market for the Bonds.

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although application has been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

The Bonds may be redeemed prior to maturity.

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with the Conditions.

In addition the Conditions provide that the Bonds are redeemable at the Issuer's option in certain other circumstances and accordingly the Issuer may choose to redeem the Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

Because the Global Bonds are 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 and/or the Guarantor.

The Bonds will be represented by the Global Bonds except in certain limited circumstances described in the Permanent Global Bond. The Global Bonds will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by the Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Bonds by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for

distribution to their account holders. A holder of a beneficial interest in a Global Bonds must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

Holders of beneficial interests in the Global Bonds will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Minimum Denomination

As the Bonds have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of GBP 100,000 (or its equivalent) that are not integral multiples of GBP 100,000 (or its equivalent). In such case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Bond in respect of such holding (should Definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to the minimum denomination.

Credit Rating

The Bonds have been assigned a rating of “BBB+” by S&P and “A-” by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA or the United Kingdom and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA or the United Kingdom but is endorsed by a credit rating agency established in the EEA or the United Kingdom and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the United Kingdom which is certified under the CRA Regulation.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds which, subject to amendment, will be endorsed on each definitive Bond. Bonds in definitive form will only be issued in certain limited circumstances. For a summary of the provisions relating to the Bonds in global form, see "Summary of provisions relating to the Bonds in global form" below.

The £300,000,000 1.415 per cent Guaranteed Bonds due 2030 (the “**Bonds**”, which expression shall, unless the context otherwise requires, include any Further Bonds (as defined in Condition 3 (*Definitions*)) of ENW Finance plc (the “**Issuer**”) are constituted by and subject to a trust deed dated 30 July 2020 (as the same may be amended and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Electricity North West Limited in its capacity as guarantor of the Bonds (the “**Guarantor**”) and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”, which expression shall, wherever the context so admits, include its successors as trustee under the Trust Deed) as trustee for the holders of the Bonds (the “**Bondholders**”). The statements in these Terms and Conditions include summaries of and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement dated 30 July 2020 (the “**Paying Agency Agreement**”) between the Issuer, the Guarantor, HSBC Bank plc (the “**Principal Paying Agent**”) and any paying agent appointed thereunder (each a “**Paying Agent**” and together with the Principal Paying Agent, the “**Paying Agents**”) and the Trustee will be available for inspection by Bondholders and the holders of the interest coupons appertaining to the Bonds (respectively, the “**Couponholders**” and the “**Coupons**”) at the specified office(s) of each of the Paying Agents. The Bondholders and 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 the provisions of the Paying Agency Agreement applicable to them.

1. **Form, Denomination and Title**

The Bonds 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 attached on issue. No definitive Bonds will be issued with a denomination above £199,000. Title to the Bonds and to the Coupons will pass by delivery. Bonds of one denomination may not be exchanged for Bonds of the other denomination. The holder of any Bond or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2. **Status of the Bonds and the Guarantee**

- (a) *Status of the Bonds:* The Bonds and Coupons constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds and the Coupons shall, subject as aforesaid and save for such obligations as may be preferred by laws that are both mandatory and of general application, at all times rank at least equally with all its present and future unsecured and unsubordinated obligations.
- (b) *Guarantee of the Bonds:* The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds. This guarantee (the “**Guarantee**”) constitutes a direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, subject as aforesaid and save for certain obligations required to be preferred by laws that are both mandatory and of general application, at all times rank at least equally with all its present and future unsecured and unsubordinated obligations.

3. **Definitions**

“**Business Day**” means any day (other than a Saturday or Sunday) on which banks and other financial institutions are open for business in London.

“**Companies Act**” means the Companies Act 2006 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto.

“**Electricity Act**” means the Electricity Act 1989 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto.

“**Energy Act**” means the Energy Act 2004 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto.

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

“**Event of Default**” means any of the events set out in Condition 10 (*Events of Default*).

“**Fitch**” means Fitch Ratings Limited.

“**Further Bonds**” means all further bonds created and issued by the Issuer and guaranteed by the Guarantor in accordance with Condition 17 (*Further Bonds*) and/or for the time being outstanding or, as the context may require, a specific proportion thereof.

“**Issue Date**” means 30 July 2020.

“**Licence**” means the Guarantor's licence pursuant to Section 6(1)(c) of the Electricity Act with respect to the distribution of electricity to the North West of England and such other parts of Great Britain as approved by Ofgem from time to time.

“**Moody's**” means Moody's Investors Service Limited.

“**Ofgem**” means the Gas and Electricity Markets Authority and/or the Office of Gas and Electricity Markets, including their successor office or body, as appropriate.

“**Potential Event of Default**” means an event or circumstance which would with the giving of notice and/or the expiry of a grace period and/or the issuing of a certificate become an Event of Default.

A “**Put Event**” occurs on the date of the last to occur of (i) a Restructuring Event, (ii) a Rating Downgrade, and (iii) the relevant Negative Certification.

“**Rating Agencies**” means S&P and Fitch, and “**Rating Agency**” means any one of them.

“**Reference Gilt**” means the 0.375 per cent Treasury Stock due 22 October 2030 or such other conventional (i.e. not index linked) UK Government Stock as the Issuer (with the advice of an independent financial institution of international repute appointed by the Issuer) may determine to be the most appropriate benchmark conventional UK Government Stock.

“**Relevant Indebtedness**” means any indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by notes, bonds, debentures, debenture stock, loan stock or other securities, whether issued for cash or in whole or in part for a consideration other than cash, and which, with the agreement of the person issuing the same, are quoted, listed or ordinarily dealt in on any stock exchange or recognised securities market.

“**Relevant Subsidiary**” means a Subsidiary of the Guarantor (a) in respect of which the Guarantor holds a majority of the voting shares in that Subsidiary, (b) in respect of which the Guarantor has the right to appoint or remove a majority of its board of directors and (c) carries on the Distribution Business or a De Minimis Business (each as defined in the Licence).

“**S&P**” means S&P Global Ratings Europe Limited, a division of The McGraw-Hill Companies, Inc.

“**Security Interest**” means a mortgage, charge, lien, pledge or other security interest.

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

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

A “**Substantial Purchase Event**” shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Bonds originally issued (which for these purposes shall include any Further Bonds) have been purchased or redeemed by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case cancelled in accordance with Condition 7(e) (*Redemption and Purchase - Cancellation*)).

4. **Negative Pledge**

So long as any of the Bonds remain outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor will ensure that none of its Relevant Indebtedness or the Relevant Indebtedness of any of their respective Subsidiaries nor any guarantee given by it or by any such Subsidiary of the Relevant Indebtedness of any other person will be secured by a Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor or any such Subsidiary unless the Issuer or, as applicable, the Guarantor shall, before or at the same time as the creation of the Security Interest, take any and all action necessary to ensure that:

- (a) all amounts payable by the Issuer under the Bonds, the Coupons and the Trust Deed or, as the case may be, all amounts payable by the Guarantor under the Guarantee and the Trust Deed are secured to the satisfaction of the Trustee equally and rateably with the Relevant Indebtedness or guarantee of Relevant Indebtedness, as the case may be, by such Security Interest; or
- (b) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer under the Bonds, the Coupons and the Trust Deed or, as the case may be, all amounts payable by the Guarantor under the Guarantee and the Trust Deed either (i) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders, or (ii) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

5. **Interest**

The Bonds bear interest from (and including) the Issue Date at the rate of 1.415 per cent per annum payable annually in arrear on 30 July in each year (each, an “**Interest Payment Date**”). Each Bond will cease to bear interest from the due date for redemption thereof, unless upon due presentation, payment of principal or premium (if any) is improperly withheld or refused. In such event, each Bond shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders in accordance with Condition 14 (*Notices*) of receipt of all sums then due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holder under these Terms and Conditions). In these Conditions, the period beginning on and including 30 July 2020 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 is called an “**Interest Period**”. Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls

due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). Interest in respect of each £1,000 in principal amount of the Bonds (the "**Calculation Amount**") for any period shall be equal to the product of 1.415 per cent, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest pence (half a pence being rounded upwards).

6. **Payments**

Payments of principal, premium (if any) or interest in respect of the Bonds will be made against surrender of Bonds or, in the case of payments of interest due on an Interest Payment Date, against surrender of Coupons, at the specified office of any Paying Agent by a sterling cheque drawn on, or at the option of the holder, by transfer to a sterling account maintained by the payee with a branch of a bank in the City of London, subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

Upon the due date for redemption of any Bond, all unmatured Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Bond 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 or the Guarantor may require.

If the due date for redemption of any Bond is not 30 July in any year, interest accrued in respect of such Bond from (and including) the last preceding 30 July will be paid only against presentation and surrender of such Bond.

If the due date for payment of any amount in respect of any Bond or Coupon is not a business day, then the holder thereof shall not be entitled to payment of the amount due until the next following business day nor to any further interest or other payment in respect of such delay. The expression "**business day**" in this Condition means a day other than a Saturday or Sunday on which banks are open for business in the place where the Bond or Coupon is presented and, in the case of payment by transfer to a sterling account as referred to above, in the City of London.

The names of the initial Principal Paying Agent and the other initial Paying Agents and their initial specified offices are set out at the end of these Terms and Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written 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 at all times maintain a principal paying agent. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter. Under no circumstances will interest be payable in the United States of America or any possession of the United States of America.

7. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Bonds on 30 July 2030 (the "**Maturity Date**") at their outstanding principal amount.
- (b) *Redemption at the option of the Issuer*: The Issuer may, having given not less than 10 nor more than 30 days' notice in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem the Bonds in whole (in the case of a redemption for a Substantial Purchase Event) or in whole or in part (in a principal amount of at least £5,000,000 or integral multiples thereof) at any time prior to the Maturity Date at a price equal to the Redemption Price together with interest accrued up to and including the date of redemption.

In this Condition, “**Redemption Price**” means:

- (i) Save as provided in paragraph (iii) below, in relation to any date fixed for redemption which falls in the period up to and including the date falling three months prior to the Maturity Date, the higher of the following:
 - (A) par; and
 - (B) that price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the Gross Real Redemption Yield (calculated as described below) on the Bonds, if they were to be purchased at such price on the second dealing day prior to the publication of the notice of redemption, would be equal to the sum of (i) 0.2 per cent. and (ii) the Gross Real Redemption Yield on such dealing day of the Reference Gilt, on the basis of the middle market price of the Reference Gilt prevailing at 11:00 a.m. on such dealing day, as determined by an investment bank of international repute selected by the Issuer and approved by the Trustee); or
- (ii) in relation to any date fixed for redemption which falls in the period from but excluding the date falling three months prior to the Maturity Date to but excluding the Maturity Date, par; or
- (iii) in relation to any date fixed for redemption where a Substantial Purchase Event has occurred or prior to the date on which the Issuer delivers a notice of redemption to Bondholders, and provided that the Issuer has not redeemed any of the Bonds at a price above par at any time during the 12 months prior to the date fixed for redemption, par.

Any reference in these Terms and Conditions to principal shall be deemed to include any sum payable as the Redemption Price.

Notices of redemption will specify the date fixed for redemption, the applicable Redemption Price and, in the case of partial redemption, the aggregate principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of the Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds to remain outstanding after the redemption. Upon the expiry of any notice of redemption the Issuer shall be bound to redeem the Bonds called for redemption at the applicable Redemption Price. Any partial redemption of the Bonds shall be on the basis of selection by drawings (the method of such drawings to be approved by the Trustee in its absolute discretion).

“**Gross Real Redemption Yield**” means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication “Formulae for calculating Gilt Prices from Yields” published on 8 June 1998 with effect from 1 November 1998, page 5 and updated on 15 January 2002 and 16 March 2005 and as further updated or amended from time to time.

- (c) *Redemption for tax reasons:* If, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political sub-division of, or any authority in, or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 22 July 2020, the Issuer or the Guarantor (if a demand were made under the Guarantee) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) (and such amendment or change has been evidenced by the delivery by the Issuer or, as applicable, the Guarantor to the Trustee (who shall accept such certificate as sufficient evidence thereof) of a certificate signed by two Directors of the Issuer or, as applicable, the Guarantor stating that such amendment or change has occurred (irrespective of whether such amendment or change is then effective), describing the facts leading thereto and stating that such obligation cannot be avoided by the Issuer or, as applicable, the Guarantor taking reasonable

measures available to it) the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Bonds (other than Bonds in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 7(b) (*Redemption at the option of the Issuer*) prior to any notice being given under this Condition 7(c)), but not some only, at their outstanding principal amount together with interest accrued to (but excluding) the date of redemption, *provided that* no notice of redemption shall be given earlier than 90 days before the earliest date on which the Issuer or the Guarantor would be required to pay the additional amounts were a payment in respect of the Bonds (or, as the case may be, the Guarantee) then due.

- (d) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase or otherwise acquire Bonds (provided that all unmatured Coupons are attached thereto or are surrendered therewith) at any price in the open market or otherwise.
- (e) *Cancellation*: All Bonds which are redeemed pursuant to this Condition by the Issuer shall be cancelled (together with all relative unmatured Coupons attached thereto or surrendered therewith) and accordingly may not be reissued or resold. Bonds purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be held or reissued or resold or surrendered for cancellation.

8. **Taxation**

- (a) All payments in respect of the Bonds and Coupons by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the United Kingdom, or any political subdivision of, or authority in, or of, the United Kingdom having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or (as the case may be) the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:
 - (i) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or
 - (ii) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
 - (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.
- (b) In these Terms and Conditions, “**Relevant Date**” means the date on which the payment first becomes due, but if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Bondholders by the Issuer in accordance with Condition 14 (*Notices*).
- (c) Any reference in these Terms and Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition 8 pursuant to the Trust Deed.

9. **Prescription**

Bonds and Coupons will become void unless presented for payment within periods of ten years and five years, respectively, from the Relevant Date for payment in respect thereof, subject to the provisions of Condition 6 (*Payments*).

10. **Events of Default**

If:

- (a) **Non-payment:** default is made in the payment of any interest, principal or premium (if any due) in respect of any Bond pursuant to Condition 7 (*Redemption and Purchase*), and the default continues for a period of 14 days (in the case of principal) or 21 days (in the case of interest); or
- (b) **Breach of obligations:** the Issuer or the Guarantor, as the case may be, fails to perform or observe any of its other obligations, covenants, conditions or provisions under the Bonds or the Trust Deed and (except where the Trustee shall have certified to the Issuer or the Guarantor, as applicable, in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 60 days following the service by the Trustee on the Issuer or the Guarantor, as applicable, of notice requiring the same to be remedied; or
- (c) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or the Guarantor or any of its Relevant Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default or event of default (howsoever described) (unless such default or event of default is waived or remedied within 30 Business Days), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or the Guarantor or any of its Relevant Subsidiaries fails to pay when due or, as the case may be, within any originally applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) (*Cross-Default*) have occurred equals or exceeds the greater of £30,000,000 or its equivalent in other currencies; or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or the Guarantor or any of its Principal Subsidiaries and is not discharged or stayed within 90 days; or
- (e) **Insolvency:** any of the Issuer or the Guarantor or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of its Subsidiaries.

For the purpose of this Condition 10(e) and in relation to the Guarantor only, Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£250,000 (indexed)”;

(f) **Winding-up:**

- (A) in respect of the Issuer, the Guarantor and any of the Principal Subsidiaries of the Guarantor, an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the

Issuer, the Guarantor or any of the Principal Subsidiaries (as the case may be), or the Issuer, the Guarantor or any of the Principal Subsidiaries (as the case may be) shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a solvent reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or (ii) in the case of a Subsidiary of the Guarantor, whereby the undertaking and assets of the relevant Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries. No Event of Default pursuant to this Condition 10(f) shall arise in respect of the solvent liquidation of any of the Guarantor's Subsidiaries which is dormant (as defined in Section 1169 of the Companies Act 2006); or

- (B) in respect of the Guarantor, an application is made under Section 156 of the Energy Act and is not dismissed within 60 days or an Energy Administration Order is made by a court under Chapter 3 of Part 3 of the Energy Act;

For the purpose of paragraphs (d), (e) and (f) above, “**Principal Subsidiaries**” means the Subsidiaries of the Guarantor, but excluding Electricity North West Number 1 Company Limited and the Nor Web JV Company.

- (g) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; and
- (h) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force any effect, provided that, for the avoidance of doubt, this provision shall not apply where, substitution of the Guarantor in place of the Issuer occurs,

and, in the case of sub-paragraph (b), (d), (e) and (f), (except in the case of (d), (e) and (f), in the case of the Issuer or the Guarantor), the Trustee shall have certified in writing that the relevant event is in its opinion materially prejudicial to the interests of the Bondholders, the Trustee may at its discretion (and the Trustee shall on the request in writing of the holders of at least one quarter in principal amount of the Bonds then outstanding or upon being so directed by an Extraordinary Resolution of the Bondholders), by notice in writing to the Issuer and the Guarantor declare that the Bonds are, and they shall accordingly thereby forthwith become, immediately due and repayable at their principal amount together with accrued interest (as provided in the Trust Deed), *provided always that* the giving of any notice in relation to any Event of Default shall not operate as a waiver of any of the Trustee's rights (including the right to give a further notice) or prevent the Trustee from giving a further notice in the manner referred to above in relation to that Event of Default at any time thereafter.

So long as any of the Bonds remain outstanding the Issuer or the Guarantor will, forthwith upon becoming aware of any Event of Default or Potential Event of Default, give notice in writing thereof to the Trustee.

11. **Restructuring Event:**

- (a) Upon the occurrence of a Restructuring Event (as defined below) Bondholders may require the Issuer to redeem, or at the option of the Issuer, purchase (or procure the purchase of) their Bonds in accordance with this Condition 11 if:
- (i) a Rating Downgrade in respect of such Restructuring Event occurs; and
- (ii) an Independent Financial Adviser has certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of Bondholders (a “**Negative Certification**”),

provided that prior to any Negative Certification being issued, an event shall be deemed not to be a Restructuring Event if, notwithstanding the occurrence of a

Rating Downgrade, the rating for the time being assigned to the Bonds by any Rating Agency is subsequently increased to, or, as the case may be, there is assigned to the Bonds or any other unsecured, unguaranteed and unsubordinated debt obligation of the Guarantor having an initial maturity of five years or more by any Rating Agency, an investment grade rating (BBB-/Baa3 or their respective equivalents for the time being) or better.

Any Negative Certification shall, in the absence of any manifest error, be conclusive and binding on the Trustee, the Issuer, the Guarantor and the Bondholders and the Trustee shall be entitled to accept the Negative Certification as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above.

(b) In these conditions:

“Independent Financial Adviser” means a financial adviser appointed by the Issuer and the Guarantor (at the expense of the Issuer) and approved by the Trustee or, if the Issuer and the Guarantor shall not have appointed such an adviser within 21 days after becoming aware of the occurrence of a Restructuring Event and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction, appointed by the Trustee following consultation with the Issuer and the Guarantor where practicable in the circumstances.

