



*(established in England)*

**£5,000,000,000**

## **Euro Medium Term Note Programme**

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This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (as amended or superseded) (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes (the "**Notes**") by Transport for London ("**TfL**" or the "**Issuer**") under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof.

Applications have been made to admit such notes during the period of twelve months after the date hereof to listing on the Official List (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 The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU, as amended or superseded ("**MiFID II**"). See "*Risk Factors*" below for a discussion of certain risks that should be considered prior to making an investment in the Notes.

The Issuer has been assigned a rating of "AA- (negative outlook)" by S&P Global Ratings Europe Limited ("**S&P**"), "AA- (rating watch negative)" by Fitch Ratings Limited ("**Fitch**") and "Aa3 (stable outlook)" by Moody's Investors Service Limited ("**Moody's**"). Each of S&P, Fitch and Moody's is established in the European Economic Area ("**EEA**") and is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Moody's, Fitch and S&P is included in the list of credit agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating(s) will not necessarily be the same as the ratings described above or the rating(s) assigned to Notes already issued. The rating(s) assigned to any particular Tranche of Notes issued under the Programme will be disclosed in the Final Terms.

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in Article 51 of the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to obtain authorisation or appear in the register of administrators and benchmarks at the date of the Final Terms (or, if located outside the European Union, recognition, endorsement or equivalence). The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

	<b>Arrangers</b>	
<b>Goldman Sachs International</b>		<b>HSBC</b>
	<b>Dealers</b>	
<b>Barclays</b> <b>Deutsche Bank</b> <b>HSBC</b> <b>Lloyds Bank Corporate Markets</b> <b>NatWest Markets</b>		<b>BofA Merrill Lynch</b> <b>Goldman Sachs International</b> <b>J.P. Morgan</b> <b>Morgan Stanley</b> <b>Nomura</b>
	<b>RBC Capital Markets</b>	

The date of this Base Prospectus is 12 July 2019.

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as completed by a document specific to such Tranche called final terms (the "**Final Terms**") which will be delivered to the United Kingdom Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

This Base Prospectus must be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, should be read and construed together with the Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or the other documents entered into in relation to the Programme or any information supplied by the Issuer and specifically approved in writing and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee (as defined below), the Arrangers or any Dealer.

No representation or warranty is made or implied by the Arrangers, the Dealers, the Trustee or any of their respective affiliates, and none of the Arrangers, the Dealers, the Trustee or any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or 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 since the date hereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes 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 U.S. tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction subject to, the registration requirements of the Securities Act.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Trustee, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

No assurance can be given that the Notes are suitable investments for any individual or class of investor. Prospective purchasers of any Notes should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risk. Such prospective purchasers should also ensure that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition. In particular, each prospective purchaser should also ensure that they:

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £5,000,000,000 (and for this purpose, any Notes denominated in another currency (if any) shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement, as defined below)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Base Prospectus, unless otherwise specified, references to "£", "GBP", or "sterling" or "pounds sterling" are to the lawful currency for the time being of the United Kingdom and references to "Member State" unless the context otherwise requires, are to a member state of the European Economic Area ("EEA").

Certain figures included in this Base 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.

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

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

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date**

**of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Base Prospectus, including any descriptions or statements regarding the possible future results of operations, any statements preceded by, followed by or which include the words "believes", "expects", "intends", "will", "may", "anticipates" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements". Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (a) risks and uncertainties relating to the United Kingdom transport industry, consumer demand, political and economic conditions and government regulation and (b) such other risks and uncertainties as are detailed herein. All written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. TFL will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Base Prospectus.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents (excluding all information incorporated by reference in any such documents either expressly or implicitly and excluding any information or statements included in any such documents either expressly or implicitly that is or might be considered to be forward looking) which have previously been published or are published simultaneously with this Base Prospectus and have been submitted to and filed with the Financial Conduct Authority, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited Statement of Accounts for the year ended 31 March 2018 appearing on pages 126 – 317 of TfL's 2017/18 Annual Report and Statement of Accounts;
2. the audited Statement of Accounts for the year ended 31 March 2017 appearing on pages 105 – 281 of TfL's 2016/17 Annual Report and Statement of Accounts;
3. the "Terms and Conditions of the Notes" section from the Issuer's Information Memorandum dated 25 November 2004;
4. the "Terms and Conditions of the Notes" section from the Issuer's Base Prospectus dated 9 March 2006;
5. the "Terms and Conditions of the Notes" section from the Issuer's Base Prospectus dated 11 August 2011;
6. the "Terms and Conditions of the Notes" section from the Issuer's Base Prospectus dated 23 August 2012; and
7. the "Terms and Conditions of the Notes" section from the Issuer's Base Prospectus dated 23 July 2015.

Save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any information contained in any document referred to above that is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

To the extent that any document referred to above incorporates by reference any information or other documents therein, either expressly or implicitly, such information or other documents are not incorporated by reference in and will not form part of this Base Prospectus.

Copies of documents incorporated by reference have been submitted to the National Storage Mechanism and are available for inspection at <http://www.morningstar.co.uk/uk/NSM> and may be inspected, free of charge, at the specified office of the Principal Paying Agent (Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the principal office of the Issuer (55 Broadway, London, SW1H 0BD).

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## OVERVIEW OF THE PROGRAMME

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

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview unless otherwise defined herein.*

**Issuer:** Transport for London ("**TfL**") is a statutory body, established under section 154 of the Greater London Authority Act 1999 (the "**GLA Act**"). The GLA Act provides for the governance of Greater London by the Greater London Authority (the "**GLA**"). The GLA is a statutory corporation that was established under the GLA Act and its principal purposes are the promotion of economic development, social development, wealth creation and improvement of the environment of Greater London. TfL is one of the five "functional bodies" of the GLA. TfL has a number of direct and indirect wholly-owned subsidiaries. See TfL's audited Statement of Accounts, incorporated by reference in this Base Prospectus for further details regarding the subsidiaries of TfL. The principal activity of the Issuer and its subsidiaries (together, the "**TfL Group**") is the provision of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London, including London Underground, Docklands Light Railway, Emirates Air Line (cable car), London Overground, London Trams, Crossrail and TfL Rail/Elizabeth line, London Buses, the management of certain roads in London and Road User Charging, Santander Cycles, the management of certain piers on the River Thames, the licensing of London Taxi and Private Hire and Victoria Coach Station.

**Legal Entity Identifier:** 213800FGQ9DJHGRLQZ89

**Risk Factors:** There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme. Such factors include risks associated with TfL's sources of funding and liability under the Notes, TfL's borrowing and derivative powers, risks associated with the construction and integration of the Crossrail infrastructure project taken forward by TfL's subsidiary Crossrail Limited and generally risks associated with major projects and contracts, as well as risks associated with pension liabilities and trade union relations. In addition, TfL is at risk of disruption caused by a major incident or terrorism, fraud, insolvency, change of law, including the Greater London Authority Act 1999 (as amended in 2007) under which TfL was established, environmental, health and safety laws and regulations, judicial review and general political risk.

There are certain additional factors which are material for the purposes of assessing the market risks associated with the Notes issued under the Programme, these include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of a particular issue of Notes and certain risks relating to the Notes generally such as secondary market limited liquidity and no active trading market for the Notes.

**Arrangers:** HSBC Bank plc  
Goldman Sachs International

**Dealers:** Barclays Bank PLC  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities plc  
Lloyds Bank Corporate Markets plc  
Merrill Lynch International  
Morgan Stanley & Co. International plc  
NatWest Markets Plc  
Nomura International plc  
RBC Europe Limited  
and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.

<b>Principal Paying Agent:</b>	Citibank, N.A., London Branch.
<b>Trustee:</b>	Citicorp Trustee Company Limited.
<b>Listing:</b>	Application has been made for Notes issued under the Programme to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange.
<b>Admission to Trading:</b>	Application has been made for Notes issued under the Programme to be admitted to trading on the Regulated Market of the London Stock Exchange.
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the Final Terms.
<b>Initial Programme Amount:</b>	Up to £5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding.
<b>Issuance in Series:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Forms of Notes:</b>	Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a " <b>Classic Global Note</b> " or "CGN"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a " <b>New Global Note</b> " or "NGN"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.
<b>Currencies:</b>	Notes may be denominated in pounds sterling only, unless the Issuer is at any time permitted to issue Notes in any other currency.
<b>Status of the Notes:</b>	Notes will constitute direct, general and unconditional obligations of the Issuer, and, in accordance with section 13(3) of the Local Government Act 2003, Notes will be charged indifferently on all the revenues of the Issuer.  The Notes will at all times rank <i>pari passu</i> amongst themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligation as may be preferred by provisions of law that are both mandatory and of general application.
<b>Issue Price:</b>	Notes may be issued at any price on a fully paid basis. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Maturities:</b>	Any maturity, subject, in relation to specific currencies (if applicable at any time under the Programme), to compliance with all applicable legal and/or regulatory and/or central bank requirements.



Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the "FSMA") by the Issuer.

- Redemption:** Notes will be redeemable at par or in the case of any early or optional redemption (as described below), at such other redemption amount determined by the Issuer and specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
- Make-whole Redemption:** Certain Notes denominated in sterling may be redeemed (either in whole or in part) at a "make-whole" premium before their stated maturity at the option of the Issuer (as further described in Condition 9(c) (*Redemption at the option of the Issuer*)).
- Put Event:** Notes may be redeemed before their stated maturity at the option of the Noteholders on the occurrence of a "Put Event" as described in Condition 9(f) (*Redemption on a Put Event*) and to the extent (if at all) specified in the Final Terms.
- Puttable/Callable Notes:** In addition, if so specified in the applicable Final Terms, Notes may provide for redemption by the Issuer and/or the Noteholders (in certain specified circumstances) on dates and at prices specified in the applicable Final Terms.
- Tax Redemption:** Except as described above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (*Redemption for tax reasons*).
- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate (being either LIBOR, LIBID, LIMEAN, EURIBOR or SONIA (in each case as adjusted for any applicable Margin)) and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Notes which do not bear any interest (zero-coupon Notes) may be offered and sold at a discount to their nominal amount.
- Denominations:** Notes issued under the Programme shall not have a minimum denomination of less than EUR100,000 (or its equivalent in another currency). Notes may not be issued under the Programme which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject to the above, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Cross Default:** The Notes will have the benefit of a cross default as described in Condition 12 (*Events of Default*).
- Taxation:** All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 11 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
- Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the United Kingdom and Japan see "*Subscription and Sale*" below.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme which may in turn result in investors losing the value of their investment. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

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

### ***Liability under the Notes***

The Notes will be obligations of TfL only. The Notes will not be obligations of, or the responsibility of, nor will they be guaranteed by, any of TfL's subsidiaries, the Department for Transport ("**DfT**"), HM Government, the Mayor of London (the "**Mayor**"), the London Assembly (the "**Assembly**") (and/or the Greater London Authority (the "**GLA**")), the Trustee, the Arrangers, the Dealers or the Paying Agents. Furthermore, no person other than TfL will accept any liability whatsoever to Noteholders in respect of any failure by TfL to pay any amount due under the Notes.

### ***Sources of Funding***

TfL and its subsidiaries (the "**TfL Group**") receive their funding primarily from the following sources: revenues from fares, road user charging (including the Congestion Charge), commercial activities, as well as grant funding.

Revenues from fares are by their nature uncertain and are subject to the determination by the Mayor of the levels of fares. Any material decline in fare levels, number of passenger journeys or structural changes in passenger demand could reduce the TfL Group's revenues and have a significant adverse impact on the financial condition of TfL.

The revenue from road user charging may likewise be reduced if fewer road users make relevant journeys into the chargeable zones or as a result of changes in charging structure.

Revenues from commercial activities (including advertising income, property rental income and other property income) are exposed to the risk of fluctuations and volatility due to adverse market conditions and any such reduction over time could have an adverse impact on the financial condition of TfL.

As at the date of this Base Prospectus, grant funding mostly consists of amounts payable under sections 102 and 120 of the Greater London Authority Act 1999 (as amended) (the "**GLA Act**"), the Transport Grant payable under section 101 of the GLA Act and section 31 of the Local Government Act 2003.

Since April 2017, the majority of TfL's grant income has been received (and is intended will continue to be received) by TfL from a share of local business (non-domestic) rates retained by the GLA and passed on to TfL, pursuant to TfL's current funding settlement from the Secretary of State for Transport (the "**Secretary of State**") and high-level principles agreed between the GLA and the Secretary of State (see further "*Description of TfL and its subsidiaries – Sources of Funding – Grant Funding*").

The Transport Grant is determined by the Secretary of State after consultation with the Mayor. Under the GLA Act, the amount of the Transport Grant, or any terms relating to payment of the Transport Grant, may be varied from time to time by the Secretary of State after consultation with the Mayor.

There is a risk that the size of future grants to TfL may reduce. Any such reduction could have a significant adverse impact on the financial condition of TfL.

### ***TfL's Borrowing and Derivative Powers***

Under the Local Government Act 2003 (the "**LGA 2003**"), the Mayor may determine (subject to consultation with both the Assembly and TfL) the amount of money that TfL can afford to borrow. The Mayor's determination is subject to central Government's reserve powers to make regulations in relation to (amongst other things) when and how a local authority (including TfL) may determine its affordable borrowing limit and to cap the amount of borrowing to be incurred by a local authority (including TfL) if the total level of local government borrowing reaches levels that are damaging to the national

economy, or if a particular authority is believed to be borrowing more than it can afford. No assurance can be given as to the impact which any regulations made by central Government or cap imposed by central Government after the date of this Base Prospectus will have on the ability of TfL to continue to carry out its functions or meet its obligations to make payments of principal and/or interest in respect of the Notes.

Under the Transport for London Act 2008, as amended by the Transport for London Act 2016 (the "**TfL Act 2008**"), qualifying subsidiaries of TfL may, subject to compliance with certain provisions and for the purposes of the prudent management of the financial affairs of the TfL Group, enter into any derivative investment in connection with any actual or prospective asset or liability of a TfL body if such derivative investment is entered into for the purpose of limiting the extent to which any TfL body will be affected by matters including interest rates, exchange rates, inflation or the price of commodities used by any TfL body, or by which a TfL body is affected or to which a TfL body is exposed under a relevant agreement. The changes in interest rates, exchange rates, inflation and commodity prices could have an adverse impact on the financial condition of TfL. To the extent that the TfL Group uses the ability to enter into derivative investments to reduce the impact of changes in market rates and prices, there can be no assurance of the extent to which these measures will be successful.

### ***Crossrail project***

The construction of the central section of Crossrail and the integration of the whole railway are being delivered by Crossrail Limited, a wholly owned subsidiary of TfL. As a large infrastructure project, the Crossrail project faces risks commensurate with such projects. These risks include cost overrun, delayed opening, failure to deliver the expected service scope, major safety issues, revenue and operating cost issues. There are also risks around the funding streams, increased inflation, contingency amounts and finance identified for the project.

