



SW (FINANCE) I PLC

(incorporated with limited liability in England and Wales, with registered number 13677506)

(Legal Entity Identifier: 549300BHN1HB5BNG2R96)

£6,000,000,000

Multicurrency Programme for the Issuance of Guaranteed Bonds

Financing

Southern Water Services Limited

(incorporated with limited liability in England and Wales with registered number 2366670)

This Supplement (the "**Supplement**") to the prospectus dated 14 November 2023, as supplemented on 29 November 2023 (the "**Prospectus**") constitutes a supplement to the Prospectus for the purposes of Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**") and is prepared in connection with the £6,000,000,000 Multicurrency Programme for the issuance of guaranteed bonds (the "**Programme**") established by SW (Finance) I PLC (the "**Issuer**") and unconditionally and irrevocably guaranteed by *inter alios* Southern Water Services Limited ("**SWS**"). This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and any other supplements to the Prospectus subsequently issued by the Issuer.

This Supplement also operates as a supplement to the listing particulars dated 14 November 2023, as supplemented on 29 November 2023 ("**Listing Particulars**") relating to the Programme for the purposes of LR 4.4.1 of the Listing Rules of the Financial Conduct Authority ("**FCA**") and section 81 of the Financial Services and Markets Act 2000 in relation to the PSM Bonds as defined in the Listing Particulars. For the purpose of any PSM Bonds issued under the Programme, this document does not constitute a supplemental prospectus within the meaning of Article 23 of the UK Prospectus Regulation. This Supplement is supplemental to, and should be read in conjunction with, the Listing Particulars and any other supplements to the Listing Particulars subsequently issued by the Issuer. References herein to the Prospectus include the Listing Particulars, except where the context requires otherwise.

The purpose of this Supplement is to update:

- (i) the sub-section entitled "*Special Administration*" in the section entitled "*Risks Relating to the SWS Financing Group – Legal Considerations*" in Chapter 3 (*Risk Factors*) and the sub-section entitled "*Special Administration Orders*" in the section entitled "*Licenses*" in Chapter 6 (*Regulation of the Water and Wastewater Industry in England and Wales*), to reflect the publication of certain statutory instruments related to Special Administration;
- (ii) the sub-section entitled "*Ofwat Asset Health*" in the section entitled "*Risks Relating to the SWS Financing Group – Environmental Consideration and Ofwat Asset Health*" in Chapter 3 (*Risk Factors*) and the section entitled "*Wastewater Services*" in Chapter 5 (*Description of the SWS Financing Group*), to reflect Ofwat's final determination of the 2022/23 ODI outcomes; and
- (iii) the sub-section entitled "*Loss of Data or Interruption of Key Business Systems*" in the section entitled "*Risks Relating to the SWS – Cyber Security*" in Chapter 3 (*Risk Factors*) and the section entitled "*Information Technology*" in Chapter 5 (*Description of the SWS Financing Group*), to disclose an ongoing cyber incident and risks relating thereto, each as further described below.

Unless otherwise defined in this Supplement, terms defined in the Prospectus have the same meaning when used in this Supplement. Unless stated otherwise, page numbers referred to in this Supplement refer to pages in the Prospectus.

The Issuer and each of SWS, SWS Holdings Limited, SWS Group Holdings Limited and SW (Finance) II Limited (together with the Issuer, being the "**Obligors**") accept responsibility for the information contained in this Supplement. To the best of

the knowledge of each of the Issuer and the other Obligors, the information contained in this Supplement is in accordance with the facts and this Supplement makes no omission likely to affect its import.

1 Risk Factors (Chapter 3)

- 1.1 The sub-section “*Special Administration*” in the section entitled “*Risks Relating to the SWS Financing Group – Legal Considerations*” on page 40 of the Base Prospectus shall be updated by replacing the sentence reading “*The relevant provisions are not yet in force.*” with the following:

“Some of these provisions are in force as of 12 January 2024 by virtue of the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 (see “Updates to the Special Administration Regime” under “Licences” in Chapter 6 (Regulation of the Water and Wastewater Industry in England and Wales)).”