A **“Rating Downgrade”** shall be deemed to have occurred in respect of a Restructuring Event if, within 60 days of the occurrence of a Restructuring Event, the rating assigned to the long-term unsecured, unguaranteed and unsubordinated debt obligations of the Guarantor (whether provided by a Rating Agency at the invitation of the Guarantor or at its own volition) immediately prior to the announcement of such Restructuring Event is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal, or their respective equivalents for the time being, or worse) or, if the rating assigned to the long-term unsecured, unguaranteed and unsubordinated debt obligations of the Guarantor for the time being by any Rating Agency immediately prior to such Restructuring Event is below investment grade (as described above), the rating is lowered at least one rating notch (for example, from BB+/Bal to BB/Ba2 or such similar lowering) and, in either case, if the Rating Agency making the Rating Downgrade announces or publicly confirms, or informs the Trustee in writing, that the Rating Downgrade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.

“Restructuring Event” means the occurrence of any of the following events:

- (i) (i) the Regulator (or any successor) giving the Guarantor written notice of any revocation of the Licence or (ii) the Guarantor or any subsidiary agreeing in writing with the Regulator (or any successor) to any revocation or surrender of its Licence or (iii) any legislation (whether primary or subordinate) is enacted terminating or revoking the Licence of the Guarantor, except in any such case in circumstances where a licence or licences on substantially no less favourable terms is or are granted to the Guarantor or a wholly-owned subsidiary of the Guarantor and in the case of such relevant subsidiary at the time of such grant it either executes in favour of the Trustee an unconditional and irrevocable guarantee in respect of the Bonds substantially in the same form as the Guarantee, or becomes the primary obligor under the Bonds; or
- (ii) any material rights, benefits or obligations of the Guarantor as an electricity distribution network operator under the Licence or any material terms of the Licence are modified (whether not with the consent of the Guarantor and whether pursuant to the Electricity Act 1989 (as amended) or otherwise but excluding an adjustment to prices) or any other material consents, licences or authorisations are revoked unless two directors of the Guarantor have certified in writing to the Trustee that: (i) the modified terms and conditions would not

have a material adverse effect on the Guarantor; or (ii) any such revocation would not have a material adverse effect on the Guarantor; or

- (iii) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying in any material way the duties or powers of the Secretary of State (or any successor) and/or Ofgem (or any successor) (including without limitation any such legislation removing, reducing or qualifying such duties or powers under or pursuant to Section 15 of the Electricity Act 1989 (as amended)) unless two directors of the Guarantor have certified to the Trustee that such removal, reduction or qualification of any such duties or powers would not have a material adverse effect on the Guarantor.
- (c) Promptly upon the Issuer or the Guarantor becoming aware that a Put Event (as defined in Condition 3 (*Definitions*)) has occurred, and in any event not later than 14 days after the occurrence of a Put Event, the Issuer or the Guarantor (as the case may be) shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and (subject to it being indemnified and/or prefunded and/or secured to its satisfaction) if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding shall, give notice (a “**Put Event Notice**”) to the Bondholders in accordance with Condition 14 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option.
- (d) To exercise the Put Option, the holder of a Bond must deliver such Bond to the specified office of any Paying Agent, on a day which is a business day (as defined in Condition 6 (*Payments*)) in London and in the place of such specified office falling within the period (the “**Put Period**”) of 45 days after that on which a Put Event Notice is given, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) and in which the holder may specify a bank account complying with the requirements of Condition 6 (*Payments*) to which payment is to be made under this Condition. Each Bond should be delivered together with all Coupons appertaining thereto maturing after the day (the “**Put Date**”) being the fifteenth day after the date of expiry of the Put Period, failing which any such missing Coupon will become void and no payment shall be made in respect of it. The Paying Agent to which such Bond and Put Notices are delivered shall issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered. Payment in respect of any Bond so delivered shall be made, if the holder duly specifies a bank account in the Put Notice to which payment is to be made on the Put Date, by transfer to that bank account and, in every other case, on or after the Put Date, in each case against presentation and surrender or (as the case may be) endorsement of such receipt at any specified office of any Paying Agent, subject in any such case as provided in Condition 6 (*Payments*). A Put Notice, once given, shall be irrevocable. For the purposes of Conditions 9 (*Prescription*), 10 (*Events of Default*), 12 (*Enforcement*), 13 (*Replacement of Bonds and Coupons*) and 15 (*Meetings of Bondholders, Modification and Waiver*) receipts issued pursuant to this Condition shall be treated as if they were Bonds. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Bond on the applicable Put Date unless previously redeemed or purchased.

12. **Enforcement**

- (a) *Limitation on Bondholders:* Only the Trustee may pursue the remedies available under general law or under the Trust Deed to enforce the rights of the Bondholders and Couponholders and no such holder will be entitled to proceed against the Issuer or the Guarantor unless the Trustee, having become bound to act in accordance with the terms of the Trust Deed, fails to do so within a reasonable amount of time and such failure is continuing.
- (b) *Enforcement Proceedings:* At any time after amounts in respect of principal of and interest on the Bonds shall have become due and payable but are unpaid, the Trustee may, at its discretion, and without further notice but subject as mentioned below, take

such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed in accordance with the terms thereof.

The Trustee shall only be bound to take proceedings pursuant to this Condition 12(b) if it has been indemnified and/or prefunded and/or secured to its satisfaction by the Bondholders and if it has been so requested in writing by the holders of not less than 25 per cent of the principal amount outstanding (as defined in the Trust Deed) of the Bonds or has been so directed by an Extraordinary Resolution (as defined in the Trust Deed)).

13. Replacement of Bonds and Coupons

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may, subject to all applicable laws and stock exchange requirements, be replaced at the specified office of the Principal Paying Agent (or such other Paying Agent as may be approved by the Trustee for such purpose) upon payment by the claimant of the expenses, taxes and duties incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

14. Notices

All notices to Bondholders shall be valid if published in a leading English language national daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable, in a leading English language daily newspaper with a circulation in Europe. Such notices shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first such publication. If publication is not practicable, notice shall be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

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

15. Meetings of Bondholders, Modification and Waiver

(a) The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution shall be one person holding or representing more than half in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that, at any meeting the business of which includes the modification of certain of these Terms and Conditions and certain of the provisions of the Trust Deed (including altering the currency of payment of the Bonds or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-quarter, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders shall be binding on all Bondholders, whether or not they are present or represented at the meeting, and on all Couponholders.

(b) The Trustee may, without the consent of the Bondholders or Couponholders, agree (i) other than in respect of Reserved Matters (as specified and defined in Schedule 5 to the Trust Deed), to any modification to these Terms and Conditions or to any of the provisions of the Trust Deed or to any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor of these Terms and Conditions or of any of the provisions of the Trust Deed or determine that any event, condition or act which would otherwise be an Event of Default, Potential Event of Default or Restructuring Event shall not be so treated provided that, in the opinion of the Trustee, so to do would not be materially prejudicial to the interests of the Bondholders, and provided further that the Trustee will not do so in contravention of any express direction given by any Extraordinary Resolution or a written request made pursuant to Condition 10 (*Events of*

Default) but no such direction or request will affect any previous waiver, authorisation or determination, or (ii) to any modification to these Terms and Conditions or to any of the provisions of the Trust Deed which is made to correct a manifest error or which is of a formal, minor or technical nature.

- (c) In connection with the exercise of its trusts, powers, authorities or discretions (including, but not limited to, any modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of Bondholders as a class and, in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders, except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.
- (d) Any modification to these Terms and Conditions or to any of the provisions of the Trust Deed or any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor of these Terms and Conditions or any of the provisions of the Trust Deed shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

16. **Substitution**

The Trustee may, without the consent of the Bondholders or Couponholders, agree with the Issuer and the Guarantor to the substitution of the Guarantor or any wholly-owned Subsidiary of the Issuer or the Guarantor in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Trust Deed, subject to the Trustee being of the opinion that the interests of the Bondholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed (including, in the case of a Substitution of the Issuer with a company other than the Guarantor, a requirement that the Guarantee of the Bonds is fully effective in relation to the obligations of the new principal debtor under the Trust Deed) being complied with.

17. **Further Bonds**

- (a) Subject as mentioned below, power will be reserved to the Issuer to create and issue Further Bonds forming (or so as to form after the first payment of interest thereon) a single series with the Bonds *provided that* such issue shall be constituted by a deed supplemental to the Trust Deed (in such form as the Trustee may approve) and guaranteed by the Guarantor.
- (b) The Issuer shall not be entitled to exercise the power reserved in this Condition 17 (*Further Bonds*) while any default exists in relation to any payment by the Issuer of any amounts due under the Trust Deed.

18. **Trustee**

The Trust Deed contains provisions governing the responsibility of the Trustee and providing for its indemnification and relief from responsibility in certain circumstances, (including provisions relieving it from taking proceedings against the Issuer and/or the Guarantor unless indemnified and/or secured and/or prefunded to its satisfaction) and to be paid its costs and expenses in priority to the claims of the Bondholders. The Trustee may not resign its appointment unless a successor, willing to act in such capacity, has been appointed by the Issuer and the Guarantor (acting together) and the Bondholders by Extraordinary Resolution, *provided that* the Trustee shall not be prevented from resigning its appointment if, having given notice in writing to the

Issuer and the Guarantor of its intention to so resign its appointment, a successor is not appointed within the period of three months from the date of such notice.