The two sponsors, TfL and DfT, are parties to Core Agreements (as defined in "*Description of TfL and its Subsidiaries – TfL Group's Activities - Crossrail and TfL Rail/Elizabeth line*") of 2008, as supplemented most recently in 2019. The Core Agreements set out the governance, legal and operational arrangements to deliver the Crossrail project and also cover the allocation of risks and funding streams between the sponsors within the funding envelope.

The Core Agreements between the relevant parties involved with the Crossrail project recognise the uncertainties about major projects such as Crossrail and make a number of provisions about what happens if the forecast costs change or certain risks materialise which, if they did, could have an adverse effect on the financial condition of TfL. See "*Description of TfL and its Subsidiaries – TfL Group's Activities – Crossrail and TfL Rail/Elizabeth line*" for further details of the Crossrail project.

### ***Fraud***

The TfL Group is at risk of fraud by employees, contractors/suppliers, customers and other third parties. In particular, the TfL Group is exposed to fraud in connection with ticket sales, thereby reducing revenues of the TfL Group, and to fraud in connection with procurement and management of contracts to which TfL and its subsidiaries are party. Although the TfL Group endeavours to manage and mitigate the risk, no assurance can be given that the nature and extent of such fraudulent practices will not have a material adverse effect on the financial condition of TfL.

### ***Insolvency of TfL***

TfL could be subject to the appointment of a receiver under section 13(5) of the LGA 2003 by the High Court upon application by a person entitled to principal or interest due in respect of any borrowing if the amount remains unpaid for a period of two months following written demand. The High Court may appoint such a receiver on such terms and confer on him such powers as it thinks fit. TfL is not a company for the purposes of and therefore is not subject to the Insolvency Act 1986.

### ***Effect of Change of Law***

The structure of the issue of the Notes is based on English law, tax, regulatory and administrative practice in England in effect as at the date of this Base Prospectus and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given as to the impact on the Notes of any possible change to English law, tax, regulatory and administrative practice in England after the date of this Base Prospectus.

### ***Effect of Change of GLA Act***

The structure of the issue of the Notes is based on the GLA Act and other applicable legislation in effect as at the date of this Base Prospectus. No assurance can be given as to the impact on the Notes of any possible change to the GLA Act or other legislation after the date of this Base Prospectus.

### ***Pension Liabilities***

The TfL Pension Fund is a defined benefit (final salary) pension arrangement, as more fully described in *Description of TfL and its Subsidiaries – Pensions – TfL Pension Fund*".

As at 31 March 2018 the "Public Sector" section of the TfL Pension Fund in which TfL and its subsidiaries participate had a funding shortfall of £603 million. The size of this deficit is, and will continue to be, affected by, salary increases and factors beyond TfL's control such as longevity rates, inflation, long term interest rates and other factors which affect investment performance. In order to fund this deficit, the employer entities within the TfL Group are making additional employer contributions. The next triennial actuarial valuation of the TfL Pension Fund will be as at 31 March 2021 and the statutory deadline for its completion is 30 June 2022.

The majority of the TfL Group's employees are members of the TfL Pension Fund which is open to new members. The remainder of employees are in legacy defined benefits arrangements or in defined contribution arrangements. Although none of its employees are contributory members, TfL has financial obligations to the Docklands Light Railway Pension Scheme, as more fully described in *"Description of TfL and its Subsidiaries – Pensions - Docklands Light Railway Pension Scheme"*.

There can be no assurance that the TfL Group will not have to make significant employer contributions in future, to fund a deficit or other related factors, which may have a significant adverse effect on the financial condition of TfL.

### ***Trade Union Relations***

The relationship that the TfL Group has with trade unions is important and any failure to maintain a constructive working relationship with the trade unions may jeopardise the ability of the TfL Group to deliver services of an acceptable standard. This could have a significant impact on costs and on performance levels and therefore fare revenues.

### ***Force Majeure***

Catastrophic events which are outside of the TfL Group's control, such as war and terrorism, floods, droughts, earthquakes or other such events could result in personal injury, loss of life, pollution or environmental damage, severe damage or destruction of the transport network in Greater London. TfL may be prevented from fulfilling its obligations under the GLA Act and the revenues and funding made available to TfL may reduce or cease.

### ***Disruption Caused by a Major Incident or Terrorism***

There is a risk that the TfL Group's operations might be affected by a major incident including accidents or terrorism which may lead to significant disruption on the network and lack of passenger confidence in the security of the network which may impact its revenue and/or require the TfL Group to make significant alterations to its programme of work. As of 1 February 2019, TfL purchases terrorism insurance to cover damage to physical property and construction works arising as a result of a terrorist act. Terrorism insurance is also placed in respect of the Crossrail project works, as more fully described in *"Description of TfL and its Subsidiaries – Insurance – Crossrail Insurance"*). In the event that insurance is not available in the market, or no longer available at commercially reasonable rates, the cost of reinstating assets and the cost of any associated third party claims would be required to be met by LUL (as defined below)/TfL and this may have a significant adverse effect on the financial condition of LUL and TfL. TfL does not currently insure against business interruption and bears the loss of revenue risk itself.

### ***Environmental, Health and Safety Laws and Regulations, and Asbestos Risk***

The TfL Group is subject to environmental, health and safety laws and regulations including health and safety laws and regulations of the workplace. Typically, these laws and regulations provide for substantial fines and potential criminal sanctions in the event of violations. No assurance can be given that material capital expenditure or operating expenses beyond those currently anticipated will not be required under applicable environmental, health, and safety laws and regulations, or that developments with respect to such laws and regulations will not adversely affect TfL's financial condition.

In addition, in common with other organisations that have infrastructure pre-dating laws on the use of asbestos, the TfL Group (notably London Underground Limited ("LUL")) has received and anticipates it will continue to receive claims relating to asbestos from current and former employees and contractors.

The TfL Group also assumes responsibility for certain asbestos claims brought against the former London Regional Transport. Although the TfL Group is working to manage and mitigate the risk of asbestos claims, no assurance can be given as to the volume of such claims that will be brought or the extent to which any claims brought will be successful.

### ***TfL's Statutory Functions and Contractors***

The TfL Group is reliant upon certain contractors and sub-contractors for providing services in the performance of TfL's statutory duties. Contractor or sub-contractor default or failure to provide services to the required standards could result in TfL failing fully or adequately to discharge its statutory duties. No assurance can be given as to the effect of contractor or sub-contractor default on TfL.

### ***Failure of information technology infrastructure***

TfL Group's businesses are dependent on the continued and uninterrupted performance of its information technology, digital platforms and distribution systems, which primarily deliver TfL Group's services. Any significant failure or interruption in the availability of these systems or TfL Group's critical information technology infrastructure, including operational services, loss of service from third parties, cyber-attack, sabotage, break-ins, terrorist activities, human error, natural disaster, power or coding loss and computer viruses could cause TfL Group's systems to operate slowly or interrupt service for periods of time. If disruptions, failures or slowdowns of TfL Group's electronic delivery systems or the internet occur, its ability to distribute its services effectively and to serve its customers may be adversely affected, potentially leading to reputational damage, loss of customers and/or loss of revenue, which may have a significant adverse effect on the financial condition of TfL.

### ***General Business Risks***

In common with other organisations having its range of operations and scope, the TfL Group may be adversely affected by risks associated with: quantity and quality of personnel (including the availability of appropriately qualified applicants for senior positions within the TfL Group); resilience and robustness of systems, governance and controls; effectiveness of strategic decision-making; and organisational shape.

### ***TfL as a Statutory Body***

TfL was established as a statutory corporation pursuant to section 154 of the GLA Act for the purpose of: (a) facilitating the discharge by the GLA of its duties to develop and implement policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London; and (b) securing or facilitating the implementation of the Mayor's Transport Strategy (as defined and further explained in "*Description of TfL and its Subsidiaries – The Transport Strategy*").

Pursuant to the GLA Act, TfL must exercise its functions in accordance with the GLA Act, together with guidance and directions issued by the Mayor (in particular, the Mayor may issue guidance or directions as to the performance of TfL's duties and as to TfL's conduct of legal proceedings). The Mayor's Transport Strategy is also subject to scrutiny by the Secretary of State: if the Secretary of State considers that the Mayor's Transport Strategy (or any part of it) is inconsistent with national policies relating to transport, the Secretary of State may, in certain circumstances, direct the Mayor to revise the Transport Strategy to remove the inconsistency. There is a risk that guidance or directions are issued by the Mayor regarding the actions of TfL or that the Mayor's Transport Strategy is revised to be consistent with national policies in such a way that TfL's ability to make payments of interest and/ or principal in respect of the Notes is affected.

### ***Judicial Review***

As a statutory body, TfL's actions and decisions are subject to judicial review by the courts, on the application of someone with "sufficient interest" in such actions and decisions. Judicial review is concerned with reviewing decisions taken by a statutory body which are alleged to be illegal, irrational, procedurally unfair, or in breach of a third party's legitimate expectation. No assurance can be given that a decision or action taken by TfL or its subsidiaries will not be subject to an application for judicial review and, if any such an application were successful, any such decision or action could be delayed, prohibited or even reversed.

### ***General Political Risk***

As highlighted in "*Risk Factors - Sources of Funding*" and "*Risk Factors - TfL as a Statutory Body*", TfL, its funding and operations are subject to direction, approval and guidance from the Mayor and scrutiny from the Secretary of State. No assurance can be given as to the impact on the Notes of any possible change of the Mayor, the Secretary of State or to the statutory framework relating to the GLA and TfL after the date of this Base Prospectus.

### ***Risks associated with Major Projects and Contracts***

As described in "*Description of TfL and its Subsidiaries*" below, TfL and certain of its subsidiaries have undertaken and are planning to undertake capital projects in relation to the transport infrastructure in London (e.g. upgrades and extensions of the road, rail and London Underground networks, including Crossrail). It is the nature of the business of the TfL Group to undertake large high value projects such as the above-mentioned.

These projects bring significant risks for the TfL Group including the risks assumed under the contractual documentation (which is often complex and difficult to negotiate and can give rise to issues regarding interpretation and implementation); in the management of contract performance; in the project delivery by third parties (on whom the TfL Group may be obliged to rely heavily with varying degrees of contractual leverage to ensure such delivery); in the reputational risk in the event of an adverse event of non-completion of the project; and in the decisions made by planning and other external authorities. As a result, capital projects may be delayed or may significantly change due to circumstances within and outside the TfL Group's control.

Although the TfL Group has implemented and continues to enhance where appropriate, risk identification, quantification and management techniques, and mitigation procedures to minimise the likelihood of risks occurring, there can, however, be no assurance that the provisions made by TfL regarding the risks in relation to these projects (including the risk of fraud), will be sufficient.

### ***Risks relating to withdrawal of the United Kingdom from the European Union***

On 23 June 2016, the UK held a referendum (the "**Referendum**") on whether the UK should remain a member of the European Union. The UK voted to leave the European Union ("**Brexit**") and, on 29 March 2017, the UK Government invoked Article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the European Union. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the Article 50 withdrawal agreement). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of European Union law and provide for continuing access to the European Union single market until the end of 2020. It remains uncertain whether the Article 50 withdrawal agreement will be finalised and ratified by the UK and the European Union before the current 31 October 2019 deadline. If it is not ratified, the Treaty on the European Union and the Treaty on the Functioning of the European Union will cease to apply to the UK from that date. Whilst continuing to negotiate the Article 50 withdrawal agreement, the UK Government has therefore commenced preparations for a "hard" or "no-deal" Brexit to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book on 1 November 2019. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the UK's departure from the European Union and/or any related matters may have on the business of the TfL Group. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to meet its payment obligations under the Notes.

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

#### **Risks related to the Structure of a Particular Issue of Notes**

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

#### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate may affect the secondary market in, and the market value of, such Notes since the Issuer would be expected to specify a date on which to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. When the Notes are converted from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. When the Notes convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates and could affect the market value of an investment in the relevant Notes.

#### ***Notes Issued at a Substantial Discount or Premium***

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

#### ***Optional Redemption of Notes***

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

The Issuer may be expected to redeem any Notes when its cost of borrowing is lower than the interest rate on the Notes. Other than where the Final Terms specify that the redemption amount applicable to the Notes is the Optional Redemption Amount (Call) (as defined in Condition 9(c) in "*Terms and Conditions of the Notes*" below), at those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

## **Risk Relating to the Notes Generally**

### ***Secondary market; limited liquidity***

Notwithstanding the fact that an application may have been made for Notes issued under the Programme to be listed on the Official List of the FCA and admitted to trading on the Regulated Market of the London Stock Exchange, Notes issued under the Programme are new securities and there can be no guarantee that there is or will be established a market in secondary trading of such Notes or, if such a market does develop, that it will provide Noteholders with liquidity of investment or that such liquidity will continue at all times during which such Notes are outstanding. The lack of a liquid market may affect the ability of Noteholders to sell such Notes at a price which might be expected in a fully liquid market. Thus, any re-sale price that may be available for such Notes may be less than their initial offering price or even than their fair market value and, consequently, any purchaser of such Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of such Notes. The liquidity and market value at any time of such Notes is affected by, amongst other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the conditions of certain financial markets, international political events, the performance and financial condition of TfL, and developments and trends in respect of London's transport network.

### ***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes 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. Although application has been made for the Notes issued under the Programme 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, that any particular Tranche of Notes will be so admitted, or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

### ***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of (i) any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; or (ii) any change in the application or official interpretation of such laws or regulations (including a holding by a court of a competent jurisdiction), becoming effective on or after the date of issue of the first Tranche of the Notes, the Issuer may redeem all outstanding Notes in accordance with the applicable Terms and Conditions.

### ***As the Global Notes 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***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. 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.

### ***Documenting €100,000 + €1,000 denominations***

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

### ***Credit Rating***

The Issuer has been assigned a rating of "AA- (negative outlook)" by S&P, "AA- (rating watch negative)" by Fitch and "Aa3 (stable outlook)" by Moody's. Each of S&P, Fitch and Moody's is established in the EEA and is registered under the CRA Regulation.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings described above. The rating(s) assigned to any particular Tranche of Notes issued under the Programme will be disclosed in the Final Terms.

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 and registered under the CRA Regulation unless certain limited exemptions apply.

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 Notes issued under the Programme.

### ***The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks***

Interest rates and indices which are deemed to be benchmarks, (including LIBOR, EURIBOR, LIBID, LIMEAN and SONIA) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applied from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing benchmarks (including LIBOR, EURIBOR, LIBID, LIMEAN or SONIA), in particular, if the methodology or other terms of benchmarks are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmarks.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks (including LIBOR, EURIBOR, LIBID, LIMEAN or SONIA): (i) discourage market participants from continuing to administer or contribute to the benchmarks; (ii) trigger changes in the rules or methodologies used in the benchmarks or (iii) lead to the disappearance of the benchmarks. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing any benchmarks.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing any benchmarks.