- 1.2 The sub-section “*Owat Asset Health*” in the section entitled “*Risks Relating to the SWS Financing Group – Environmental Consideration and Owat Asset Health*” on page 45 of the Base Prospectus shall be updated by adding the following at the end of the paragraph starting “*On 26 September 2023, Owat published a draft determination...*”:

“In its final determination published on 14 November 2023, Owat confirmed this total amount, however, Owat decided to defer £21.451 million of SWS’s underperformance payments for 2022/23, such that this reduction will only be applied to customer bills in 2025/26.”

- 1.3 The sub-section entitled “*Loss of Data or Interruption of Key Business Systems*” in the section entitled “*Risks Relating to the SWS – Cyber Security*” on page 50 of the Base Prospectus shall be updated by replacing the paragraph starting “*Loss of, or misuse of, data could result in breaches of legislation...*” with the following:

“On 23 January 2024, SWS announced on its website that it was aware of a claim by a cyber-criminal organisation through that organisation’s website that it had stolen data from SWS’s IT systems. The publication on the cyber-criminal organisation’s website, which names SWS, included fewer than 25 screenshots of data and information purportedly taken from SWS’s IT systems. SWS has launched an investigation led by independent cyber security specialists. As at the date of this Supplement, there is no evidence that SWS’s customer relationship systems or financial systems are affected. SWS has informed the relevant stakeholders, including the Government, Owat and the Information Commissioner’s Office and continues to closely follow the advice of the National Cyber Security Centre.

Loss of, or misuse of, data could result in breaches of legislation, including, but not limited to, data protection legislation which could have an adverse impact on SWS’s operational assets, performance and customer service metrics. In addition to impacts to operational assets, this could also potentially lead to significant penalties, civil liability and/or reputational damage and could require significant remedial investment, which may not be covered by the Periodic Review process.”

2 Description of the SWS Financing Group (Chapter 5)

- 2.1 The section entitled “*Wastewater Services*” on page 72 of the Base Prospectus shall be updated by adding the following at the end of the paragraph starting “*On 26 September 2023, Owat published a draft determination...*”:

“In its final determination published on 14 November 2023, Owat confirmed this total amount, however, Owat decided to defer £21.451 million of SWS’s underperformance payments for 2022/23, such that this reduction will only be applied to customer bills in 2025/26.”

- 2.2 The section entitled “*Information Technology*” on page 84 of the Base Prospectus shall be updated by adding a new paragraph at the end of the section:

“On 23 January 2024, SWS announced on its website that it was aware of a claim by a cyber-criminal organisation through that organisation’s website that it had stolen data from SWS’s IT systems. The publication on the cyber-criminal organisation’s website, which names SWS, included fewer than 25 screenshots of data and information purportedly taken from SWS’s IT systems. SWS has launched an investigation led by independent cyber security specialists. As at the date of this Supplement, there is no evidence that SWS’s customer relationship systems or financial systems are affected. SWS has informed the relevant stakeholders, including the Government, Owat and the Information Commissioner’s Office and continues to closely follow the advice of the National Cyber Security Centre. SWS may incur a financial penalty from the regulator(s) as a result of this incident if it is determined by the

regulator(s) that SWS failed to implement appropriate technical and organisation security measures to protect its IT systems and data.”

3 Regulation of the Water and Wastewater Industry in England and Wales (Chapter 6)

- 3.1 Paragraph (c) entitled “*Special Administrator Powers and the Transfer Scheme*” of the sub-section “*Special Administration Orders*” in the section entitled “*Licenses*” on page 105 of the Base Prospectus shall be updated by replacing the sentence reading “*The relevant provisions are not yet in force.*” with the following:

“*Some of these provisions are in force as of 12 January 2024 by virtue of the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024, as further described below (see “Updates to the Special Administration Regime”).*”

- 3.2 The sub-section entitled “*Special Administration Orders*” in the section entitled “*Licenses*” on page 105 of the Base Prospectus shall be updated by adding the following sub-section (d) on page 106:

“(d) *Updates to the Special Administration Regime*

On 12 January 2024 the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 came into force. On 15 January 2024 the Water Industry Act 1991 (Amendment) Order 2024 and Water Industry (Special Administration) Regulations 2024 (together, the “**Draft Regulations**”) were laid before parliament in draft form. DEFRA has noted that further statutory instruments are expected in the coming months.

The Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 brings into force certain changes which were made or envisaged by Schedule 5 of The Flood and Water Management Act 2010 and the Corporate Insolvency and Governance Act 2020, but which have laid dormant on the statute book until now. Key changes which are in force as of 12 January 2024 include:

- (i) updating the statutory objectives of the regime where it is commenced on the grounds of insolvency to include as a primary objective the “rescue of the company as a going concern” and providing that in such circumstances the existing going concern transfer objective only applies if the Special Administrator thinks that: (a) it is not likely to be possible to achieve the rescue objective; or (b) transfer is more likely to secure more effective performance of the functions or activities of the water undertaker;
- (ii) the ability to utilise the existing transfer scheme by way of a ‘hive down’, whereby a going concern transfer may be effected by transferring all or part of the company’s undertaking to a wholly-owned subsidiary and then transferring the shares in that subsidiary to another company; and
- (iii) the ability for a Special Administrator to propose a company voluntary arrangement under the Insolvency Act 1986 or a scheme of arrangement or restructuring plan under the Companies Act 2006 in furtherance of the priority rescue objective.

Key changes within the Draft Regulations, which are not yet in force, include:

- (i) the application of a modified form of the “new” style administration law under Schedule B1 to the Insolvency Act 1986, as opposed to the current position which applies a modified form of the “old” administration regime under the pre-September 2003 version of the Insolvency Act 1986, which was in force prior to the significant overhaul and modernisation of the administration regime introduced by the Enterprise Act;
- (ii) a number of proposed changes to the Insolvency Act 1986 and the Companies Act 2006 to give DEFRA and Ofwat enhanced oversight where company voluntary arrangements, schemes of arrangement or restructuring plans (as applicable) are used;
- (iii) an express prohibition on Special Administrators disposing of Protected Land without the consent of the Secretary of State;
- (iv) providing for the ranking of expenses and HM Treasury funding, HM Treasury loans, grants guarantees or indemnities rateably with other liabilities arising under contracts entered into by the Special Administrator and in priority to remuneration and expenses of the Special Administrator;
- (v) updates to the ability to challenge the conduct of a Special Administrator such that, in addition to creditors and members, the Secretary of State or Ofwat will also be able to apply to the court, on certain grounds and in certain circumstances, to challenge the conduct of a Special Administrator. This includes standalone rights for

the Secretary of State or Ofwat to challenge conduct (or proposed conduct) of the Special Administrator that is contrary to the conditions of the company's instrument of appointment or other statutory requirements imposed on water companies, alongside updates to provide that the court cannot grant a remedy in respect of a challenge made by creditors or members unless the Secretary of State and Ofwat have been given a reasonable opportunity to make representations. Changes are also made to bring the challenge provisions broadly in line, with modifications, with the equivalent provisions under Schedule B1 to the Insolvency Act; and

- (vi) including clarity as to the options available for ending the Special Administration (e.g., via a creditors' voluntary liquidation, dissolution or court application) broadly by the Special Administrator with the consent of the Secretary of State or Ofwat or, in relation to the court route only, on the application of the Secretary of State or Ofwat."

4 General Provisions

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Prospectus since the publication of the Prospectus.

If documents which are incorporated by reference into this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the UK Prospectus Regulation except where such information or other documents are specifically incorporated by reference or where this Supplement is specifically defined as including such information.

This Supplement has been approved by the FCA, which is the United Kingdom competent authority for the purposes of Article 23 of the UK Prospectus Regulation in the United Kingdom, as a base prospectus supplement issued in compliance with the UK Prospectus Regulation. The FCA only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the Obligors or the quality of the Bonds that are the subject of this Supplement and investors should make their own assessment as to the suitability of investing in the Bonds.

This Supplement has been approved by the FCA, which is the United Kingdom competent authority for the purposes of LR 4.1.3 of the Listing Rules for listing particulars for the professional securities market and certain other securities, as supplementary listing particulars issued in compliance with the Listing Rules. The FCA only approves this Supplement as a supplement to the Listing Particulars as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation, as required by LR 4.2.3 of the Listing Rules. Such approval should not be considered as an endorsement of (a) either the Issuer or the Obligors or (b) the quality of the Bonds that are the subject of the Supplement. Investors should make their own assessment as to the suitability of investing in the Bonds.