19. **Governing Law**

The Trust Deed, the Bonds and the Guarantee and any non-contractual obligations arising out of or in connection with the Trust Deed, the Bonds and the Guarantee are governed by, and shall be construed in accordance with, English law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will initially be in the form of the Temporary Global Bond which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Bonds will be issued in new global note (“NGN”) form. On 13 June 2006 the European Central Bank (the “ECB”) announced that Bonds in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “Eurosysteem”), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Bonds in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosysteem operations if the NGN form is used.

The Bonds are intended to be held in a manner which would allow Eurosysteem eligibility - that is, in a manner which would allow the Bonds to be recognised as eligible collateral for Eurosysteem monetary policy and intra-day credit operations by the Eurosysteem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosysteem eligibility criteria.

The Temporary Global Bond will be exchangeable in whole or in part for interests in the Permanent Global Bond not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Bond will become exchangeable in whole, but not in part, for Bonds in definitive form (“**Definitive Bonds**”) in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 at the request of the bearer of the Permanent Global Bond against presentation and surrender of the Permanent Global Bond to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Bond and the Permanent Global Bond will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Temporary Global Bond and the Permanent Global Bond. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Bond and the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Bond or (as the case may be) the Permanent Global Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Bond or (as the case may be) the Permanent Global Bond, the Issuer shall procure that the payment is noted in a schedule thereto.

Payments on business days: In the case of all payments made in respect of the Temporary Global Bond and the Permanent Global Bond “**business day**” means any day which is a day on which dealings in foreign currencies may be carried on in London.

Exercise of put option: In order to exercise the option contained in Condition 11 (*Restructuring Event*) the bearer of the Permanent Global Bond must, within the period specified in the Conditions for the deposit of the relevant Bond and put notice, give written notice of such exercise to the Principal Paying Agent, in

accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, specifying the principal amount of Bonds in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 7(b) (*Redemption at the option of the Issuer*) in relation to some only of the Bonds, the Permanent Global Bond may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Bonds to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount at their discretion).

Notices: Notwithstanding Condition 14 (*Notices*), while all the Bonds are represented by the Permanent Global Bond (or by the Permanent Global Bond and/or the Temporary Global Bond) and the Permanent Global Bond is (or the Permanent Global Bond and/or the Temporary Global Bond are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds of the issue of the Bonds are expected to amount to £299,175,000 after deduction of the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Bonds. The Issuer will on-lend the net proceeds of the issue to ENWL pursuant to the Issuer/ ENWL Loan Agreement and used by ENWL for its general corporate purposes.

DESCRIPTION OF THE ISSUER

The Issuer, ENW Finance Plc, was incorporated in England and Wales on 12 March 2009 (registered number 06845434), as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at Electricity North West, Borron Street, Stockport, England, SK1 2JD. The telephone number for the Issuer is 0800 195 4141. The Issuer has no subsidiaries or employees.

1 Principal Activities

The principal objects of the Issuer are set out in Clause 4 of its Memorandum of Association and are, among other things: (i) to borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages, pledges, liens or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Issuer or by the creation and issue of securities and financial instruments; (ii) to accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, bills of lading, warrants, debentures and other instruments and securities, whether negotiable, transferable or otherwise; (iii) to enter into (whether directly or indirectly, as principal or agent, trustee or beneficiary) any guarantee, interest rate exchange transaction, currency exchange transaction, option, swaption, repurchase transaction, securities lending transaction, contract for differences, contract of indemnity or suretyship; and (iv) to distribute any of its property or assets among its creditors and members in specie or kind.

The Issuer acts as a financing company within the Group. It has no business operations of its own, other than raising funding for ENWL through the issuance of external debt. As at 31 March 2020 the Issuer had outstanding £200 million 6.125 per cent. Fixed Rate Unwrapped Notes due 2021 (the “**2021 Notes**”), the net proceeds of which were on-lent to ENWL through a loan agreement between the Issuer and the Guarantor (the “**Existing Intercompany Loan Agreement**”). The net proceeds of the issue of the Bonds will also be on-lent to ENWL through a loan agreement between the Issuer and the Guarantor dated 28 July 2020 (the “**Intercompany Loan Agreement**”).

The Issuer entered into an index-linked swap transaction with ENWL dated 5 August 2009 (the “**Issuer/ENWL Index-Linked Swap**”). The terms of the Issuer/ENWL Index-Linked Swap match the terms of selected existing swap transactions entered into by ENWL with external hedge counterparties. The Existing Intercompany Loan Agreement contains obligations on ENWL and the Issuer to make net payments to each other with the effect that the Issuer has no economic exposure to movements under the Issuer/ENWL Index Linked Swap.

The latest audited financial statements of the Issuer are for the year ended 31 March 2020.

The Issuer will covenant to observe certain restrictions on its activities, which are detailed in the Trust Deed and the Conditions.

2 Directors and Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
David Brocksom	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Director
Peter Emery	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Director
Sion Jones	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director

Genping Pan	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Shinichiro Sumitomo	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Takeshi Tanaka	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Peter O’Flaherty	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Robert Holden	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director

Except as described in the next paragraph, there are no potential or actual conflicts of interest between the private interests or other duties of the Directors of the Issuer and their duties to the Issuer.

Peter Emery is also a director of NG Bailey Group Limited, the parent company of Freedom, with which ENWL has a business relationship and, as a result (because of the Issuer’s dependence on ENWL), may have potential conflicts of interest between his duties to the Issuer and his duties to NG Bailey Limited. For example, a potential conflict of interest could arise if he were called upon to vote in relation to a transaction between ENWL and Freedom or NG Bailey.

The Board of Directors monitors potential and actual conflicts of interest in a conflicts register, and has processes to deal with them. Directors of the Issuer are required to disclose potential and actual conflicts of interest to the Board and the Board addresses potential and actual conflicts in accordance with legal requirements. If such conflicts exist, the relevant Director excuses themselves from consideration of the relevant matter.

As a matter of English law, each director of the Issuer is under a duty to act honestly and in good faith with regard to the best interests of the Issuer, regardless of any other directorships such director may hold.

3 Auditors

Deloitte LLP has been appointed as auditor of the Issuer. Deloitte LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

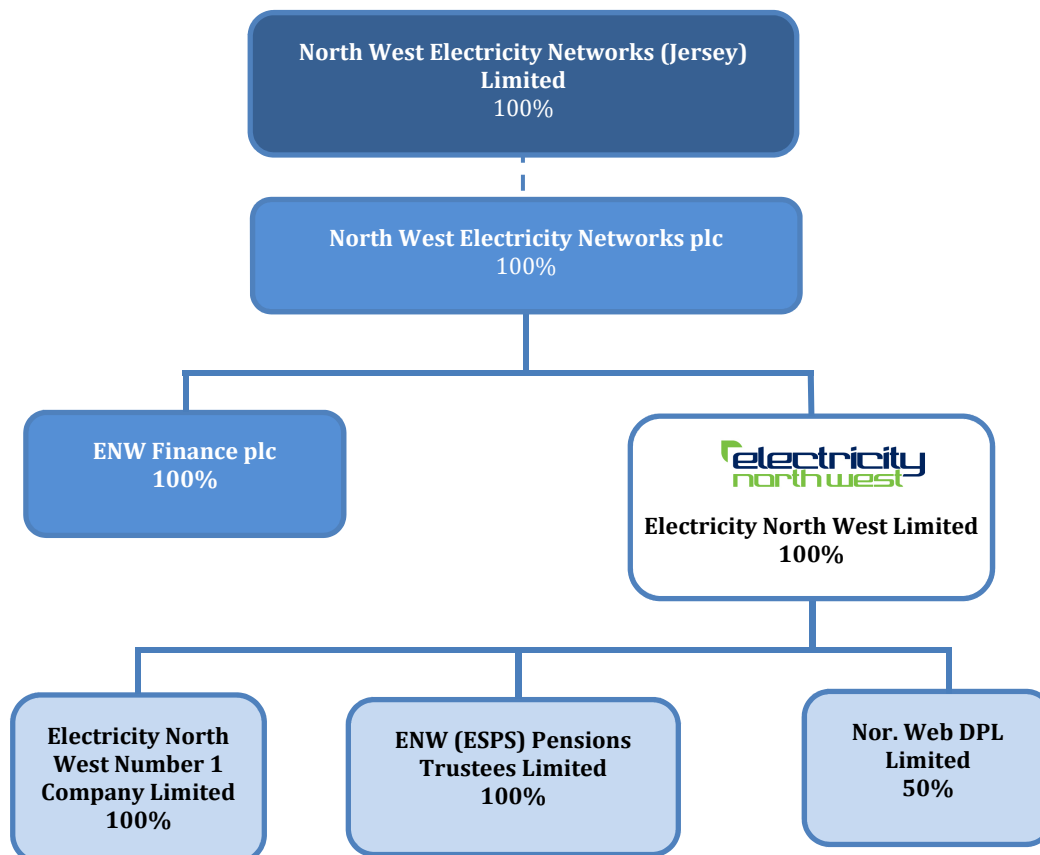
DESCRIPTION OF THE GUARANTOR

Background

Electricity North West Limited (“ENWL”) was incorporated in England and Wales on 1 April 1989 (registered number 02366949) as a public company with limited liability under the name NORWEB plc, to succeed the North Western Electricity Board for the purposes of privatisation of the electricity industry in 1990. It was acquired by United Utilities plc (formerly North West Water Group plc) (“UU”) in November 1995 and was renamed United Utilities Electricity plc in 2001. On 31 August 2007, it re-registered as a private company. On 19 December 2007, UU disposed of its interest in United Utilities Electricity Limited to North West Electricity Networks Limited and, on 20 December 2007, its name was changed to Electricity North West Limited. The registered office of ENWL is at Electricity North West, Borron Street, Stockport, England, SK1 2JD. The website of ENWL is <https://www.enwl.co.uk/>.