### ***Future discontinuance of LIBOR or any other benchmark may adversely affect the value of Floating Rate Notes which reference such benchmark***

On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority ("FCA") confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR



benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate "benchmark" by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("**€STR**") as the new risk-free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forward. This may cause LIBOR and EURIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted.

Such factors may have (without limitation) the following effects on certain "benchmarks": (i) discouraging market participants from continuing to administer or contribute to such "benchmark"; (ii) triggering changes in the rules or methodologies used in the "benchmarks" and/or (iii) leading to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing or otherwise dependent (in whole or in part) upon a "benchmark".

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR (or any other relevant benchmark).

#### *The market continues to develop in relation to SONIA as reference rates for Floating Rate Notes*

The Bank of England's Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to SONIA over the next four years across sterling bond, loan and derivatives markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions and used in relation to Floating Rate Notes that reference a SONIA rate issued under this Programme. As SONIA is published and calculated by the Bank of England based on data received from other sources, the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SONIA will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Notes linked to SONIA. If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes.

The Issuer may in the future also issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued under the Programme. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or otherwise affect the market price of any SONIA-referenced Notes issued under the Programme. Interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Interest Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes that reference a SONIA rate to reliably estimate the amount of interest that will be payable on such Notes. Further, if the Notes become due and payable under Condition 17, the Rate of Interest applicable to the Notes shall be determined on the date the Notes become due and payable and shall not be reset thereafter. In addition, the manner of adoption or application of SONIA reference rates in the Eurobond market may differ materially compared with the application and adoption of SONIA in other markets, such as derivatives and loan markets.

Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes referencing a SONIA rate. Investors should consider these matters when making their investment decision with respect to any such Notes.

Further, if SONIA do not prove to be widely used in securities like the Notes, the trading prices of Notes linked to SONIA may be lower than those of notes linked to reference rates that are more widely used. Investors in such Notes may not be

able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

***Risks following the occurrence of a Benchmark Event***

The Conditions provide for certain fall-back arrangements in the event that a published Reference Rate, such as LIBOR, (including any page on which such Reference Rate may be published (or any successor service)) becomes unavailable.

The Issuer (acting in good faith) shall, or shall appoint an Independent Adviser to, determine a Successor Rate or an Alternative Reference Rate to be used in place of the relevant Reference Rate where that Reference Rate has been used to determine the Rate of Interest. Subject as provided in paragraph (iii) in the definition of Adjustment Spread, the Issuer has no obligation to appoint an Independent Adviser to determine a Successor Rate, an Alternative Reference Rate or an Adjustment Spread (as described below) and may make such determinations and adjustments by itself. In making such determinations and adjustments, the Issuer may be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion. In addition, there may be circumstances in which the Issuer does not have the relevant expertise or experience to make the relevant determinations or adjustments without appointing an Independent Adviser. The use of any such Successor Rate or Alternative Reference Rate and (in either case) an Adjustment Spread to determine the Rate of Interest may result in the relevant Reference Rate performing differently (including paying a lower Rate of Interest) than they would do if the relevant original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Reference Rate is determined, the Conditions provide that the Issuer may vary the Conditions, as necessary, to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Reference Rate is determined by the Independent Adviser (or the Issuer, as applicable), the Terms and Conditions also provide that an Adjustment Spread shall be determined by the Independent Adviser (or the Issuer, as the case may be), to be applied to such Successor Rate or Alternative Reference Rate which may be positive, negative or zero. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the relevant Reference Rate with the Successor Rate or the Alternative Reference Rate. However, there is no guarantee that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to Noteholders.

In addition, if the relevant Reference Rate is discontinued permanently and it is not possible, for any reason, for the Issuer or an Independent Adviser to determine the Successor Rate, Alternative Reference Rate or Adjustment Spread, the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the relevant Reference Rate was discontinued and such Rate of Interest will continue to apply until maturity. In such circumstances the Rate of Interest on the relevant Notes would essentially become fixed. In the event such fallbacks do apply, it is possible that it may result in a different interest rate being applicable to any hedging arrangements an investor has in place.

Any such consequences could have a material adverse effect on the value of, and return on, any Notes to which the fall-back arrangements are applicable. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant Reference Rate could adversely affect the ability of the Issuer to meet its obligations under the Notes and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes.

## **DESCRIPTION OF TFL AND ITS SUBSIDIARIES (THE "TFL GROUP")**

### **Corporate Description**

TfL is a statutory body established in July 2000 under section 154 of the GLA Act. Its head office is in England at 55 Broadway, London SW1H 0BD. The central switchboard telephone number is 0343 222 0000.

### **Principal Business of the TfL Group**

The principal activity of the TfL Group is the provision of safe, integrated, efficient and economic transport facilities and services, to, from and within Greater London, which are being discharged by TfL and its subsidiaries.

### **The GLA and the Mayor**

The GLA Act provides for the governance of Greater London by the GLA. The GLA was set up under the GLA Act and its principal purposes are the promotion of economic development, social development, wealth creation and improvement of the environment of Greater London.

The GLA is a statutory corporation and consists of the Mayor and the Assembly.

The Mayor is directly elected by voters in London for a fixed term of four years. The Assembly is a body consisting of 25 members who are elected for a fixed term of four years at the same time as the Mayor.

TfL is one of the five "functional bodies" of the GLA. The other functional bodies are the London Legacy Development Corporation ("**LLDC**"), the Mayor's Office for Policing and Crime ("**MOPAC**"), the London Fire Commissioner ("**LFC**") and the Old Oak and Park Royal Development Corporation ("**OPDC**").

The GLA Act imposes on the Mayor a general duty to promote and encourage safe, integrated, efficient and economic transport facilities and services to, from and within Greater London.

### ***The Transport Strategy and the Business Plan***

Under section 41 of the GLA Act, the Mayor on behalf of the GLA has responsibility for developing strategies (such as the Transport Strategy) and, under Schedule 6 and section 85 of the GLA Act, for setting budgets and budget requirements for the five functional bodies of the GLA, which includes TfL. The Mayor must consult the Assembly and the relevant functional bodies in relation to the preparation of the strategies and budgets. The Mayor must keep the strategies under review and make such revisions of those strategies as he considers necessary. The Mayor is required to consult the Assembly, the functional bodies, each London borough council and the City of London, and any other appropriate body or person, during the preparation of strategies. A two thirds majority of a public meeting of the Assembly may reject a draft strategy. The current Mayor's Transport Strategy was published in March 2018.

The Transport Strategy sets out the Mayor's transport policies and the proposals for discharging the GLA's duties in respect of transport. It must, among other things, be consistent with national policies and such other international obligations as the Secretary of State may notify to the Mayor. The Secretary of State has the power to direct the Mayor to amend the Transport Strategy if the Secretary of State considers it to be inconsistent with national policies relating to transport and such inconsistency is detrimental to any area extending beyond Greater London.

TfL's Business Plan sets out the projects and programmes which the TfL Group expects to deliver over the Business Plan period, how they are expected to be funded and outcomes expected to be achieved. As mentioned above, a final Transport Strategy was published in March 2018. The Mayor's Transport Strategy was reflected in TfL's December 2018 Business Plan.

## ***Structure and Governance***

Section 156 and Schedule 11 of the GLA Act set out various powers of TfL, including a power to do all other things which in its opinion are necessary or expedient to facilitate the discharge by it of any of its functions. Schedule 10 of the GLA Act sets out TfL's governance framework, its decision-making process, proceedings and the mechanism for delegating functions.

### ***The TfL Board***

TfL is required to have a board of between eight and 17 members (the "**Board**") including the chair (the "**Chair**"). The Chair and all members of the Board are appointed by the Mayor. The Mayor may choose whether or not to be a member of the Board. Where the Mayor is a member of the Board, he must be the Chair. The current Mayor, Sadiq Khan, is the Chair of the Board.

In accordance with TfL's existing standing orders, the Board provides the strategic guidance to facilitate the implementation of the Mayor's Transport Strategy and the provision of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London. Unless specifically prohibited by the GLA Act, TfL may arrange for any of its functions to be discharged on its behalf by any committee or sub-committee of TfL, wholly-owned subsidiaries, any member or officer of TfL or any body of members and/or officers of TfL.

### ***Executive Team***

The executive team of the TfL Group is responsible and accountable for the delivery of the day-to-day operations of the TfL Group. The current members of the Executive Team and their respective positions are:

<b>Name</b>	<b>Position</b>
Mike Brown	Commissioner
Simon Kilonback	Chief Finance Officer
Gareth Powell	Managing Director, Surface Transport
Nigel Holness	Managing Director, London Underground
Howard Carter	General Counsel
Michèle Dix	Managing Director, Crossrail 2
Vernon Everitt	Managing Director, Customers, Communication and Technology
Tricia Wright	Chief People Officer
Staynton Brown	Director of Diversity and Inclusion
Stuart Harvey	Director of Major Projects
Alex Williams	Director of City Planning
Andrew Pollins	Transformation Director
Graeme Craig	Director of Commercial Development
Shashi Verma	Director of Strategy & Chief Technology Officer

### ***Sources of Funding***

The TfL Group is largely funded by a combination of revenues from fares, road user charging (including the Congestion Charge), commercial activities, as well as grant funding.

### ***Revenues***

The TfL Group's sales revenues are generated primarily by fares, road user charging (including the Congestion Charge), commercial activities (including advertising, property rental and other property activities), and revenue from the London boroughs in respect of free travel for older and disabled customers.

Under section 174 of the GLA Act, the Mayor is required to issue directions or guidance to ensure that the general level and structure of the fares to be charged for public passenger transport services provided or secured by TfL are determined.

### ***Grant Funding***

*Grants under Section 102 of the GLA Act*

TfL until April 2017 received the majority of its grant funding in the form of the Transport Grant (which until that date comprised general grant, investment grant and London Overground grant), with funding for such grant typically confirmed by way of a funding settlement issued by the Secretary of State (see "*Transport Grant under Section 101 of the GLA Act*" below for further details on the Transport Grant).

Since April 2013, as part of the Government's devolution strategy, the general element of the Transport Grant has been gradually reduced and amounts partially replaced with a grant funded by local business rates, and paid by the GLA to TfL under section 102 of the GLA Act. Funding for such grant originates from amounts raised under the business rates retention scheme established by the Local Government Finance Act 2012, which created a new Schedule 7B to the Local Government Finance Act 1988. The GLA is a major precepting authority under the scheme in receipt of a proportion of London's business rates and, pursuant to section 102(2) of the GLA Act, passes a proportion on to TfL in the form of grant.

In the Chancellor of the Exchequer's Budget in March 2016, it was further announced that the Government would increase the share of London's business rates retained by the GLA from 2017/18, transferring responsibility for funding TfL's capital projects to the GLA. In March 2017, TfL received a revised funding settlement (enclosed as Appendix A) from the Secretary of State, which confirmed that the investment grant element of the Transport Grant from 2017/18 up to and including 2020/21 would be replaced with an equivalent amount of locally retained business rates by way of a pilot ahead of the full implementation of the business rate retention reform.

It follows that as at the date of this Base Prospectus, the majority of TfL grant funding is paid under section 102 of the GLA Act.

#### *Transport Grant under Section 101 of the GLA Act*

Pursuant to section 101 of the GLA Act, the amount of any Transport Grant is determined each financial year by the Secretary of State after consultation with the Mayor. Section 103(1) of the GLA Act compels the GLA to account "forthwith" for the Transport Grant to TfL and, as such, the Transport Grant is not available to the GLA for other purposes or for the allocation to a functional body of the GLA other than TfL. The Transport Grant, or any terms relating to its payment, may be varied from time to time by the Secretary of State after consultation with the Mayor.

As part of the Government's devolution strategy, the Transport Grant has been gradually reduced and amounts partially replaced with local business rates, as described in "*Grants under Section 102 of the GLA Act*" above.

As at the date of this Base Prospectus, TfL is expecting to receive only £27 million of London Overground grant in 2019/20 pursuant to TfL's current funding settlement from the Secretary of State.

#### *Grants under Section 120 of the GLA Act*

As part of the funding agreement for completing the Crossrail project, TfL is receiving £1.4 billion from the GLA by means of capital grant under section 120 of the GLA Act. See "*Description of TfL and its Subsidiaries – TfL Group's Activities – Crossrail and TfL Rail/Elizabeth line*" for further details.

#### *Council Tax Precept*

Pursuant to section 100 of the GLA Act, Central Government pays to the GLA a general grant (the "**General GLA Grant**") for the purposes of the GLA and the functional bodies. In accordance with section 102 of the GLA Act, it is the duty of the GLA to distribute out of the funds received by it from sources other than the Transport Grant (including a share of locally retained business rates) such amounts as are required by each of the functional bodies, including TfL, to meet their respective budget requirement for a particular year. Under section 85(5) of the GLA Act, as part of the GLA budget process, the GLA estimates TfL's funding requirement taking into account its sources of income (including Transport Grant and share of locally retained business rates) and expenditure and calculates TfL's component council tax requirement. This then forms part of the precept issued by the GLA to council tax billing authorities.

#### *Other Grants*

TfL also receives other grants including those paid under section 31 of the LGA 2003.

## **Statutory Regime**

TfL must exercise its functions so as to secure or facilitate the implementation of the Transport Strategy and for the purpose of facilitating the discharge of the Mayor's general transport duty. The Mayor may also delegate to TfL, with certain exceptions, any function exercisable on behalf of the GLA by the Mayor. TfL is statutorily obliged to follow any written guidance or directions given to it by the Mayor as to the manner in which TfL exercises its functions, including how it performs its duties or conducts legal proceedings.

The GLA Act states that TfL shall not be regarded as the servant or agent of the Crown or as enjoying any status, immunity or privilege of the Crown. As a statutory corporation, TfL can sue and be sued independently of its members and can only carry on activities which are within its statutory powers.

Under section 157 of the GLA Act and the Transport for London (Specified Activities) Order 2000 (the "**2000 Order**"), TfL cannot carry out certain specified activities (which are listed in the 2000 Order) except through:

- (a) a limited liability partnership of which a subsidiary of TfL (but not TfL) is a member; or
- (b) a company limited by shares or limited by guarantee which is a subsidiary of TfL or is a company that TfL formed or joined with others in forming but is not a TfL subsidiary.

Currently, the activities of the TfL Group are carried out both by TfL and through TfL's direct and indirect wholly-owned subsidiaries. See TfL's audited Statement of Accounts which are incorporated by reference in this Base Prospectus for further details regarding the subsidiaries of TfL.

Both TfL and the GLA are subject to the LGA 2003 and the local government capital finance regime which was introduced by the LGA 2003 (although TfL is not considered a local authority for all purposes under the LGA 2003, largely because not all of the provisions of the LGA 2003 are relevant to TfL) and that under the LGA 2003, TfL has the power to borrow. Under the LGA 2003, TfL determines for itself how much money it can afford to borrow. Furthermore, in accordance with section 13(3) of the LGA 2003, all money borrowed by TfL (such as money borrowed pursuant to the issuance of Notes) is charged indifferently on all the revenues of TfL.