ENWL is a regulated electricity distribution network operator (“DNO”). The immediate parent undertaking is North West Electricity Networks plc (“NWEN plc”), a company incorporated and registered in the United Kingdom. The ultimate parent undertaking of the Group is North West Electricity Networks (Jersey) Limited (“NWEN (Jersey)”), a company incorporated and registered in Jersey. The shareholdings of NWEN (Jersey) are as follows: KDM Power Limited (40.0 per cent.); Equitix ENW 6 Limited (25.0 per cent.); Equitix MA North HoldCo Limited (15.0 per cent.); and Swingford Holdings Corporation Limited (20.0 per cent.). This ownership structure has been in place since 3 December 2019, following a staged acquisition.

The figure below is a summary of the organisational structure showing certain holding companies and affiliated companies of ENWL. This includes certain affiliates of ENWL that carry out non-regulated activities, such as construction, operation, maintenance and repair of high voltage assets.



Distribution Business

ENWL is one of the fourteen DNOs in England, Wales and Scotland. Its distribution service area is in the north-west of England, and ranges between the city of Manchester and the Lake District National Park (which covers the Greater Manchester area, Lancashire, Cumbria and parts of Cheshire, Derbyshire and North Yorkshire). ENWL's electricity distribution network includes over 57,000 kilometres of overhead lines and underground cables, and almost 35,000 transformers.

ENWL's principal function is to own, invest in, operate and maintain the electricity network through which end-users receive a supply of electricity, and connect distributed generation and local storage. ENWL is also responsible for repair of the network in the event of a power cut or fault in order to restore electricity. ENWL receives electricity from National Grid's transmission network and locally connected generators; and distributes this to approximately 5 million end-users⁶ connected to its electricity distribution network on behalf of the electricity supply companies who are ENWL's principal customers. Approximately 22 terawatt hours of electricity are distributed to end-users each year. ENWL does not generate or trade electricity.

ENWL holds an electricity distribution licence granted by the Secretary of State under the Electricity Act 1989 authorising it to distribute electricity for the purpose of supply to premises. ENW is regulated by Ofgem.

ENWL Distribution Service Area Map



⁶ Source: ONS Lower layer Super Output Area population density data, October 2019

Financial Overview

For the year ended 31 March 2020, revenue increased to £478.1 million (£458.3 million for the year ended 31 March 2019), in line with the allowed Distribution of Use System (“DUoS”) revenue under the ED1 price control. Operating profit increased to £212.2 million (£190.5 million for the year ended 31 March 2019), primarily reflecting the increase in revenue. Capital investment in property, plant and equipment for the year ended 31 March 2020 was £210.5 million (£232.5 million for the year ended 31 March 2019). As at 31 March 2020, ENWL’s Adjusted Net Debt to Nominal RAV Ratio was 62.4% (63.5% as at 31 March 2019, 62% as at 31 March 2018, 60.1% as at 31 March 2017 and 62.5% as at 31 March 2016) and its Interest Cover Ratio was 4.7 (4.2 as at 31 March 2019, 3.7 as at 31 March 2018, 5.5 as at 31 March 2017 and 4.5 as at 31 March 2016). For the year ended 31 March 2020, Capital Expenditure was £218.5 million (£241.4 million for the year ended 31 March 2019, £218.5 million for the year ended 31 March 2018, £210.5 million for the year ended 31 March 2017 and £221.3 million for the year ended 31 March 2016).

Regulatory Framework

Each of the fourteen licensed DNOs distributes electricity within its respective distribution service area.

As a DNO, ENWL is subject to regulation by Ofgem under the terms of the Electricity Act 1989 and its distribution licence. Ofgem has a duty to carry out its functions, including its price control functions, in a manner which it considers promotes value for money and protects the interests of consumers. In performing that duty, Ofgem must have regard to the need for efficient licence holders to be able to finance their regulated activities. In addition, DNOs have a duty to maintain an investment grade credit rating.

DNOs are subject to price controls, set and enforced by Ofgem, which limit the revenue that may be recovered and retained from their electricity distribution activities (by way of DUoS charges). The regulatory regime that has been applied to DNOs encourages companies to look for efficiency gains in order to improve profits.

The distribution price control formula determines the maximum revenue that the DNO is entitled to recover. It adjusts the revenue received by DNOs to reflect a number of factors, including, but not limited to, the rate of inflation as measured by the Retail Price Index (“RPI”) (though there is a proposal to move from RPI to other indexes, for more information see the risk factor headed “Retail prices index movements and cost-base variations and other financial risk”) and the quality of service delivered by the DNO's distribution system. The price control formula has been, and may be, reviewed at Ofgem's discretion. The current price control has been set for a period of eight years. The procedure and methodology adopted at a price control review are at the reasonable discretion of Ofgem. Ofgem's judgment of the future allowed revenue of DNOs has been based upon, among other things:

- efficient operating and capital costs;
- expected taxes;
- the value ascribed by Ofgem to the capital employed in the regulated business (the Regulated Asset Value, “RAV”), which takes account of network expenditure allowed by Ofgem;
- rate of return to be allowed on the RAV;
- financial ratios and licence requirements to maintain investment grade status;
- allowances in respect of the repair of the pension deficits in the defined benefit pension schemes sponsored by the DNO; and
- under / over-recoveries of revenues, relative to allowed revenues, in the previous price control period.

There is a common charging regime for all the DNOs, approved by Ofgem, which reasonably recovers the allowed revenue from customers. Changes to the common methodology are governed by the

Distribution Connection and Use of System Agreement (“**DCUSA**”). Parties to DCUSA and parties authorised by Ofgem can propose changes to the common methodology.

A number of incentive schemes also operate within the price control period to encourage DNOs to provide an appropriate quality of service to end users, which can increase or decrease (by way of penalty payments) the DNOs allowed revenue during the period. Such incentive schemes relate to, for example, the DNO’s performance in respect of the level of electrical interruptions and the average length of those interruptions, time to quote and time to connect with new customers and levels of customer satisfactions. Additionally, as part of setting price controls, Ofgem defines total expenditure (“**Totex**”) allowances for each of the DNOs, which is designed to encourage them to deliver their outputs at the lowest total cost, without preferring operational expenditure or capital expenditure. Totex underspends are shared between the companies and their customers. After enduring value adjustments, Totex for the year ending 31 March 2019 was £234.7 million compared to an Ofgem allowance of £266.1 million in outturn prices. From the beginning of ED1 to 31 March 2019, ENWL has reported a cumulative totex outperformance of 5.0% (after enduring value adjustments).

ENWL's investment programme is targeted at maintaining asset condition, ensuring that sufficient network capacity is available to meet the needs of its customers, as well as meeting the prescribed outputs over the price control period and improving the performance and reliability of its network in order to reduce customer interruptions and minutes lost. ENWL is the only DNO group to achieve all outputs set by Ofgem over the last three years.⁷ In the year ended 31 March 2020, ENWL achieved network availability of 99.9 per cent. Additionally, ENWL’s Customer Interruptions (CIs) (i.e. the average number of interruptions per 100 customers) and Customer Minutes Lost (CMLs) (i.e. the average number of minutes for which customers were without supply during the year) measures were ‘best-ever’ results at 28.0 (33.6 in 2018/2019) and 27.2 (33.0 in 2018/2019) respectively, outperforming the maximum targets set by Ofgem of 47.2 and 43.0 respectively.

Changes to the price controls can be made by GEMA without the consent of the DNO, but this is subject to a right of appeal by the DNO to the Competition and Markets Authority (“**CMA**”) on specified grounds. Certain other interested parties also have the same right.

The next price control for electricity distribution, RIIO-ED2 (“**ED2**”), is set to run for five years from April 2023. Ofgem published its initial consultation on ED2 on 6 August 2019, followed by a framework decision on 17 December 2019 which set out the context for the development of ED2 and the proposed framework for the price control. The timetable for the methodology consultation is quarter three 2020, with a decision to be published during quarter four 2020. The initial and final determinations are planned for quarters two and four of 2022 respectively.

ENWL will be directly affected by the electricity distribution price control review, and as such has been actively involved in all these price control discussions. ENWL has already started the business planning process and stakeholder engagement for ED2. The ENWL management team considers early preparation important to position itself to maximise from the opportunities and overcome the challenges that ED2 presents, in particular the transition to a low-carbon economy.

Ofgem monitors compliance by DNOs with their licence conditions. As well as imposing price controls, licence conditions govern terms of service, financial ring-fencing and the financial strength of the DNO, the provision of information to Ofgem and the public, the maintenance of transparency and non-discrimination, and the avoidance of cross-subsidy in the provision of regulated services. Ofgem also monitors and enforces DNO compliance with certain statutory duties set out in the Electricity Act 1989, including the duty to develop and maintain an efficient, coordinated and economical system of electricity distribution.

⁷ Source - Ofgem RIIO-ED1 Annual Reports.

Ofgem is able to issue enforcement orders to and/or impose financial penalties on DNOs that contravene any licence condition and/or statutory duties under the Electricity Act 1989 (as amended), or which are failing to achieve a satisfactory performance in relation to the individual standards of performance. Any penalty imposed must be reasonable and may not exceed 10 per cent. of the DNO's revenue.

While the distribution licence may be terminated immediately in exceptional circumstances, such as in the event of insolvency proceedings, it otherwise continues indefinitely until revoked following no less than 25 years' written notice. Ofgem has formal powers to modify each distribution licence. ENWL may appeal against any modifications to its distribution licence on one or more specified grounds.

RAV

RAV is the regulated asset base of the company as determined by Ofgem. The latest RAV values for the ED1 price control period, as outlined by Ofgem in its electricity distribution price control financial model published in November 2019, are shown in the following table. All values are expressed in 2012/13 prices. The base RPI index for the 2012/13 prices is based on an average RPI index published between April 2012 and March 2013 and is 244.675.

	Annual Values as at March (£m, 2012/2013 prices)							
	2016	2017	2018	2019	2020	2021	2022	2023
Opening RAV	1,526	1,538	1,534	1,549	1,567	1,585	1,607	1,639
Net additions (after disposals)	159	145	155	158	154	156	164	154
Depreciation	(148)	(149)	(141)	(139)	(136)	(134)	(132)	(130)
Closing RAV	1,538	1,534	1,549	1,567	1,585	1,607	1,639	1,664

The above values are subject to adjustment to reflect the rate of inflation as measured by RPI (such adjusted figure being the Nominal RAV, as set out in the reconciliation table on page 6 of this Prospectus).

Strategy

ENWL's long-term strategy is to operate the business in order to remain competitive by providing a high-quality and reliable service to its customers whilst keeping costs as low as reasonably practicable to meet the affordability challenges for customers.

ENWL operates a business model and strategy based on four pillars: (i) improving performance in respect of ED1 regulatory targets, (ii) improving customer experiences and engagement, (iii) reducing and managing risk (financial or otherwise), and (iv) maximising the potential gains from ED2 through advanced planning.

(i) Maximise ED1 performance

This pillar involves maximising performance in the short and medium-term to the end of ED1 and beyond.

ENWL has prioritised investment in the first half of ED1 so that the benefits can be seen in the second half of the period. For example, ENWL has invested in a number of innovation projects that support

ENWL's objective of optimising ED1 performance. These projects include commissioning a new Network Management System ("NMS"), a new distribution systems operator, to enable the ongoing improvement of customer service based on delivery of better customer data around service impact and restoration. The NMS has already delivered a number of innovative technologies, including the CLASS (Customer Load Active System Services) control communication dashboard ("CLASS"). CLASS is a new technology which uses voltage controllers in substations to manage demand for electricity, reducing the need for additional generation during periods of peak demand, thereby reducing carbon emissions and contributing to lower customer bills.

The NMS project will complete in 2020 with a follow-on project to deploy Advanced Network Management ("ANM").

(ii) Getting closer to the customer

ENWL recognises that engagement across all stakeholders, including end-customers, is increasingly important and places a significant emphasis on improving customer engagement to ensure it is well placed to meet end-users' changing needs.

Customer engagement

Ofgem's commitment to giving customers a stronger voice in setting outputs and shaping and assessing business plans for the ED2 period has required companies to establish Customer Engagement Groups ("CEG"s). The role of the CEG is to scrutinise independently the relevant company's stakeholder engagement, with full access to the Board and the Executive Leadership Team ("ELT") to question them on how stakeholder engagement insight is informing the ED2 business plan.

ENWL holds annual strategic stakeholder advisory panels, with outputs provided to the Board to support development of the business plan and informing the development of ENWL's plan for ED2 and transition to the low-carbon economy.

Customer communication

ENWL has invested in its customer contact centre, customer service and IT systems in order to improve customer experiences.

According to its customer satisfaction surveys, ENWL's customer satisfaction performance has continued to improve in all areas, achieving an overall score of 88.5 per cent for 2019/2020 (86.5 per cent. in 2018/2019), which is close to the approximate 89 per cent level required to earn the maximum level of incentive. Complaints resolution performance has also improved significantly, currently achieving an 84 per cent. 24-hour resolution performance (82.1 per cent. in 2018/2019).

Customer interface

ENWL believes that its direct relationship with customers is critical to achieving high levels of customer satisfaction. ENWL has taken direct control of key customer interfacing activities, such as domestic connections, planning of essential interruptions to customers' electricity and substation ground maintenance. ENWL is taking steps to ensure that, wherever possible, contact with customers is made directly and not through contractors.

In 2019 ENWL launched the Customer Voice panel allowing customers and colleagues to participate as a voting panel for customer service improvement ideas and recently launched its Powering our Communities fund to support projects in the community and local energy sector.

Worst served customers

ENWL, along with other DNOs, has made a concerted effort to reduce the number of ‘worst-served customers’ (i.e. customers who experience 12 or more higher voltage unplanned interruptions over a three-year period, with at least three higher voltage interruptions each year). Through targeted investment, ENWL has reduced its number of worst-served customers, and has a target of having no worst served customers by 2023.

More vulnerable customers

There are a number of locations on the network where high concentrations of more vulnerable customers are found, including hospitals, nursing homes and sheltered housing. At these locations, ENWL has made focused investments to improve network reliability and automate restoration should a fault occur, including the provision of enhanced customer support.

Fuel poverty

A household which needs to spend more than 10 per cent of its income to heat the home to an adequate standard of warmth is classified as fuel poor. ENWL is committed to continuing its investment programme so as to keep costs down for end-users. From the start of the regulatory period to 31 March 2019, ENWL shared over £20 million of efficiency savings with its customers via reduction in the cost of electricity. ENWL’s average domestic bill for 2019/20 was £87, compared to the UK average of £93. Additionally, in 2019 ENWL continued to provide home visits to assess circumstances and provide a range of support to fuel poor customers, including home insulation, benefits checks, debt advice, energy switching and grant applications for higher cost measures such as new boilers.

(iii) Reducing and managing risks

Governance

ENWL aims to manage risks through a clear Risk Policy set by the Board, with controls and policies consistently applied and overseen by the Health, Safety and Environmental Committee and the Audit Committee with the assistance of the Risk and Audit team.

Safety

The safety of ENWL’s employees, contractors and customers remains a priority. ENWL’s health and safety management system is certified to the international standards OHSAS 18001. Additionally, ENWL has set up asset risk management policies and an investment programme which seeks to ensure asset safety (i.e. the safety of employees, contractors and the public from the inherent risks of electrical assets). This includes investments to develop safety-enhancing technologies and techniques, such as blast bags which ENWL developed as a low cost, but effective, means by which the risk to the public of link-box failures can be mitigated.

Environment

ENWL’s operations generally have a small direct environmental impact. However certain underground EHV cables are filled with a low-pressure liquid insulant. The pressure and leakage rates of these cables are continually monitored so that any leaks can be located and repaired as fast as reasonably practical. The insulant itself is biodegradable, but any leakage near watercourses presents an increased risk and is therefore carefully managed. Additionally, in common with other networks, certain items of the network use sulphur hexafluoride (“SF6”), a known potent greenhouse gas, as an insulant. ENWL operates a management system to monitor the use of SF6 and to intervene as quickly as is practicable to minimise any leakage of the gas

ENWL operates a UK Accreditation Service scheme for environmental management and is certified to the environmental management systems standard ISO 14001:2015, which is designed to enhance environmental performance, fulfil compliance obligations and achieve environmental objectives. For more information on ENWL’s approach to sustainability and the environment see “*Sustainability and Environment*” below.

Regulatory

ENWL faces both regulatory risks by reason of being a DNO and wider regulatory risks that all businesses face. The impact of the former is managed primarily through engagement with Ofgem and other governmental organisations, both as an industry through the Energy Networks Association (“ENA”) and bilaterally. Wider regulatory risks are mitigated through engagement with relevant regulators and ensuring adherence to the legal requirements through policies, procedures and controls as well as effective training of ENWL’s employees and contractors.

(iv) ED2 strategy

Early preparation for ED2 is an important area of focus for the ENWL management team. ENWL has deployed a number of projects to ensure it is in a strong position when submitting its business plan to Ofgem and over the ED2 period. These aim to:

- enable the transition to becoming a Distribution System Operator (“**DSO**”);
- support new investment cases that deliver stakeholder requirements;
- enable the continuation of strong outperformance of the price control settlement; and
- influence the regulatory framework.

Transition to DSO

Over the remainder of ED1, ENWL plans to support the development of the low-carbon economy and the evolution to DSO (as explained in more detail in the “*Description of the Guarantor –Environment*”).

Supporting new investment cases

ENWL is assessing the investment requirements for the ED2 period and beyond.

ENWL expects that a significant investment case may arise from the further development of its Smart Street technology. Smart Street is a project aimed at enhancing connection of Low Carbon Technologies, lowering electricity bills and carbon emissions and improving supplier reliability through voltage control techniques, without impacting power quality. Smart Street comprises two controllable switching devices, called Weezap and Lynx and stabilises voltage levels such that they remain within statutory levels. In July 2019, Ofgem awarded £15 million (2012/13 prices) to ENWL through the Innovation Roll-Out Mechanism to facilitate the roll-out of the technology to part of its network in the final three years of ED1. There is strong stakeholder support for a much wider roll-out in ED2.

Further investment is also likely to be driven by the need to reduce customer bills and carbon emissions.

Enabling the continuation of strong performance against regulatory targets

ENWL recognises that strong performance against regulatory targets, such as CIs and CMLs, will inevitably lead to tighter targets and greater expectations from customers, stakeholders and regulatory bodies and continues to develop and invest in the business in a way that reflects this.

Influencing the regulatory framework

ENWL is taking an active role in engaging with a range of stakeholders on the formulation of the ED2 approach and in starting to develop its ED2 business plan. ENWL is working with Ofgem and other national stakeholders to ensure that the regulatory framework reflects the industry's changing role.