Section 4 of the Transport for London Act 2016 (the "**TfL Act 2016**"), gives TfL subsidiary companies the power to grant security when they borrow (or otherwise owe money, guarantee payment or indemnify) and acquire companies with existing security, in each case subject to seeking the Mayor's consent to do so and, in respect of core assets and revenue, the Secretary of State's consent as well. Security may include fixed and floating charges over specific assets as well as over a class of assets or revenue streams. As at the date of this Base Prospectus, this section 4 has not come into force and will only do so on an appointed day fixed by a decision of TfL. By section 3(3) of the TfL Act 2016, a notice must be published in the London Gazette and a newspaper having general circulation in London at least two months before the day fixed. The notice must refer to the decision to fix the appointed day, the day fixed and the general effect of the section.

### ***Prudential Code***

In developing its borrowing plans, TfL must have regard to the Prudential Code, developed by the Chartered Institute of Public Finance and Accountancy. The Prudential Code enshrines the principles of the prudential borrowing regime.

### ***Borrowing Limit***

Any money borrowed by TfL pursuant to the LGA 2003 must be prudent and affordable. In the case of TfL, the LGA 2003 requires the Mayor (subject to consultation with both the Assembly and TfL) to determine and keep under review how much money TfL can afford to borrow by setting an affordable borrowing limit. Any decision made by the Mayor in relation to TfL's affordable borrowing limit is also subject to regulations that may be made by the Secretary of State which are further described in the paragraph "Role of Central Government" below. Pursuant to the LGA 2003, TfL may not breach this limit and if it is exceeded, subsequent borrowing is unlawful.

TfL, like other local authorities, has access to loans from the Public Works Loan Board, a statutory body operating within the UK Debt Management Office. See TfL's audited Statement of Accounts incorporated by reference in this Base Prospectus for further details regarding TfL's borrowings.

### ***Role of Central Government***

Central Government has reserve powers to enable it to make regulations as to when and how a determination of an affordable borrowing limit by a local authority (including TfL) should be made. Central Government may, for national economic reasons, also impose a cap on the total level of local government (including TfL) borrowing, or if a particular authority is believed to be borrowing more than it can afford.

### ***TfL's Budget***

TfL (like the GLA) is a relevant authority for the purposes of Part VIII of the Local Government Finance Act 1988 and is obliged to produce a balanced annual budget.

Under sections 85 to 87 of, and Schedule 6 to, the GLA Act, it is the duty of the Mayor and the Assembly to prepare and approve the budgets and council tax requirements of the GLA and the functional bodies (including TfL). The Mayor prepares the draft consolidated budget, which is considered by a public meeting of the London Assembly, and then a final draft budget, which is considered by a further public meeting of the London Assembly.

### ***Risk Mitigation***

Under section 49 of the TfL Act 2008 (as amended by the Transport for London Act 2016), qualifying TfL subsidiaries may, with TfL's consent and subject to safeguards, enter into derivative investments for the purposes of limiting the extent to which TfL or any TfL body will be affected by changes in interest or exchange rates, inflation indices or certain other market rates or prices.

### ***TfL's Financial Administration***

TfL is subject to the same regime in respect of audit, finance and borrowing as local authorities. This regime is set out in various pieces of legislation, in particular the Local Government Act 2003, Local Government Finance Act 1988, the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014.

TfL must make arrangements for the proper administration of its financial affairs and appoint one of its officers (who must be suitably qualified as defined by statute) to the statutory position of Chief Finance Officer ("**Statutory CFO**") to oversee its financial affairs. The Statutory CFO has a statutory duty to make a written report to the Board, the Mayor, the Assembly and the external auditors if, for any reason, he considers that TfL has or is about to enter into expenditures which are unlawful, or which are likely, in any financial year, to exceed its available resources. The Statutory CFO is responsible for the preparation of TfL's financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

As at the date of this Base Prospectus, Sarah Bradley is the Statutory CFO. Sarah Bradley will be leaving TfL at the end of July 2019, at which point a replacement Statutory CFO will be appointed.

With effect from 2015/16, TfL's accounts are subject to audit under the Local Audit and Accountability Act 2014 (the "**LAAA**"). The auditors must audit TfL in accordance with the LAAA and the Code of Audit Practice issued by the National Audit Office which, places, inter alia, a specific duty on the local auditor to be satisfied that TfL has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. TfL has, through its internal audit function, identified what it perceives to be a series of weaknesses with the application of procurement rules throughout the TfL Group. In particular, TfL found that procurement arrangements were not being followed in all cases, leading to a significant number of single source tender arrangements and other contracting arrangements that may not have provided value for money. An action plan has been drawn up to address these matters and implementation of this plan will take place during the financial year 2019/20.

In respect of the audit of TfL's subsidiary companies, section 479A of the Companies Act 2006 enables certain UK subsidiary companies to claim exemption from audit of their accounts. The exemption is conditional on the parent company giving a guarantee to its subsidiary in respect of all the subsidiary's liabilities outstanding at the balance sheet date. In order to claim this exemption, the provision of an ongoing guarantee by the holding company for TfL's trading subsidiaries, Transport Trading Limited ("**TTL**") to a majority of its subsidiaries (including LUL and London Bus Services Limited) was agreed by the then Finance and Policy Committee under delegated authority from the TfL Board on 5 June 2014.

Notwithstanding the ongoing nature of that approval, the guarantee arrangements are reviewed and repeated annually. The provision of the guarantee was most recently renewed on 2 July 2018 by TTL.

As at the date of this Base Prospectus, the following TfL subsidiaries are still separately audited: Crossrail Limited and London Transport Museum (Trading) Limited as companies registered under the Companies Act 2006, London Transport Insurance (Guernsey) Limited as a company registered under the laws of Guernsey, and London Transport Museum Limited as a registered charity.

TfL's external auditors were appointed by Public Sector Audit Appointments Limited. As at the date of the last audited financial statements, TfL's external auditors were Ernst & Young LLP.

### **TfL Group's Activities**

TfL is the integrated body responsible for London's transport system. TfL has a number of direct and indirect wholly-owned subsidiaries. See TfL's audited Statement of Accounts, incorporated by reference in this Base Prospectus, for further details regarding the subsidiaries of TfL. TfL Group's activities include: London Underground, Docklands Light Railway, Emirates Air Line (cable car), London Overground, London Trams, Crossrail and TfL Rail/Elizabeth line, London Buses, the management of certain roads in London and Road User Charging, Santander Cycles, the management of certain piers on the River Thames, the licensing of London Taxi and Private Hire and Victoria Coach Station (the "**Issuer's Transport Services**"). At any one time, TfL and its subsidiaries will have in place a number of major contracts entered into in connection with the operation, maintenance, upgrade and/or extension (as may be applicable, from time to time) of the Issuer's Transport Services.

#### ***London Underground***

LUL, a subsidiary of TfL, is responsible for the London Underground train network and services and owns the majority of the related infrastructure including London Underground stations. In particular, LUL is responsible for operating the train service and for maintenance and capital works to the London Underground network. It is also responsible for managing the London Underground private finance initiative ("**PFI**") contracts.

#### ***Rail***

##### ***Docklands Light Railway***

Docklands Light Railway Limited ("**DLRL**"), a subsidiary of TfL, is responsible for the Docklands Light Railway ("**DLR**"). The DLR is a light railway system in East London. The operation of train services and facilities and the maintenance of rolling stock, stations and infrastructure (with the exception of the Lewisham Extension (as defined below) infrastructure) across the DLR network was let under a franchise agreement with Keolis Amey Docklands Limited for 6.5 years until 2021 (with the right to extend for a further two years to 2023).

DLRL is also a party to a PFI with City Greenwich Lewisham Rail Link PLC in relation to the construction and infrastructure maintenance of a branch of the DLR network from Crossharbour to Lewisham via Greenwich ("**Lewisham Extension**"). The concession runs until 2021.

TfL guarantees certain payment obligations of DLRL in respect of its projects. For further details regarding guarantees and contingent liabilities of TfL generally, see TfL's audited Statement of Accounts which are incorporated by reference into this Base Prospectus.

##### ***Emirates Air Line (Cable Car)***

DLRL is also the contracting party for the operation of a cable car system across the Thames, which became operational in June 2012. DLRL has entered into a ten-year contract with Emirates for sponsorship and naming rights of the cable car system.

##### ***London Overground***

London Overground is the brand name behind TfL's main line operations on the National Rail network. London Overground is made up of the previous West London Line, North London Line, Gospel Oak to



Barking Line, Euston to Watford Line, East London Line, South London Line passenger rail services and the West Anglia network.

Rail for London Limited ("**RfLL**"), a subsidiary of TfL, is responsible for the management of London Overground. Services are operated through a concession agreement with the London Overground train operator. The concession was let to Arriva Rail London Limited in November 2016 for a period of 7.5 years with an option to extend for up to two additional years.

TfL guarantees certain payment obligations of RfLL in respect of its projects. For further details regarding guarantees and contingent liabilities of TfL generally, see TfL's audited Statement of Accounts which are incorporated by reference into this Base Prospectus.

#### *London Trams*

Tramtrack Croydon Limited, a subsidiary of TfL, is responsible for managing the operations and infrastructure of the tram system in South London with routes through central Croydon from Wimbledon, Beckenham, Elmers End and New Addington. The operation of the tram network is carried out by Tram Operations Limited under a 30-year concession contract, due to expire in 2030.

#### *Crossrail and TfL Rail/Elizabeth line*

The Crossrail project ("**Crossrail**") will provide a high frequency railway service from Reading and Heathrow in the west, to Shenfield and Abbey Wood in the east. The central section will run through the West End, the City of London and Canary Wharf and include 21 kilometres of new twin bore rail tunnels.

The construction of the central section of Crossrail and the integration of the whole railway are being taken forward by Crossrail Limited ("**CRL**"), a wholly owned subsidiary of TfL.

The governance arrangements under which Crossrail is being delivered (the "**Core Agreements**") were signed by TfL, DfT and CRL in December 2008 and comprise the key legal agreements that govern Crossrail:

- the Sponsors Agreement between DfT and TfL which governs the relationship between DfT and TfL (together the "**Sponsors**"); and
- the Project Development Agreement between DfT, TfL and CRL, which governs the relationship between the Sponsors and CRL, and sets out CRL's obligations to deliver Crossrail in accordance with the Sponsors' requirements.

In 2010, the total headline funding envelope for Crossrail, including certain scope delivered by parties other than CRL, was set at £14.8 billion, of which TfL's contribution was capped at £7.1 billion. The funding contributions came from various sources, including the DfT, the GLA and TfL. Under certain circumstances, a put option granted by the Secretary of State for Transport to TfL would have allowed TfL to put ownership of CRL, including its liabilities, onto DfT.

In August 2018, CRL announced that more time was needed to complete the central section of Crossrail, originally planned to open in December 2018. To cover the related additional capital costs of completing the central section, further funding was agreed between DfT, the GLA and TfL. This comprises of a £150 million grant from DfT to TfL together with a separate £150 million TfL contribution, a £1.4 billion grant from the GLA to TfL and a £750 million loan facility from DfT to TfL. The funds are to be drawn gradually to meet the project's cash requirements. In April 2019, CRL announced a six-month window for the opening of the central section, with a midpoint at the end of 2020.

As part of the above funding arrangement the Sponsors Agreement and Project Development Agreement were supplemented in 2019 to reflect the additional funding for the project as well as certain changes to governance. The ability to put the ownership of CRL, including its liabilities, onto DfT was removed.

TfL will be responsible for the provision of Crossrail services, with RfLL providing the direct management. The infrastructure in the central section will be managed by another TfL subsidiary, Rail for London (Infrastructure) Limited.

Services are operated through a concession agreement with MTR Corporation (Crossrail) Limited for an eight-year period, with the right to extend for a further two years. This concession commenced in May 2015 at the first stage of the Crossrail opening strategy, with services operating under the name "TfL Rail" between Liverpool Street and Shenfield. From May 2018, TfL Rail services also began operating from Paddington to Hayes and Harlington and Heathrow, replacing the Heathrow Connect services. In December 2019, TfL Rail plans to take over services from Paddington to Reading. When the central section opens, TfL Rail services will be renamed as the Elizabeth line. Full services across the Elizabeth line will commence as soon as possible after the opening of the central section.

Crossrail fares will be integrated with the rest of the TfL network largely based on the current zonal structure and the TfL Group will retain the revenues.

### ***London Buses***

London Bus Services Limited ("**LBSL**"), a TfL subsidiary, is responsible for the regulation of the London bus network, including planning bus routes and setting bus service levels, as well as monitoring service quality.

Bus services are operated by private sector operators. LBSL is responsible for planning and developing bus services and letting and managing the contracts with private operators. LBSL is also responsible for bus infrastructure (bus stations and bus shelters) and for certain support services regarding the bus network. LBSL owns approximately 1,000 new Routemaster buses, which are leased to operators as part of their operating contracts. The remaining buses that operate in London are either owned by operators or leased by operators from third parties.

### ***London's Roads***

TfL is responsible for the operation, upkeep and renewal of the Transport for London Road Network (the "**TLRN**"), the 580km network of the main roads in London (including carriageways, bridges and structures, road tunnels, and lighting columns). The section of the A13 between Limehouse and Wennington is maintained by RMS (A13) Plc as part of a 30-year PFI deal covering the design, build, operations and financing ("**DBFO**") of the section. This DBFO agreement runs until 2030.

TfL is also responsible for all of London's traffic signals, managing road usage and traffic flows across the network, and operating the London Streets Traffic Control Centre.

TfL works with the 33 London boroughs to improve roads beyond the TLRN, in line with the Mayor's Transport Strategy. This includes major highway improvements, urban realm improvements, the ongoing renewal and capital maintenance of highway assets and investment in sustainable travel (including walking and cycling).

TfL procures the operations of the central London Congestion Charge Zone, the Low Emission Zone, and the new Ultra Low Emission Zone ("**ULEZ**"), which went live on 8 April 2019. The ULEZ operates in central London and requires most vehicles to meet a new, tighter exhaust standard or pay a daily charge. These schemes are operated by Capita PLC.

### ***Other Transport Services***

TfL also (i) procures the operation of Santander Cycles, a scheme enabling people to hire bicycles at docking stations in London, (ii) owns nine piers on the River Thames, operates eight of them and licenses and contracts river boat services using those piers, (iii) procures the operation of the Woolwich Ferry, (iv) licences and regulates the taxi and private hire trades in London, (v) is responsible for the operation of Dial-a-Ride, which provides a door-to-door transport for people with disabilities and (vi) provides an arrival and departures facility for coaches in London at Victoria Coach Station.

### **Commercial Activity**

Commercial activity includes property development, managing a large property portfolio (including shops, offices, residential, arches, car parks and light industrial units), media income from advertising and sponsorship and other commercial partnerships.

Property development includes delivering new homes on TfL land under the Mayor's Transport Strategy, as well as new retail and office space. This is being achieved largely in joint ventures with property developers as well as via traditional routes such as the GLA-procured London Development Panel. Through its subsidiary, TTL Earls Court Properties Limited, TfL holds a 37 per cent equity interest in Earls Court Partnership Limited, a joint venture formed with Capital and Counties Properties PLC.

### **Corporate Activities**

TfL has a central corporate function responsible for matters such as marketing, legal services, human resources and finance.

### **Insurance**

London Transport Insurance Guernsey Limited ("**LTIG**"), a subsidiary of TfL, is an insurance company based in Guernsey which provides insurance services to the TfL Group and certain of its contractors. LTIG is regulated by the Guernsey Financial Services Commission.

As at the date of this Base Prospectus, TfL purchases the following insurance policies from LTIG and, in the case of liability and contract works insurance, from the commercial market which in turn purchases reinsurance from LTIG:

#### ***Liability***

In relation to employers' liability, public liability, construction liability, motor liability and corporate manslaughter, LTIG provides reinsurance to the primary liability insurer up to agreed maximum levels in respect of each occurrence and in the aggregate, thereby limiting its exposure at those levels. Commercial insurers issue a policy in relation to all insurable liability claims subject to deductibles, terms, conditions and exceptions.

#### ***Property Damage***

Property damage above a deductible is provided by LTIG which purchases reinsurance from commercial insurers above its retention up to the limit of cover, thereby limiting its exposure in respect of each occurrence and in the aggregate. Property damage as a result of terrorist attacks is covered by property insurance through LTIG which is reinsured through Pool Re (the Government backed company responsible for terrorism insurance) leaving no exposure for LTIG with the exception of an additional deductible imposed by terrorism insurers.

#### ***Contract Works Insurance***

With effect from 1 April 2011, an annual contract works policy (excluding professional indemnity cover) is provided by commercial insurers to TfL specifically for, but not limited to, capital expenditure works undertaken by or on behalf of London Underground, DLR, London Overground and the Transport for London Road Network. LTIG provides reinsurance to commercial insurers up to agreed levels in respect of each occurrence and in the aggregate, ensuring that LTIG's exposure is capped at those levels.

#### ***Crossrail Insurance***

LTIG writes the project works insurance programme for Crossrail and reinsures the risk 100 per cent. so as to leave no retention on the works insurance, other than the terrorism deductible imposed by Pool Re which is subject to annual revision. This is to allow access to Pool Re at a lower cost than would be the case if commercial insurers were used to access Pool Re subject to an additional deductible imposed by the terrorism insurers.

LTIG is also participating in the primary liability insurance, where it will retain a proportion of the risk, but subject to an aggregate limit over the life of the project.

As works are completed, assets in the central section of the Elizabeth line will transfer to TfL on agreed dates. These assets will then be included under TfL's general insurance programme in accordance with its usual practice and any contractual requirements.

#### ***Other Policies***

LTIG provides certain other insurance policies to TfL and the TfL Group and insurance policies in relation to certain projects in which LUL is involved.

## **Pensions**

### ***TfL Pension Fund***

The TfL Pension Fund is a final salary pension scheme available to employees of the TfL Group and certain of their contractors' employees. It is a segregated sectionalised scheme. Every three years, the TfL Pension Fund actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the fund. The latest available actuarial valuation in respect of the "*Public Sector*" section as at 31 March 2018 which covers TfL Group employees and former employees revealed an overall funding level of just over 94 per cent. compared with just over 95 per cent. at the previous valuation carried out in 2015. A recovery plan has been agreed to seek to eliminate the £603 million funding shortfall. The deficit contribution under the recovery plan is £70 million per annum, increasing in line with the assumed rate of salary growth, until 31 May 2026. In addition to the deficit contributions, a contingent funding agreement has also been reached between the pension trustee and TfL. Under this agreement, certain additional contributions become automatically payable in the event of an increase in funding shortfall (calculated on an annual basis and in subsequent formal valuations). In accordance with the schedule of contributions, the ongoing employer contribution rate for the "*Public Sector*" section is 26.9 per cent.

The next triennial actuarial valuation of the TfL Pension Fund will be as at 31 March 2021 and the statutory deadline for its completion is 30 June 2022.

A separate valuation of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2019.

### ***Docklands Light Railway Pension Scheme***

TfL's subsidiary DLRL is the principal employer of the Docklands Light Railway Pension Scheme which is a final salary scheme and closed to new members.

The contributory membership of this scheme is employed solely by the DLRL franchisee, Keolis Amey Docklands Limited. Under the franchise agreement, which commenced in December 2014, the franchisee pays a fixed contribution of 35.7 per cent. of pensionable salary into the scheme. The valuation as at 1 April 2018 revealed a funding level of 93 per cent. and shortfall of £16.9 million. Under the recovery plan DLRL, is required to make a deficit payment of £0.8 million by 31 July 2019 and payments of £0.8 million by 31 July in each of the following five years. No further deficit payments are due from DLRL in respect of this valuation.

In accordance with the schedule of contributions, DLRL is also responsible for making a contribution of 22.6 per cent. of pensionable salaries into the scheme. If the aggregate increase in pensionable salaries measured on an annual basis exceeds the Retail Prices Index plus 0.5 per cent. (but capped at the Retail Prices Index plus 1.5 per cent.), DLRL is also responsible for making an additional contribution.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes may be applied by the Issuer for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. If, in respect of an issue, the proceeds are to be applied towards energy efficiency measures or other environmentally sustainable projects, such purposes may be more particularly described under "Reasons for the Offer" in the applicable Final Terms.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be delivered on or around the issue date of the relevant Tranche of the Notes to a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or the United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes of that Series do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office (as defined in "*Terms and Conditions of the Notes*" below) of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the Final Terms; or
- (ii) at any time, if so specified in the Final Terms; or
- (iii) if the Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system approved by the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the Final Terms specify the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the Final Terms specify the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the Final Terms; or
- (ii) at any time, if so specified in the Final Terms; or
- (iii) if the Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system approved by the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

**Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons 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."

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.



## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the Final Terms, will be endorsed on each Note in definitive form issued under the Programme.*

*Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of notes comprising each Tranche will be determined by the Issuer and the relevant Dealers(s) at the time of issue in accordance with prevailing market conditions and will be disclosed in the relevant Final Terms.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. Introduction

- (a) *Programme:* Transport for London (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of the final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the Final Terms. In the event of any inconsistency between these Conditions and the Final Terms, the Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are subject to and have the benefit of an amended and restated trust deed dated on or around 12 July 2019 (as amended or supplemented from time to time the "**Trust Deed**") made between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed).
- (d) *Paying Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated on or around 12 July 2019 (as amended or supplemented from time to time the "**Paying Agency Agreement**") between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (e) *The Notes:* All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the Final Terms. Copies of the Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office of the Trustee and the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the Final Terms;

**"Additional Financial Centre(s)"** means the city or cities specified as such in the Final Terms;

**"Business Day"** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Principal Paying Agent or such other Person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the Final Terms;

**"Change of Status"** means any amendment to the GLA Legislation or to any other legislation which results in:

- (i) the Issuer ceasing to be the body which is responsible for facilitating the discharge of the transport strategy under the GLA Legislation and the provision of transport facilities to, from and within Greater London; or

- (ii) the Issuer ceasing to be treated as a "local authority" within the meaning of the Local Authorities Finance Legislation;

"**Change of Status Period**" means the period commencing on the date of a public announcement by the Secretary of State for Transport that amending legislation is to be enacted which will give rise to a Change of Status and ending on the expiry of 90 days following the enactment of such amending legislation giving rise to a Change in Status;

"**Calculation Amount**" has the meaning given in the Final Terms;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the Final Terms and:

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number, of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" or "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified means, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

"**Determination Date**" means the date which is two business days prior to the despatch of the notice of redemption under Condition 9(c) (*Redemption at the option of the Issuer*);

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in the Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in the Final Terms;

"**Excluded Indebtedness**" means any obligation, direct or indirect, of

- (a) the Issuer or any Material Subsidiary, in respect of:
  - (i) the PPP Guarantees;
  - (ii) PPP Equivalent Obligations;
  - (iii) Limited Recourse Indebtedness; or
- (b) any Material Subsidiary if such obligation either benefits from the PPP Guarantees or the PPP Equivalent Obligations or benefits from a Guarantee entered into by the Issuer;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in the Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the Final Terms;

"**GLA Act**" means the Greater London Authority Act 1999 (as it may be amended from time to time);

"**GLA Legislation**" means the GLA Act or any re-enactment or amendment thereof, or any other legislation which regulates the provision of transport facilities to, from and within Greater London;

"**Grant Income**" means any amounts received by the Issuer under Chapter 2 (Grants and Re-Distributed Non-Domestic Rates) of Part III (Financial Provisions) of the GLA Act or its equivalent under any other GLA Legislation;

"**Gross Redemption Yield**" means, unless otherwise specified in the Final Terms, a yield calculated in accordance with principles consistent with those used in the United Kingdom Debt Management Office notice "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae "*Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time);

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness (other than Excluded Indebtedness) including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness;
- (iv) and any other agreement to be responsible for such Indebtedness;

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised (other than Excluded Indebtedness) including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Independent Financial Adviser"** means a financial adviser appointed by the Issuer and approved by the Trustee (such approval not to be unreasonably withheld or delayed);

**"Insolvency Event"** means:

- (i) if an order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of the Issuer, save for the purpose of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders;
- (ii) any of the following occurs in respect of the Issuer:
  - (a) any law is passed, or any order is made for its winding-up, administration, administrative receivership or dissolution;
  - (b) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver (appointed under section 13(5) of the Local Government Act 2003 or otherwise), administrative receiver, administrator or similar officer is appointed (in each case out of court or otherwise) in respect of it or any substantial part of its assets; or
  - (c) its members or officers request or present a petition or file documents with the court for the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer,

provided that paragraph (ii) does not apply to the appointment of an officer of the type described in paragraph (ii)(b) above (other than an administrator) which is being contested in good faith and with due diligence and is discharged or struck out within 14 days;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the Final Terms;

**"Interest Determination Date"** has the meaning given in the Final Terms;

**"Interest Payment Date"** means the date or dates specified as such in the Final Terms and if a Business Day Convention is specified in the Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"Investment Grade"** means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least BBB- (or equivalent thereof) in the case of Fitch or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the First Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the Final Terms;

**"Limited Recourse Indebtedness"** means any indebtedness incurred in relation to any asset for the purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to such asset or project (or any derivative asset thereof) except to the extent that there is recourse to the Issuer or any Material Subsidiary, in which case, such amount of the indebtedness for which there is recourse to the Issuer or such Material Subsidiary shall not constitute Limited Recourse Indebtedness;

**"Local Authorities Finance Legislation"** means the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, or in each case, any re-enactment or amendment thereof, or any other legislation which regulates capital finance in connection with local authorities;

**"Mandatory Redemption Date"** means the date falling 30 days after the first publication in accordance with Condition 19 (*Notices*) of a Put Event Notice as referred to in Condition 9(f) (*Redemption on a Put Event*);

**"Margin"** has the meaning given in the Final Terms;

**"Material Subsidiary"** means, at any time, any Subsidiary of the Issuer whose revenues then equal or exceed 20 per cent., of the aggregate (without double counting) for the most recently ended year for which annual financial statements of the TfL Group have been prepared of: (a) revenues of the TfL Group; (b) the Transport Grant and (c) any other Grant Income;

For this purpose;

- (i) the revenues of a Subsidiary of the Issuer will be determined from its annual financial statements (consolidated if it has Subsidiaries) upon which the latest annual financial statements of the TfL Group have been based;
- (ii) if a Subsidiary of the Issuer becomes a member of the TfL Group after the date on which the latest annual financial statements of the TfL Group have been prepared, the revenues of that Subsidiary will be determined from its latest audited financial statements; and
- (iii) the revenues of the TfL Group will be determined from its latest annual financial statements, adjusted (where appropriate) to reflect the revenues of any company or business subsequently acquired or disposed of.

If there is a dispute as to whether or not a company is a Material Subsidiary, a certificate signed by any of the Commissioner, General Counsel, the Chief Finance Officer, the Corporate Finance and

Strategy Director or other equivalent senior officer of the Issuer will be, in the absence of manifest error, conclusive;

"**Maturity Date**" has the meaning given in the Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, the amount calculated in accordance with Condition 9(c) (*Redemption at the Option of the Issuer*) or such other amount as may be specified in the Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in these Conditions or the Final Terms.

"**Optional Redemption Date (Call)**" has the meaning given in the Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the Final Terms;

"**Outstanding Principal Amount**" means, in relation to any Note, the original principal amount of such Note as reduced (i) by repayments of principal in respect of such Note and (ii) in accordance with Condition 9 (*Redemption and Purchase*);

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality (and which for the avoidance of doubt, shall include the Issuer);

"**Positive Certification**" means certification in writing to the Issuer by an Independent Financial Adviser that in its opinion the relevant Change of Status is not, or as the case may be, will not be materially prejudicial to the interests of the Noteholders;

"**Potential Event of Default**" means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 12 (*Events of Default*), become an Event of Default;

"**PPP Equivalent Obligations**" means any obligations of the Issuer, the obligee of which has the benefit, direct or indirect, of a guarantee, put option, undertaking, letter of comfort, deed of



safeguard, memorandum of understanding or analogous instrument whether or not having legal effect which is certified by the Issuer as providing an essentially equivalent form of reinsurance to the obligee as the reinsurance provided in respect of the PPP Guarantees by the letters from the Secretary of State for Transport dated 30 December 2002;

**"PPP Guarantees"** means the guarantees (as amended, supplemented or replaced from time to time) entered into by the Issuer in favour of each of Infraco JNP Limited dated on or about 31 December 2002, Infraco BCV Limited dated on or about 4 April 2003 and Infraco SSL Limited dated on or about 4 April 2003 pursuant to the London Underground Public Private Partnership;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Event"** means the occurrence of:

- (i) a Change of Status; and
- (ii) a Rating Downgrade in the Change of Status Period;

unless either:

- (a) a Positive Certification in respect of such Change of Status has been received by the Issuer at any time during the Change of Status Period; or
- (b) at the date of the enactment of the amending legislation giving rise to a Change of Status, the prevailing rating assigned to the relevant Rated Securities by the relevant Rating Agency is Investment Grade;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the Final Terms or calculated or determined in accordance with the provisions of these Conditions;

**"Rated Securities"** means:

- (i) the Notes; or
- (ii) such other comparable long-term debt of the Issuer selected by the Issuer from time to time for the purpose of this definition with the approval of the Trustee and which possesses an Investment Grade rating by any Rating Agency;

**"Rating Agency"** means Standard & Poor's Credit Market Services Europe Limited, and its successors ("**S&P**") or Fitch Ratings Limited and its successors ("**Fitch**") or Moody's Investors Service Limited, and its successors ("**Moody's**") or any Rating Agency substituted for any of them by the Issuer from time to time with the approval of the Trustee;