Sustainability and Environment

As outlined in the Climate Change Act (2008), the UK government has committed to reducing carbon emissions by at least 80 per cent of 1990 levels by 2050 and, as such, the way in which electricity is produced and used is expected to have a substantial impact on ENWL's distribution network over time.

The UK's commitment to decarbonisation is driving electricity generation to become renewable, intermittent and smaller scale.

As a DNO, ENWL expects to be a key partner in this transition and is working together with the local authorities in its region to drive this development. Additionally, ENWL is adapting to allow for more low-carbon generation sources such as wind and solar power to connect directly to the network.

In 2019, ENWL launched its plan, '*Leading the North West to Zero Carbon*', setting out how it plans to decarbonise its operations and support the transition to a low carbon economy for the rest of the region. In particular, it details ENWL's plan to invest £63.5 million between 2019-2023 to drive down its carbon emissions and help businesses, customers and employees to do the same. For example, ENWL has committed to a carbon budget to meet the target of zero carbon by 2038, with a planned decrease in emissions of 10 per cent. each year. ENWL is also enabling customers to connect low carbon technologies to its network.

In addition, programmes are in place to reduce the carbon footprint of ENWL's day-to-day operations, such as buildings, vehicles, generators and sulphur hexafluoride (SF6).

At the start of the current regulatory period, ENWL made a commitment to customers to reduce carbon emissions, in tCO₂e, by 10 per cent. from a 2014/15 base year, by 2020. Through targeted investment in the efficiency of its buildings and other efficiency measures, the level of emissions reduction has exceeded this level, having been reduced by 26 per cent. from 2014/15 levels to 18,051 tonnes CO₂ equivalent ("tCO₂e") in the year ended 31 March 2020. In addition to this reduction, ENWL's CLASS innovation has reduced carbon-based generation in the economy, saving an estimated 2,400 tCO₂e.

The ongoing CLASS project also has a positive environmental impact as it effectively replaces fossil-fuelled spinning reserve with a zero-carbon low-cost alternative. At present we are the only network business in the UK to provide this service.

ENWL has also made two depots and two substations carbon neutral during 2019/2020, using a range of low carbon technologies. Additionally, in 2019, ENWL became the region's first company to purchase two state-of-the-art electric mini diggers which have zero exhaust emissions.

Customer Information

ENWL distributes electricity to end-users connected to its electricity distribution network on behalf of the electricity supply companies who are ENWL's principal customers.

In all regulatory periods to date, the permitted charges for distributing electricity have been directly related to the quantity of electricity distributed for the electricity supply companies which have contracts to supply energy to consumers' premises in ENWL's area, with the result that revenues are sensitive to changes in the demand for electricity in north-west England.

Demand for electricity is affected by such factors as growth and movements in population, social trends, economic and business growth or decline, changes in the mix of energy sources used by consumers, weather conditions, energy efficiency measures and other factors.

Variations in demand from end-users can affect the revenues that are received by ENWL in any year, but such variations have no effect on the total revenue that the Issuer is allowed to recover in a price control period as under or over recoveries against price-controlled revenues are carried forward into prices for future years.

DNOs remain relatively insulated from the downward pressure on electricity bills given that they represent a small component of the overall bill. Of the typical domestic electricity bill charged by suppliers to North West customers, ENWL's costs make up approximately 15 per cent, at approximately £87 per home per annum for the 2019/20 year (2019/20 price base).

In addition to regulated revenues through DUoS charges, ENWL receives revenues to cover directly remunerated services (“**DRS**”) which are directly charged to customers and third parties.

In recent years, there has been dramatic growth in the number of distributed generators seeking to connect to the distribution network. ENWL provides connection services to a range of distributed generation customers, from small domestic-sized installations through to large business and industrial scale generation projects.

ENWL also offers an end-to-end connections service at the request of individual customers. Customers can also choose to use an Independent Connection Provider who will complete the work required and then transfer ownership of the equipment installed to ENWL to operate and maintain, or an Independent Distribution Network Operator who will complete the work, retain ownership and operate and maintain the equipment.

ENWL also provides other DRSs such as:

- Diversion costs where ENWL has to move assets as a result of a customer's work, for example construction of a new highway;
- Where a customer wishes to move their service position;
- Revenue protection activities to combat theft of electricity; and
- Construction of assets for other DNOs or National Grid at shared sites.

Impact of the coronavirus pandemic

The coronavirus pandemic has had a limited financial impact on ENWL to date. ENWL's revenue derives principally from regulated electricity distribution. The level of billed Direct Use of Service (“**DUoS**”) Revenue in any year is in part driven by the level of electricity demand on the network. The regulatory regime allows for the recovery of allowed costs in full over the medium-term and, as such, any revenue shortfalls in the current year relating to lower electricity demand will be recovered by ENWL in future years.

The introduction of lockdown measures in March 2020 in response to the coronavirus pandemic resulted in a short term impact on electricity demand in the ENWL region. This trend continued through the start of the current financial year, with demand recovering as lockdown measures were eased. It remains early in the financial year, but ENWL's revenue and costs for the full year are not currently expected to be materially affected by the coronavirus pandemic.

On 2 June 2020, Ofgem issued an open letter on relaxing payment charges, intended to provide support where necessary for energy suppliers who face cash flow challenges as a result of the pandemic. ENWL will follow the guidance in the letter which, depending on the level of take-up by electricity suppliers, may result in the deferral of some cash collections from electricity suppliers due over the summer

period 2020. The impact of the scheme will be to defer cash payments within the financial year ending 31 March 2021, however participation to date has been limited and the impact is not considered to be material.

In addition, ENWL has reviewed its liquidity levels and has concluded that these remain sufficient.

The Board continues to monitor the situation closely, with flexible plans in place to support short term liquidity and ensure the long-term stability of the Company. The Board have not proposed a final dividend for the year ended 31 March 2020 given the situation.

Despite limited financial impact, the coronavirus pandemic continues to have an impact on ENWL's operations. As ENWL is deemed a critical service provider by the UK Government, it is required to continue to deliver its essential service to customers. ENWL rapidly deployed its incident management processes to reorganise its activities and to continue to operate at the levels of service required, and the COVID-19 Steering Group coordinates ENWL's response to the pandemic as a business. ENWL is cognisant of both the increased impact of planned interruptions on its customers and the need to keep its employees and the public safe. Since the pandemic was declared, ENWL has proactively contacted more than 55,000 people on its Priority Services Register ("PSR") ensuring its most vulnerable customers are receiving the support and help they need. It is also working closely with the UK Government, Ofgem and the Energy Networks Association to ensure a consistent industry-approach. ENWL continues to monitor the situation closely in order that it can adapt and respond appropriately.

ENWL's priorities in dealing with the coronavirus pandemic include ensuring the safety of its employees, contractors and customers whilst maintaining reliability of supply. All employees, whose roles permit them to do so, are working from home, and for those unable to work from home (including those who work in the field), ENWL has introduced strict safety and hygiene procedures, with social distancing measures and use of additional personal protective equipment where this is appropriate.

In line with its role as an essential service provider, ENWL has continued throughout the pandemic with essential maintenance of the network, albeit with a view to reducing the length of planned supply interruptions on customers, as well as responding to power cuts. ENWL has reviewed its planned programme of essential work and assessed all work on a case-by-case basis to limit the number and impact of planned interruptions.

ENWL continues to work closely with the Government and Ofgem as well as the industry body, the Energy Networks Association, to ensure a consistent industry-approach.

Pensions

The ENWL Group's pension scheme, the Electricity North West Group of the Electricity Supply Pension Scheme ("**the Scheme**"), is administered by a trustee company, limited by shares, called Electricity North West Pension Trustees Limited, and referred to as the Group Trustee. The Electricity Supply Pension Scheme is an industry-wide multi-employer scheme which has 23 independent sections sponsored by companies formed following privatisation of the electricity industry. Each section is responsible only for its own liabilities.

The Scheme has a defined benefit section and a defined contribution section.

Defined Benefit scheme

The Defined Benefit Scheme (the "**DB Scheme**") is a UK-funded final salary arrangement providing pensions and lump sums to members and dependants. The DB Scheme has 6,903 members and was closed to new entrants on 1 September 2006. Since then, new employees have been provided with a defined contribution scheme.

UK legislation requires the Trustee Board of the DB Scheme to carry out triennial valuations. The DB Scheme is currently in deficit and the deficit as at the last approved valuation date of 31 March 2019, was £69.5m with the deficit recovery plan aiming to repay this deficit by 2023.

Under IAS 19, the DB Scheme recognised a net deficit as at 31 March 2020 of £26.2 million (£32.8 million surplus in as at 31 March 2019). The main reasons for the movement are reductions in scheme asset values, changes in financial and future mortality assumptions, and changes driven by the impact of pensioner buy-in during the year.

During 2019/2020, the ENWL Group made contributions of £30.3 million (£30.8 million in 2018/2019) to the DB Scheme. This includes £18.3 million (£17.8 million in 2018/2019) of deficit contributions.

In addition to the timing of the two valuations set out above, the contributions made in the period and the return on assets, the main difference is due to the different assumptions used by the IAS 19 and the funding valuation. In the event of underfunding, the ENWL Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines. As part of the 2019 actuarial valuation the ENWL Group agreed to remove the shortfall by paying annual contributions to 2023.

Under the electricity regulatory framework, the deficit repair payments relating to regulated distribution businesses are treated as pass-through for pre-2010 liabilities, subject to efficiency reviews. For post-2010 these are treated as part of total employment costs.