**"Rating Downgrade"** means either:

- (i) the rating assigned to the Rated Securities by a Rating Agency which is current immediately prior to the commencement of the Change of Status Period being either (i) withdrawn or (ii) reduced from Investment Grade to a rating below Investment Grade; provided that a Rating Downgrade which would otherwise arise by virtue of a particular reduction in rating shall be deemed not to have occurred in respect of a specific Change of Status if the Rating Agency making the reduction in rating does not announce or confirm that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising in anticipation of or as a result of or in consequence of such Change of Status; or
- (ii) at the date of enactment of the amending legislation giving rise to a Change of Status no credit rating is assigned to the Notes by any Rating Agency and there are no other Rated Securities;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the Final Terms;

**"Redemption Margin"** has the meaning given in the Final Terms;

**"Reference Banks"** has the meaning given in the Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

**"Reference Gilt"** as used in these Conditions means the Sterling obligation of the United Kingdom Government listed on the official list (the **"Official List"**) of the United Kingdom Financial Conduct Authority (in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC (as amended or superseded) and relevant implementing measures in the United Kingdom (the **"FCA"**)) and traded on the Regulated Market of the London Stock Exchange plc (the **"London Stock Exchange"**) whose duration most closely matches that of the Notes to the Reference Gilt Reference Date on the Determination Date, as the Calculation Agent shall determine to be appropriate or where the Calculation Agent advises the Trustee that for reasons of illiquidity or otherwise, such Sterling obligation is not appropriate for such purpose, such other Sterling obligation of the United Kingdom Government as the Calculation Agent shall recommend;

**"Reference Gilt Reference Date"** means the Maturity Date unless otherwise specified in the relevant Final Terms;

**"Reference Nominal Gilt"** as used in these Conditions means the Sterling obligation of the United Kingdom Government listed on the Official List of the FCA and traded on the London Stock Exchange whose duration most closely matches that of the Notes on the Determination Date, as the Calculation Agent shall determine to be appropriate or where the Calculation Agent advises the Trustee that for reasons of illiquidity or otherwise, such Sterling obligation is not appropriate for such purpose, such other Sterling obligation of the United Kingdom Government as the Calculation Agent shall recommend;

**"Reference Price"** has the meaning given in the Final Terms;

**"Reference Rate"** has the meaning given in the Final Terms as amended from time to time pursuant to Condition 7(k) (*Benchmark Replacement*);

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the First Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the First Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**"Regulated Market"** means a regulated market for the purposes of Directive 2014/65/EU, as amended (MiFID II);

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or, as

the case may be, the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the Final Terms;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, the Reuters) specified as the Relevant Screen Page in the Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the Final Terms;

"**Reserved Matter**" has the meaning given to it in Schedule 3 to the Trust Deed;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction but for the avoidance of doubt does not include any charge constituted by section 13(3) of the Local Government Act 2003, by which all money borrowed by the Issuer, together with any interest on the money borrowed, shall be charged indifferently on all revenues of the Issuer, or by any other legislation applicable to the Issuer from time to time;

"**Specified Currency**" has the meaning given in the Final Terms;

"**Specified Denomination(s)**" has the meaning given in the Final Terms;

"**Specified Office**" has the meaning given in the Paying Agency Agreement;

"**Specified Period**" has the meaning given in the Final Terms;

"**Statutory Successor**" means any entity, whether constituted under the GLA Legislation or not, which succeeds the Issuer in relation to all or substantially all of the statutory functions relating to the development, operation and funding of transport within Greater London;

"**Sterling**", "**£**" and "**GBP**" each means the lawful currency of the United Kingdom;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (i) whose affairs and policies the First Person controls or has the power to control, whether by statute or statutory instrument, ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the First Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**TfL Group**" means the Issuer and its Subsidiaries;

**"Transport Grant"** means the grant payable to the Issuer pursuant to section 101 of the GLA Act or its equivalent under any other GLA legislation;

**"Treaty"** means the Treaty on the functioning of the European Union, as amended; and

**"Zero Coupon Note"** means a Note specified as such in the final Terms.

(b) *Interpretation: In these Conditions:*

- (i) any reference to an obligation to **"pay"** includes any obligation to **"repay"**, **"prepay"** and kindred expressions;
- (ii) any reference to an obligation to make **"payment"** includes any obligation to make **"repayment"**, **"prepayment"** and kindred expressions;
- (iii) any reference to an obligation to **"redeem"** includes any obligation to **"repay"** and kindred expressions;
- (iv) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (v) if Talons are specified in the Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (vi) if Talons are not specified in the Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (vii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (viii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (ix) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (x) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the Final Terms, but the Final Terms give no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (xi) any reference to the Paying Agency Agreement shall be construed as a reference to the Paying Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the Final Terms, Talons attached at the time of issue, In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (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 other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

In accordance with section 13(3) of the Local Government Act 2003, the Notes will be charged indifferently on all revenues of the Issuer.

5. **Negative Pledge**

So long as any Note remains outstanding the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Issuer or Guarantee by the Issuer of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security or other arrangement for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

(a) *Application:* This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such

Note up to that day are received by or on behalf of the relevant Noteholder and the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: Other than Notes referencing the Sterling Overnight Index Average ("SONIA"), if Screen Rate Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the relevant period of time designated in the Reference Rate were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the relevant the relevant period of time designated in the Reference Rate were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11,00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to that which would have been used for the Reference Rate and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes

during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which;

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Final Terms;

(iii) and the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the Final Terms; and

(iv) *Linear Interpolation:* if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest applicable to the Notes for such Interest Period will be the sum of the Margin and the rate calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after

such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (i) *Determination or Calculation by Trustee:* If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof and the Trustee shall be entitled to seek at the expense of the Issuer (and rely upon) advice from any investment bank or other expert deemed appropriate by the Trustee for the purpose. Any such determination or calculation made by the Trustee shall be binding on the Issuer, Noteholders and Couponholders.
- (j) *SONIA*

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the Reference Rate is specified in the relevant Final Terms as being "Compounded Daily SONIA", the Rate of Interest applicable to the Notes for each Interest Period will be sum of the Margin and Compounded Daily SONIA, all as determined by the Calculation Agent on the Interest Determination Date for such Interest Period.

If, in respect of any London Banking Day in the relevant Observation Period, the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, the Calculation Agent will determine such SONIA rate as the sum of: (A) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on such London Banking Day; plus (B) the mean of the spread of the SONIA rate to the Bank Rate over the previous five London Banking Days on which a SONIA rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Calculation Agent shall follow such guidance in order to determine SONIA<sub>i</sub> for the purpose of any relevant Notes for so long as the SONIA rate is not available or has not been published by the authorised distributors.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 7(j), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).



If the Notes become due and payable in accordance with Condition 17 (*Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which the Notes became due and payable and the Rate of Interest applicable to the Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

For the purposes of this Condition 7(j):

"**Compounded Daily SONIA**" means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

"**d**" means, in relation to any Interest Period, the number of calendar days in such Interest Period;

"**d<sub>0</sub>**" means, in relation to any Interest Period, the number of London Banking Days in such Interest Period;

"**i**" means, in relation to any Interest Period, a series of whole numbers from one to d<sub>0</sub>, each representing the relevant London Banking Day in chronological order from (and including) the first London Banking Day in such Interest Period to, and including, the last London Banking Day in such Interest Period;

**London Banking Day** or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n<sub>i</sub>**" means, in relation to any London Banking Day "i", the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

"**Observation Period**" means, in relation to an Interest Period, the period from (and including) the date which is "p" London Banking Days prior to the first day of such Interest Period and ending on (but excluding) the date which is "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Notes become due and payable);

"**p**" means the whole number specified as the Observation Look-back Period in the applicable Final Terms, such number representing a number of London Banking Days, or if no such number is specified, five London Banking Days;

"**SONIA rate**" means, in relation to any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"**SONIA<sub>i-pLBD</sub>**" means, in relation to any London Banking Day "i" falling in the relevant Interest Period, the SONIA rate for the London Banking Day falling "p" London Banking Days prior to such London Banking Day "i".

- (k) *Benchmark Replacement*: Notwithstanding the provisions in this Condition 7 above, if the Issuer determines that a Benchmark Event (as defined below) has occurred when any Rate of Interest (or the relevant component part thereof) remains to be determined by the relevant Reference Rate, then the Issuer (acting in good faith) shall apply the following provisions:
- (i) the Issuer shall, no later than 3 Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), determine or, shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine, no later than the IA Determination Cut-off Date, a Successor Rate (if applicable) or an Alternative Reference Rate (as defined below) and (in either case) the Adjustment Spread (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
  - (ii) if both the Issuer and any Independent Adviser appointed by it fail to determine a Successor Rate (if applicable), an Alternative Reference Rate or an Adjustment Spread prior to the IA Determination Cut-off Date, the relevant provision of sub-paragraph (iii) below applies.
  - (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined (without any requirement for the consent of the Noteholders), in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(k) (*Benchmark Replacement*)); *provided however*, that if sub-paragraph (ii) above applies and if the Issuer and any Independent Adviser fail to determine a Successor Rate, an Alternative Reference Rate or an Adjustment Spread prior to the IA Determination Cut-off Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 7(k) (*Benchmark Replacement*);
  - (iv) if the Independent Adviser or the Issuer (as the case may be) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also (without the consent or approval of Noteholders) specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate (as the case may be) and (in either case) the Adjustment Spread. The Independent Adviser or the Issuer (acting in good faith) (as applicable) shall determine that the Adjustment Spread (as defined below) required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determine the quantum of, or a formula or methodology for determining, such Adjustment Spread and such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable);
  - (v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 7(k) (*Benchmark Replacement*) and the Independent Adviser or the Issuer (as applicable), acting in good faith, determines (A) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 7(k)(vi) below, without any requirement for the

consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. At the request of the Issuer, the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and, if required, the Agency Agreement), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way; and

- (vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) or Adjustment Spread and the specific terms of any Benchmark Amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement, give notice thereof to the Trustee, the Principal Paying Agent, the Calculation Agent and the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

An Independent Adviser appointed pursuant to this Condition 7(k) shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Principal Paying Agent, the Calculation Agent, the Trustee or the Noteholders for any advice given to the Issuer or any determination made pursuant to this Condition 7(k).

Without prejudice to the obligations of the Issuer under this Condition 7(k), the Reference Rate and the other provisions in this Condition 7 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread and any Benchmark Amendments.

For the purposes of this Condition 7(k) (*Benchmark Replacement*):

**"Adjustment Spread"** means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body (as defined below); or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

**"Alternative Reference Rate"** means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its sole discretion is most comparable to the relevant Reference Rate;

**"Benchmark Event"** means:

- (i) the Reference Rate ceases to be published as a result of such benchmark ceasing to be calculated or administered; or
- (ii) the later of (A) a public statement by the administrator of the Reference Rate that it has ceased, or will, by a specified date, cease, publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate and (B) the date following six months prior to the date specified in (ii)(A)); or
- (iii) the later of (A) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will, by a specified date, be permanently or indefinitely discontinued and (B) the date following six months prior to the date specified in (iii)(A); or
- (iv) the later of (A) a public statement by the supervisor of the administrator of the Reference Rate, as a consequence of which the Reference Rate will, by a specified date be prohibited from being used or its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes and (B) the date following six months prior to the date specified in (iv)(A); or
- (v) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate announcing that, in the view of such supervisor, the Reference Rate is no longer representative of an underlying market; or
- (vi) the later of (A) it has or will, by a specified date within the following six months, become unlawful for any Paying Agent, Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/2011, if applicable) and (B) the date following six months prior to the date specified in (v)(A).

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

**"Relevant Nominating Body"** means, in respect of a Reference Rate:

- (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

**"Successor Rate"** means the rate that the Independent Adviser or the Issuer determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

## 8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and

- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously repaid and redeemed, or purchased and cancelled, the Notes will be repaid and redeemed at their Final Redemption Amount on the Maturity Date, unless otherwise specified in the relevant Final Terms, subject as provided in Condition 10 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be repaid and redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if the Floating Rate Note Provisions are not specified in the Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the First Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided, however*, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be repaid and redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be repaid and redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by any of the Commissioner, General Counsel, the Chief Finance Officer, the Corporate Finance and Strategy Director or other equivalent senior officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to repay and redeem have occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out in (A) and (B) above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to repay and redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption at the option of the Issuer (Issuer Call)*: If Issuer Call is specified in the Final Terms as being applicable, the Notes may be repaid and redeemed at the option of the Issuer in whole or, if so specified in the Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) (as defined below) on the Issuer's giving not less than 15 nor more than 60 days' notice to the Noteholders and having notified the Trustee prior to the provision of such notice (which notice shall be irrevocable and shall oblige the Issuer to repay and redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call)) at an amount (the "**Optional Redemption Amount (Call)**") which is, unless otherwise specified in the Final Terms, equal to the Outstanding Principal Amount of a Note (less any amount of outstanding principal in respect of such Note which has fallen due for payment but remains unpaid) multiplied by the higher of:

- (i) 1; and
- (ii) the price (as reported to the Principal Paying Agent and the Issuer by a leading broker and/or primary dealer operating in the gilt-edged market selected by the Issuer (failing whom, the Calculation Agent) and approved by the Principal Paying Agent) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield on the Notes if the Notes were to remain outstanding to the Reference Gilt Reference Date, on the Determination Date would be equal to the sum of the Gross Redemption Yield on the Determination Date of the Reference Gilt and the Redemption Margin as specified in the Final Terms,

(such amount being the "**Make-Whole Amount**")

together with (a) any payment of principal and interest due but unpaid on or prior to the Determination Date (other than the Optional Redemption Amount (Call) itself) and (b) any interest (other than under (a)) accrued up to and including the date fixed for redemption.

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem the Notes as specified in the notice at the Optional Redemption Amount (Call) together with accrued interest (if any) to the date fixed for redemption.

- (d) *Partial redemption*: If the Notes are to be repaid and redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), unless otherwise specified in the Final Terms, the Notes to be repaid and redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be repaid and redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of the Noteholders (Investor Put)*: If Investor Put is specified in the Final Terms as being applicable, the Notes may be repaid and redeemed at the option of the holder thereof on any Optional Redemption Date (Put) on the relevant Noteholder giving not less than 30 nor more than 60 days' notice (a "**Put Notice**") to the Issuer, which notice shall be irrevocable and shall oblige the Issuer to repay and redeem the Notes or, as the case may be the Notes specified in such notice on the relevant Optional Redemption Date (Put) at an amount the Optional Redemption Amount (Put).

On the date specified for redemption in the notice given to the Issuer, the Issuer shall repay and redeem the Notes as specified in the Put Notice at the Optional Redemption Amount (Put) together with accrued interest (if any) to the date fixed for redemption.

- (f) *Redemption on a Put Event:* If at any time whilst any Note remains outstanding a Put Event occurs then, unless at any time the Issuer shall have given a notice under Condition 9(b) (*Redemption for tax reasons*) or 9(c) (*Redemption at the option of the Issuer*), the holder of each Note will have the option to require the Issuer to repay and redeem that Note on the Mandatory Redemption Date at its Early Termination Amount together with accrued interest (if to the date fixed for redemption). Each Noteholder shall only be entitled to exercise such option following the expiry of the Change of Status Period.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 19 (*Notices*) specifying that the nature of the Put Event and the procedure for exercising the option contained in this Condition 9(f).

- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmaturing Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmaturing Coupons attached to or surrendered with them may, at the option of the Issuer, be cancelled. Any Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.

## 10. **Payments**

- (a) *Principal:* Repayments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a Sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented for repayment of principal without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for repayment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for repayment is less than the amount of principal due for repayment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for repayment bears to the amount of principal due for repayment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for repayment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for repayment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for repayment) will be deducted from the amount of principal due for repayment; *provided, however, that*, if the gross amount available for repayment is less than the amount of principal due for repayment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for repayment) which the gross amount actually available for repayment bears to the amount of principal due for repayment.
- Each sum of principal so deducted shall be repaid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.
- (f) *Unmatured Coupons void:* If the Final Terms specify that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.



- (j) *Exchange of Talons*: On or after the maturity date of the Final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 11. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer 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 unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In the event that any such withholding or deduction is imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders 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, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment;
- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than United Kingdom references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

Any reference in these Conditions to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertakings given in addition thereto or in substitution thereof pursuant to the Trust Deed.

## 12. **Events of Default**

If any of the following events occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having certified in writing that the happening of an event mentioned in (b) or (d) below is in its opinion materially prejudicial to the interests of the Noteholders and such event not being contested in good faith by the Issuer and, in all cases, to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal or interest in respect of the Notes within three Business Days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and, unless such default is, in the opinion of the Trustee, incapable of remedy (when no such confirmation and notice as is hereinafter mentioned shall be required), such default remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or

- (c) *Cross-default:*
- (i) any Indebtedness of the Issuer or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; or
  - (ii) any such Indebtedness of the Issuer or any Material Subsidiary becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or any Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
  - (iii) the Issuer or any Material Subsidiary fails to pay when due or within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness, provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above either alone or when aggregated (without duplication) with other amounts of Indebtedness relative to all (if any) other events specified in (i) to (iii) above in any other currency exceeds £25,000,000 (or its equivalent in any other currency or currencies);
- (d) *Insolvency:* an Insolvency Event occurs.

13. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for repayment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

14. **Replacement of Notes, Coupons, Receipts and Talons**

If any Note, Coupon, Receipt or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons, Receipts or Talons must be surrendered before replacements will be issued.

15. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment or any other action under the Trust Deed unless indemnified and/or prefunded and/or secured to its satisfaction, and to be paid its remuneration, costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already

provided for in Condition 11 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for Condition 11 (*Taxation*) pursuant to the Trust Deed.

In acting under the Paying Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer or, following the occurrence of an Event of Default (and the giving of notice by the Trustee under the Agency Agreement), the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the Final Terms. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Principal Paying Agent; and
- (b) if a Calculation Agent is specified in the Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system,

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### 16. **Meetings of Noteholders; Modification, Waiver and Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter relating to the Notes or the Noteholders, including the modification of any provision of these Conditions or the provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes subject to the Trustee being indemnified and/or prefunded and/or secured to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.
- (b) In addition, a resolution in writing signed by or on behalf of the holders of at least 75 per cent., in principal amount of the Notes for the time being outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.
- (c) *Modification and Waiver:* The Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and any modification of these Conditions or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error or an error which, in the opinion of the Trustee, is proven.
- (d) In addition, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed or determine that any Event

of Default or Potential Event of Default shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

- (e) In addition, the parties to the Paying Agency Agreement may agree to modify any provision thereof, save the Trustee shall only agree without the consent of the Noteholders to such modification if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of the Noteholders.
- (f) Any such modification, authorisation or waiver shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders and Couponholders as soon as practicable thereafter.
- (g) *Substitution*: The Trust Deed contains provisions under which a (i) Statutory Successor, (ii) a Subsidiary of the Issuer or (iii) a Subsidiary of a Statutory Successor may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes *provided* that certain conditions specified in the Trust Deed are fulfilled.

Such conditions include (amongst other things):

- (i) in the case of the assumption by a Subsidiary of the Issuer or by a Subsidiary of a Statutory Successor that the Notes are guaranteed by the Issuer or by such Statutory Successor to the satisfaction of the Trustee; and
- (ii) that the Trustee is otherwise satisfied that interests of the Noteholders will not be materially prejudiced by such substitution.

#### 17. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so or to take any other action under or pursuant to the Trust Deed unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

#### 18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

#### 19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together, where applicable, with the relative Note or Notes, with the Principal Paying Agent in accordance with its standard rules and procedures.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent., being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and the Trust Deed and all matters, including non-contractual obligations, arising from or out of or connected with the Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or out of or connected with the Notes and the Trust Deed (including a dispute relating to the existence, validity or cancellation of the Notes or the Trust Deed or any non contractual obligation arising out of or in connection with the Notes or the Trust Deed) or the consequences of their nullity.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 22(b) (*English courts*) is for the benefit of the Trustee and the Noteholders only. As a result, to the extent allowed by law, nothing in this Condition 22 prevents the Trustee or any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee of Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Consent to enforcement etc.:* The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (f) *Waiver of immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms in respect of each Tranche of Notes completed to reflect the particular terms of the relevant Notes and their issue.*

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] each manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, as amended or superseded ("**MiFID II**"), and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [•]

### Transport for London

**Legal Entity Identifier (LEI): 213800FGQ9DJHGRLQZ89**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the

**£5,000,000,000**

### Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

The Base Prospectus dated 12 July 2019 referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer in that Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, and includes any relevant implementing measures in the relevant Member State in the European Economic Area.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 12 July 2019 [and the Supplementary Prospectus[es] dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented], including documents incorporated by reference. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the Supplementary Prospectus[es] [has][have] been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> in accordance with Article 14 of the Prospectus Directive and [is][are] available for viewing at, and copies may be obtained from, the principal office of the Issuer at 55 Broadway, London SW1H 0BD and the specified offices of each of the Paying Agents.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in, and extracted from, the [Information Memorandum dated 25 November 2004/Base Prospectus dated 9 March 2006/Base Prospectus dated 11 August 2011/Base Prospectus dated 23 August 2012/Base Prospectus dated 23 July 2015] and which are incorporated by reference in the Base

Prospectus dated 12 July 2019 (the "**Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [and the Supplementary Prospectus[es] dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions which are extracted from the [Information Memorandum dated 25 November 2004/Base Prospectus dated 9 March 2006/Base Prospectus dated 11 August 2011/Base Prospectus dated 23 August 2012/Base Prospectus dated 23 July 2015] and are incorporated by reference in the Prospectus and which are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [and the Supplementary Prospectus[es] dated [•]]. However, a summary of the issue of the Notes is annexed to these Final Terms. The Prospectus [and the Supplementary Prospectus[es]] [has][have] been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and [is][are] available for viewing at, and copies may be obtained from, the principal office of the Issuer at 55 Broadway, London SW1H 0BD and the specified offices of each of the Paying Agents.]<sup>1</sup>

- |    |   |  |
|----|---|--|
| 1. | (i) Series Number:                            | [•]  |
|    | (ii) Tranche Number:                          | [•]  |
|    | (iii) Date on which the Notes become fungible | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/the Issue Date/Exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [•]].] |
| 2. | Specified Currency or Currencies:             | [•]  |
| 3. | Aggregate Nominal Amount:                     |  |
|    | (i) Series:                                   | [•]  |
|    | (ii) Tranche:                                 | [•]  |
| 4. | Issue Price:                                  | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]   |
| 5. | (i) Specified Denominations:                  | [•] [and integral multiples of [•] in excess thereof up to and including [•]. No Definitive Notes will be issued with a denomination above [•].]   |
|    | (ii) Calculation Amount:                      | [•]  |
| 6. | (i) Issue Date:                               | [•]  |
|    | (ii) Interest Commencement Date:              | [[•]/Issue Date/Not Applicable]  |
| 7. | Maturity Date:                                | [•]  |
| 8. | Interest Basis:                               | [[•] per cent. Fixed Rate]<br>[•] +/- [•] per cent. Floating Rate]<br>[Zero Coupon]<br><br>(further particulars specified below)   |

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<sup>1</sup> Include this legend where the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date are incorporated by reference in this Base Prospectus.

9. Redemption/Repayment Basis: [Redemption at par]  
[Instalment]
10. Change of Interest or Redemption/Repayment Basis: [Applicable/Not Applicable]
11. Put/Call Options: [Investor Put pursuant to Condition 9(e)]  
[Issuer Call pursuant to Condition 9(c)]  
[(further particulars specified below)]
12. (i) Status of the Notes: Direct, general and unconditional obligations of the Issuer, charged indifferently on all revenues of the Issuer
- (ii) [Date [Board] approval for issuance of Notes obtained:] [•]

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

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iv) Fixed Coupon Amount(s): [•] per Calculation Amount
- (v) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] [Not Applicable]
- (vi) Day Count Fraction: [30/360/Actual/Actual(ISDA)/Actual/365 (Fixed)/Actual 360/30E/360/30E/360 (ISDA)/Actual/Actual (ICMA)]
14. Floating Rate Note Provisions [Applicable/Not Applicable].
- (i) Specified Period(s): [•]
- (ii) Specified Interest Payment Dates: Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out in (iv) below]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (v) Additional Business Centre(s): [Not Applicable/[•]]



(vi)	Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[Principal Paying Agent/[•]]
(viii)	Screen Rate Determination:	[Applicable/Not Applicable]
	- Reference Rate:	[EURIBOR/LIBOR/LIBID/LIMEAN/[Compounded Daily SONIA]
	- Interest Determination Date(s):	[•]
	- Relevant Screen Page:	[•]
	- Relevant Time:	[11.00 a.m. London time/[•] in the Relevant Financial Centre/[as set out in the Conditions]]
	- Relevant Financial Centre:	[London/[•]]
	- Reference Banks:	[•]/Not Applicable
(ix)	ISDA Determination:	[Applicable/Not Applicable]
	- Floating Rate Option:	[•]
	- Designated Maturity:	[•]
	- Reset Date:	[•]
(x)	Observation Look-back Period:	[Applicable/Not Applicable]
(xi)	Linear Interpolation	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
		<i>(N.B The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR and/or LIBID and/or LIMEAN and/or SONIA which, depending on market circumstances, may not be available at the relevant time)</i>
(xii)	Margin(s):	[[+/-] [•] per cent. per annum / Not Applicable]
(xiii)	Minimum Rate of Interest:	[•] per cent. per annum [Not Applicable]
(xiv)	Maximum Rate of Interest:	[•] per cent. per annum [Not Applicable]
(xv)	Day Count Fraction:	[30/360/Actual/Actual(ISDA)/Actual/365 (Fixed)/Actual 360/30E/360/30E/360 (ISDA)/Actual/Actual (ICMA)]
15.	Zero Coupon Note Provisions	[Applicable/Not Applicable]

- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]

**PROVISIONS RELATING TO REDEMPTION**

- 16. Issuer Call under Condition 9(c) [Issuer Call under Condition 9(c) Applicable/Issuer Call under Condition 9(c) Not Applicable]

[[•]/up to but excluding [•]

- (i) Optional Redemption Date(s) (Call): [•]
- (ii) Optional Redemption Amount (Call) of each Note: [[•] per Calculation Amount/Make-Whole Amount]
- (iii) Reference Gilt Reference Date: [[•]/Not Applicable]
- (iv) Redemption Margin: [•]
- (v) If repayable and redeemable in part:
  - (a) Minimum Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Redemption Amount: [•] per Calculation Amount
- (vi) Notice period (if other than as set out in the Conditions): [•]

[From and including [•]

- (vii) Optional Redemption Date(s) (Call): [•]
- (viii) Optional Redemption Amount (Call) of each Note: [[•] per Calculation Amount]
- (ix) If repayable and redeemable in part:
  - (a) Minimum Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Redemption Amount: [•] per Calculation Amount
- (x) Notice period (if other than as set out in the Conditions): [•]

- 17. Investor Put under Condition 9(e) [Investor Put under Condition 9(e) Applicable/Investor Put under Condition 9(e) Not Applicable]

- (i) Optional Redemption Date(s): [•]

- (ii) Optional Redemption Amount (Put) and method, if any, of calculation of such amount(s):  per Calculation Amount/Specify other/ see Appendix
- (iii) Notice period (if other than as set out in the Conditions):
18. Early Redemption Amount(s):
- (i) Early Redemption Amount (Tax) Early Redemption Amount(s) per Calculation Amount of each Note payable on redemption for taxation:  [Not Applicable/As set out in the Conditions]
- (ii) Early Termination Amount Early Redemption Amount(s) of each Note payable on an event of default and on a Put Event:  [Not Applicable/As set out in the Conditions]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

19. Form of Notes:  Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- (N.B If the Specified Denomination of the Notes in paragraph 5(i) includes language to the following effect: "[£100,000] and integral multiples of [£1,000] in excess thereof up to and including [£199,000]," exchange on [ ] days' notice/at any time or [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.] should not be specified.)*
20. New Global Note:  [Yes]  [No]
21. Additional Financial Centre(s) or other special provisions relating to Payment Dates:  [Not Applicable/
22. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature).  [Yes/No.]
23. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:  [Not Applicable/

**[THIRD PARTY INFORMATION]**

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading. ]

Signed on behalf of the Issuer:

By: .....  
**Duly Authorised**

## PART B - OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Application [has been/will be] made by the Issuer (or on its behalf) to list the Notes on the Official List of the United Kingdom Listing Authority with effect from [•]

Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•]

Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings:

The Notes to be issued [have been/are expected to be rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]

[Standard & Poor's Credit Market Services Europe Limited: [•]]

[Fitch Ratings Limited: [•]]

[Moody's Investors Service Limited: [•]]

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

[[Save as described in "Subscription and Sale"] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Manager[s]/Dealer[s]] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business/[•]]

### 4. [REASONS FOR THE OFFER

Reasons for the offer [•]

### 5. YIELD (Fixed Rate Notes Only)

Indication of yield: [•]

### 6. DISTRIBUTION

- (i) U.S. Selling Restrictions: [TEFRA C/TEFRA D]
- (ii) Method of distribution [Syndicated][Non-syndicated]
- (iii) If syndicated, names of Managers: [Not Applicable]/[•]
- (iv) Date of [Subscription] Agreement: [Not Applicable]/[•]
- (v) Stabilisation Manager(s) (if any): [Not Applicable]/[•]
- (vi) If non-syndicated, name of relevant Dealer: [Not Applicable]/[•]

7. **OPERATIONAL INFORMATION**

- (i) ISIN Code: [•]
- (ii) Common Code: [•]
- (iii) [CFI: [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]
- (iv) [FISN: [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]
- (If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable")*
- (v) Relevant Benchmark[s]: [[EURIBOR]/[LIBOR]/[LIBID]/[LIMEAN]/[SONIA] is provided by [administrator legal name][repeat as necessary]. As at the date hereof, [administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]]/[As far as the Issuer is aware, as at the date hereof, [EURIBOR]/[LIBOR]/[LIBID]/[LIMEAN]/[SONIA] does not fall within the scope of the Benchmarks Regulation]]/[Not Applicable]
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable]/[•]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [Not Applicable]/[•]

(v) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, on or prior to the original issue date of the Tranche the Global Notes will be delivered to a common safekeeper and Euroclear and Clearstream, Luxembourg will be informed whether or not the Notes are intended to be held as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem ("**Eurosystem eligible collateral**").