Similarly, cash contributions payable in respect of new benefit accrual in defined benefit pension schemes along with cash contributions payable to any defined contribution arrangements will be benchmarked by Ofgem as part of total employment costs and will only be funded to the extent that they are deemed to be efficient.

Ofgem performs regular efficiency reviews of the DB Scheme and the deficit contributions payable to defined benefit pension schemes. If Ofgem deems that any cash contributions have not been efficiently incurred, it may restrict the amount that can be recovered from customers in the future. Following its review of the DB Scheme in 2017, Ofgem confirmed that the established deficit would continue to be funded through the price control mechanism.

Directors of ENWL

ENWL is managed by a Board of Directors comprising the following individuals:

Name	Business Address	Principal Activities
Peter Emery	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Chief Executive Officer
David Brocksom	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Chief Finance Officer
John Roberts ⁸	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Independent Non-Executive Chairman

⁸ John Roberts will be stepping down as Chairman and will be replaced by Alistair Buchannan from 3 October 2020.

Anne Baldock	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Independent Non-Executive Director
Alistair Buchanan	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Independent Non-Executive Director
Susan Cooklin	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Independent Non-Executive Director
Rob Holden	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Independent Non-Executive Director
Peter O’Flaherty	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Sion Jones	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Genping Pan	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Shinichiro Sumitomo	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director
Takeshi Tanaka	Electricity North West, Borron Street, Stockport, England, SK1 2JD	Non-Executive Director

Except as described in the next paragraph, there are no potential or actual conflicts of interest between the private interests or other duties of the Directors of ENWL and their duties to ENWL.

Peter Emery is also a director of NG Bailey Group Limited, the parent company of Freedom, with which ENWL has a business relationship and, as a result, may have potential conflicts of interest between his duties to ENWL and his duties to NG Bailey Limited. For example, a potential conflict of interest could arise if he were called upon to vote in relation to a transaction between ENWL and Freedom or NG Bailey.

The Board of Directors monitors potential and actual conflicts of interest in a conflicts register, and has processes to deal with them. Directors of ENWL are required to disclose potential and actual conflicts of interest to the Board and the Board addresses potential and actual conflicts in accordance with legal requirements. If such conflicts exist, the relevant Director excuses themselves from consideration of the relevant matter.

As a matter of English law, each director of the Issuer is under a duty to act honestly and in good faith with regard to the best interests of the Issuer, regardless of any other directorships such director may hold.

TAXATION

UK Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on UK Source Interest

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" (within the meaning of section 1005 of the Income Tax Act 2007 (the "Act") for the purposes of section 987 of the Act) or admitted to trading a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of section 987 of the Act). The London Stock Exchange is a recognised stock exchange. The Bonds will be treated as listed on the London Stock Exchange if they are included in the Official List of the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent), subject to such relief or exemption as may be available.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent), subject to such relief as may be available under a double taxation treaty or to any other exemption which may apply. Where such a treaty relief is available, and the applicable conditions in the relevant treaty are satisfied, the Bondholder should be entitled to a refund of tax withheld, provided it complies with the applicable formalities relating to such claim within the relevant limitation period.

Other Rules Relating to the United Kingdom Withholding Tax

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

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

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

The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 16 of the Bonds or otherwise and does not consider the tax consequences of any substitution.

U.S. Foreign Account Tax Compliance Act Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “foreign financial institution” (as defined by (FATCA) 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. The issuer may be a foreign financial institution for these purposes. 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 jurisdiction. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, 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, and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding, in either case unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional bonds (as described under “Terms and Conditions—Further Bonds”) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Bondholders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

EEA and United Kingdom Retail Investors

Each Joint Lead 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 Bonds to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 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.
- and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken 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 FSMA) received by it in connection with the issue or sale of the Bonds 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 Bonds in, from or otherwise involving the United Kingdom.

United States of America

The Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to 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 United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply in all material respects with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Prospectus or any other offering material relating to the Bonds. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with, as applicable, the issue and performance of the Bonds and the giving of the Guarantee. The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer dated 9 July 2020 and a resolution of a finance committee of the Board of Directors of the Issuer dated 17 July 2020. The giving of the Guarantee of the Bonds has been authorised by a resolution of the Board of Directors of the Guarantor dated 9 July 2020 and a resolution of a finance committee of the Board of Directors of the Guarantor dated 17 July 2020.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

Significant/Material Change

3. As at the date of this Prospectus, since the date of its last published audited financial statements (31 March 2020) there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial position or financial performance of the Issuer.
4. As at the date of this Prospectus, since the date of its last published audited financial statements (31 March 2020) there has been no material adverse change in the prospects of the Guarantor nor, save as disclosed in the Risk Factor headed “*The coronavirus pandemic*” on page 16 of this Prospectus and the section headed “*Impact of the coronavirus pandemic*” on page 45 of this Prospectus, any significant change in the financial position or financial performance of the Guarantor and its Subsidiaries.

Auditors

5. The financial statements of the Issuer and the Guarantor have been audited without qualification for the years ended 31 March 2020 and 31 March 2019 by Deloitte LLP of 2 Hardman Street Manchester, M3 3HF, independent accountants.

Documents on Display

6. Copies of the following documents may be inspected at the offices of the Guarantor at Borron Street, Stockport, England SK1 2JD during normal business hours and at the website links set out below from the date of this Prospectus:
 - (a) the memorandum and articles of association of the Issuer (the memorandum and articles of association of the Issuer (<https://www.enwl.co.uk/about-us/financial-investor-relations/information-for-investors/>));
 - (b) the memorandum and articles of association of the Guarantor (<https://www.enwl.co.uk/about-us/financial-investor-relations/information-for-investors/>);
 - (c) the Paying Agency Agreement and the Trust Deed (<https://www.enwl.co.uk/about-us/financial-investor-relations/information-for-investors/>);
 - (d) the audited financial statements of the Issuer for the years ended 31 March 2019 and 31 March 2020 (<https://www.enwl.co.uk/about-us/financial-investor-relations/financial-reports/>); and

- (e) the audited consolidated financial statements of the Guarantor for the years ended 31 March 2019 and 31 March 2020 (<https://www.enwl.co.uk/about-us/financial-investor-relations/financial-reports/>).

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

Yield

7. On the basis of the issue price of the Bonds of 100 per cent. of their principal amount, the yield of the Bonds is 1.415 per cent. on an annual basis.

Legend Concerning U.S. Persons

8. The Bonds and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

ISIN and Common Code

9. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2208638838 and the common code is 220863883.

Listing and Admission Expenses

10. It is expected that official listing will occur on or about 31 July 2020, subject only to the issue of the the Temporary Global Bond. The Issuer estimates that the total expenses related to the admission of trading of the Bonds will be approximately £5,500. So long as the Bonds are listed on the Official List of the FCA and admitted to trading on the Regulated Market of the London Stock Exchange, and subject to applicable law, the Bonds will be freely transferable and negotiable in accordance with the rules of the London Stock Exchange.

The Legal Entity Identifier

The Legal Identifier code of the Issuer is 549300V1067HJV48FS61. The Legal Identifier code of the Guarantor is 549300ZM2QCFG22BOJ03.

Conflicts of Interest

Certain of the Joint Lead Managers have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantor and their affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantor and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead 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 and their affiliates. Certain of the Joint Lead Managers of their affiliates that have a lending relationship with the Issuer and the Guarantor routinely hedge their credit exposure to the Issuer, the Guarantor and their affiliates consistent with their customary risk management policies. Typically, such Joint Lead 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 securities, including potentially the Bonds. Any such positions could adversely affect future trading prices of the Bonds. The Joint Lead 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.

GLOSSARY OF DEFINED TERMS

The following terms are used throughout this Prospectus:

2021 Notes		The Issuer's Outstanding £200 million 6.125 per cent. Fixed Rate Unwrapped Notes due 2021
ANM		Advanced Network Management
CEG		The Customer Engagement Group
CLASS		The Customer Load Active System Services control communication dashboard, a technology which uses voltage controllers in substations to innovatively manage demand for electricity
CMA		Competition and Markets Authority
DCUSA		Distribution Connection and Use of System Agreement
DNO		Distribution network operator
DRS		Directly remunerated services
DSO		Distribution System Operator
DUoS		Direct Use of Service or Distribution of Use System
ED1		The current price control period, RIIO-ED1
ED2		The next price control period for electricity distribution, RIIO-ED2, commencing April 2023
ELT		Executive Leadership Team
ENA		Energy Networks Association
ENWL		Electricity North West Limited
Existing Intercompany Loan Agreement		The loan agreement between the Issuer and the Guarantor under which the proceeds of the 2021 Notes were on-lent to ENWL.
GEMA		Gas and Electricity Markets Authority
Intercompany Agreement	Loan	The loan agreement dated 28 July 2020 between the Issuer and the Guarantor pursuant to which the net proceeds of the issue of the Bonds will be on-lent to ENWL.
Issuer/ENWL Linked Swap	Index-	The index-linked swap transaction pursuant to an ISDA Master Agreement dated 5 August 2009.
IT		Information technology
NMS		Network Management System
NWEN (Jersey)		North West Electricity Networks (Jersey) Limited
NWEN plc		North West Electricity Networks plc
Ofgem		Office of Gas and Electricity Markets
PSR		ENWL's Priority Services Register

RAV	Regulated Asset Value, the value ascribed by Ofgem to the investment capital employed in the regulated business
RPI	The United Kingdom Retail Price Index
SF6	Sulphur hexafluoride

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