Depositing the Global Notes intended to be held as Eurosystem eligible collateral with a common safekeeper does not necessarily mean that the Notes will be recognised as Eurosystem eligible collateral either upon issue or at any or all times prior to redemption. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met. In the case of Notes issued in NGN form which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Notes are capable of meeting the eligibility criteria, such Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper.

### Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

### Denominations

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes may be tradable only in the minimum authorised denomination of EUR100,000 and higher integral multiples of another smaller amount, notwithstanding that no Definitive Notes will be issued with a denomination above a specified level.

### Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange)



surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), with an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender (if applicable) of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a CGN, the same is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* In the case of a Global Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Exercise of put option; In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders (Investor Put)*), or the option contained in Condition 9(f) (*Redemption on a Put Event*), an accountholder must, in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means), give notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised and at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in the relevant Condition.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to less than the aggregate principal amount of the Notes outstanding at such time, no drawing of Notes will be required under Condition 9(d) (*Partial redemption*). In such event, the Notes to be redeemed will be selected in accordance with the rules and procedures of Euroclear and/or 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 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such

notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

*Meetings:* The holders of a Global Note shall, at any meeting of the Noteholders, be treated as having one vote in respect of each £1 in principal amount of the Notes represented by a Global Note.

*Electronic Consent and Written Resolution:* While any Global Note is held on behalf of a clearing system, then:

- (a) where the terms of any resolution proposed by the Issuer or the Trustee (as the case may be) have been notified to the Noteholders through the relevant clearing system(s), the Issuer or, if applicable, the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures and the terms of the Trust Deed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding ("**Electronic Consent**"); and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (i) accountholders in the clearing system with entitlements to such Global Note and/or, (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held.

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

## UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. 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 Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes 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 Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes 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

- (a) **Notes listed on a recognised stock exchange:** The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**") or admitted to trading on a "multilateral trading facility" which is operated by an EEA-regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the FSMA) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List and admitted to trading on the Regulated Market of that Exchange.

- (b) **All Notes:** In all cases falling outside the exemption described in (a) above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

### Other Rules Relating to United Kingdom Withholding Tax

- (a) Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in "*UK Withholding Tax on UK Source Interest*" above.
- (b) Where Notes 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.

- (c) Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
- (d) 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 Notes or any related documentation.
- (e) 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 Notes (*Meetings of Noteholders; Modification, Waiver and Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

## CERTAIN EU TAX-RELATED MATTERS

### **The proposed financial transactions tax ("FTT")**

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

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

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

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International, Morgan Stanley & Co. International plc, NatWest Markets Plc, Nomura International plc and RBC Europe Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in the amended and restated dealer agreement dated on or around 12 July 2019 (as amended or supplemented from time to time, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Notes may be offered by the Issuer or the Dealers to any investors, subject to the restrictions described below.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act or the securities law 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 in certain transactions exempt from or 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 Notes 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 Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period (as defined in Regulation S) relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
  - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.). As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **General**

Other than with respect to the admission to listing, trading and/or quotation by the listing authorities, stock exchanges and/or quotation systems specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer.

## GENERAL INFORMATION

### Listing

The admission of the Programme to listing on the Official List of the FCA and to trading on the London Stock Exchange is expected to take effect on or around 17 July 2019. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to trading on the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### Floating Rate Notes

Interest on Floating Rate Notes will accrue at a rate linked to either LIBOR, LIBID, LIMEAN, EURIBOR or SONIA (each a "**FRN Reference Rate**"). The relevant FRN Reference Rate (including the relevant reference period and details of where it is published) that will apply to any particular Tranche of Notes issued under the Programme will be disclosed in the Final Terms.

### Litigation

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

### Significant Change

Since 31 March 2018, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries, save that there has been (i) an improvement of £864.5 million from the surplus on the provision of services after tax of £295.0 million in the 60 weeks to 26 May 2018 to £1,159.5 million in the 60 weeks to 25 May 2019 reflecting additional grant income received in the relevant period (the majority of which is ring fenced for the Crossrail project) which increased from £2,877.4 million to £3,581.2 million (ii) a £1,511.3 million increase in long-term liabilities, primarily due to £829.6 million of planned annual borrowing drawn in the 60 weeks to 25 May 2019, and an increase of £662.5 million in pension benefit obligations due to the assumptions set for IAS 19 accounting purposes within the relevant period (iii) an increase in net current assets of £441.1 million in the 60 weeks to 25 May 2019 which resulted from an improved working capital position in addition to a reduction in short term borrowing of £166.4 million due to scheduled repayments (iv) a decrease in current assets of £164.0 million reflecting a planned reduction in TfL's cash balances as monies borrowed in advance to finance capital projects have been expended offset somewhat by an increase in short term debtors of £187.5 million and assets held for sale of £39.2 million within the relevant period, and (v) as cash and funds raised through borrowing have been expended, there has been a £1,748.5 million increase in long term assets as a result of net tangible fixed asset additions of £1,801.4 million in the 60 weeks to 25 May 2019.

Since 31 March 2018, there has been no material adverse change in the financial or trading position or prospects of the Issuer and its subsidiaries.



## **Authorisations**

The establishment of the Programme was authorised pursuant to resolutions passed by the Board of the Issuer on 27 October 2004 and the update of the Programme has been approved by officers of TfL which have been delegated powers by the Board pursuant to the "Transport for London Standing Orders from 10 November 2017 updated 25 July 2018 to reflect job title changes and 28 May 2019 to reflect the change in TfL's head office, some changes in roles and the change in TfL's reporting lines for the taxi and private hire and London Service Permits functions", the document titled "TfL Committees and Panels" and the "Treasury Management Strategy" dated 27 March 2019. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

## **Auditors**

The financial statements of the Issuer have been independently audited for the financial year ended 31 March 2017 and for the financial year ended 31 March 2018 by Ernst & Young LLP of 1 More London Place, London, SE1 2AF. Unqualified opinions were reported thereon. Ernst & Young LLP have been reappointed to complete the audit for the financial year ended 31 March 2019.

## **Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent (Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the principal office of the Issuer (55 Broadway, London, SW1H 0BD), namely:

- (a) the current Base Prospectus in relation to the Programme, together with any supplements;
- (b) the Paying Agency Agreement;
- (c) the Trust Deed (which contains the forms of Notes in global and definitive form);
- (d) the most recent publicly available audited financial statements of the Issuer beginning with such financial statements for the years ended 31 March 2017 and 31 March 2018; and
- (e) any Final Terms relating to Notes.

## **Interests of Dealers**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Yield**

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.



**APPENDIX A**

**FUNDING SETTLEMENT LETTER FROM THE SECRETARY OF STATE FOR TRANSPORT**



Department  
for Transport

Sadiq Khan  
Mayor of London  
City Hall  
Queens Walk  
London  
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From the Secretary of State  
The Rt. Hon. Chris Grayling

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27 March 2017

## TRANSPORT FOR LONDON FUNDING AGREEMENT

1. This letter sets out a funding agreement for Transport for London (TfL) for the years 2017/18-2020/21.
2. We continue to have a shared commitment to ensure delivery of the programme of tube upgrades, improvements to London's road network and delivery of Crossrail, all of which are essential not just to London, but to the national economy as a whole. The funding agreement set out in this letter supports essential investment in London's transport while encouraging TfL to deliver ambitious plans to further improve its efficiency, so that it can make an appropriate contribution towards necessary savings in public spending.
3. The Government is committed to supporting you in the delivery of TfL's cost reductions programme and commercial development income, particularly where legislative changes may be needed.

### Basis of funding agreement and reviews

4. For the avoidance of doubt, any years quoted in this letter are financial years. This funding agreement replaces any other outstanding funding agreements reached for 2017/2018 onwards. It sets out my present intentions in relation to the Department for Transport's (DfT) funding of TfL for the years 2017/18-2020/21.
5. It also sets out the basis on which this funding is being provided. Except where otherwise expressly indicated, this letter sets out the totality of DfT grant and borrowing support for TfL for 2017/18-2020/21. Although it is my firm intention as Secretary of State to provide the support on the basis described, I cannot give a wholly binding commitment since I cannot fetter my ability, or that of a future Secretary of State, to determine final grant levels as I see fit in response to relevant considerations.

6. This settlement has been determined after consultation with you, as Mayor, and with TfL officials, and takes into account, amongst other things TfL's existing and anticipated spending commitments and potential revenue during this period.
7. It is our shared intention that TfL will manage the financing of the activities across its business and estate within the levels of borrowing and grant funding set out below, and taking into account its other sources of income, including income from fares and non-domestic rates retained by the Greater London Authority (GLA) under the Business Rates Retention (BRR) scheme. These activities include:
  - TfL's transport and corporate activities;
  - Pensions;
  - TfL's obligations toward third parties;
  - PFIs;
  - TfL's Crossrail contribution; and
  - The funding of the Independent Investment Programme Advisory Group.
8. To be assured that the financial support provided to TfL delivers value for money to the taxpayer and to provide independent assurance of TfL's Investment Programme, this settlement assumes your continued commitment to the Independent Investment Programme Advisory Group (IIPAG) whose terms of reference I understand that you are reviewing.

### **Business Rates**

9. The Chancellor announced in the 2016 budget that, as part of the Government's devolution strategy, the Department for Transport would no longer pay any investment grant to the GLA from April 2017. Instead, the GLA will receive an equivalent amount through retention of a larger proportion of London's business rates. The high level principles of this agreement between the Government and the GLA are set out in annex C.
10. As a result of these changes, the existing Investment Grant (CDEL) will cease to be paid by the Department and will instead become part of your business rates income. From April 2017, the GLA will retain an additional amount in business rates that will be sufficient to cover the TfL investment grant as shown in annex C. We continue to expect this money to be used for transport and particularly infrastructure investment as set out in annex C.
11. This approach to investment funding is being piloted by the GLA in advance of the wider changes to the Business Rates Retention Scheme. The Government intends that the piloted approach should be without detriment to the resources that would have been available to the GLA for TfL.

### **Funding Settlements**

12. My firm intention is that, subject to the final grant determination process and taking into account the matters raised below, my Department will provide funding to TfL over the period to 2020/21 as set out in table 1 below. A proposed payment schedule for 2017/2018 is at annex D.

13. This is a change to the previous settlement letter that was sent from the Department for Transport to the Mayor of London on 1 March 2016, to reflect the changes to the Business Rates Retention Scheme in London.

**Table 1: summary of funding intentions (all figures in £m cash)**

	2017/18	2018/19	2019/20	2020/21
Investment grant (CDEL)	0	0	0	0
General grant (RDEL)	228	0	0	0
LOROL grant	27	27	27	0

## Other funding

### *Borrowing*

14. TfL's borrowing to fund capital expenditure is to be contained within the profile in Table 2 below. TfL are able to defer borrowing from one year to the next until they need it, provided they inform the relevant HMT officials at least eight weeks ahead of the end of the financial year in question that they intend to delay borrowing from that year to the next.
15. TfL will also be allowed to borrow for short-term working capital in line with other local authorities as set out in the CIPFA Prudential Code. Otherwise borrowing is only to be used for capital investment. It remains my expectation that TfL will not undertake borrowing in advance of need.
16. In conjunction with these new flexibilities, TfL should continue to engage with the OBR on a six monthly basis and seek to share short-term projections to help enable more accurate forecasts of borrowing and expenditure.

**Table 2: TfL prudential borrowing limits**

£m (cash)	2017/18	2018/19	2019/20	2020/21
<b>TfL borrowing</b>	950 <sup>1</sup>	500	500	600

17. No further borrowing should be undertaken without specific agreement from HM Treasury. Guidance on interpretation of borrowing limits and PFI accounting treatment is set out at **Annex A**.

## Deliverables

18. This settlement has been drawn up on the basis that these funding and borrowing limits will allow TfL to take forward its investment programme and deliver **the agreed milestones listed at Annex B**.

<sup>1</sup> This reflects the fact that you have deferred £50m of borrowing from 2016/2017

## **Crossrail 2**

19. The Government remains strongly supportive of the Crossrail 2 project and we have agreed to contribute a total of £80m from the Transport Development Fund to continue the development of the business case for it. TfL have agreed to match-fund this contribution. The profile of annual budgets and governance arrangements for agreeing spending on the scheme development going forward, including how the funds will be transferred, will be agreed in a side letter before the end of FY16/17. For clarity we have transferred £26m from the budget for FY16/17 of £36m.
20. No further commitment to the scheme has been made at this stage and the agreement of a fair, sustainable and deliverable funding settlement will be a prerequisite for the deposit of a hybrid bill.
21. The Department reserves the right to reconsider how the TDF funding is allocated depending on the decision taken on the SOBC by the SoS and central Government.

## **London Overground**

22. In 2017/2018, we will pay the London Overground grant of £27,071m in four weekly instalments alongside the general grant. We will agree at a later date the payment schedule for the London Overground grant in 2018/2019 and 2019/2020.
23. As you know, these payments will cease altogether after 2019/2020 as set out in SR15.

## **Old Oak Common**

24. I note your recent letter requesting amendments to the Memorandum of Understanding agreed between my Department and the Old Oak Common and Park Royal Development Corporation, including for government to fund the enabling works for development around the HS2 station in Old Oak Common. I will consider your request and respond in due course. Any discussion on direct or indirect funding from central government will require a clear rationale given the existing significant government commitments to London and the fact that benefits from development will accrue to London in taxes and jobs. I have asked my officials to work with the GLA to understand the detail of your proposition further.

## **Croxley Rail Link**

25. This funding is also being provided on the assumption that you will continue to take forward the delivery of the Metropolitan Line Extension (otherwise known as the Croxley Rail Link), as agreed by your predecessor. Should you decide not to do this, or should there be significant further delay to the project, the Department would claw back funding that has already been provided to you for it, and adjust future borrowing limits downwards to reflect the fact that you will no longer need to borrow funding for this project.

## **Air Quality**

26. I am grateful to your officials for their input into the update to the National Air Quality Plan for Nitrogen Dioxide, which is currently being developed. I know that we both recognise the importance of delivering compliance with legal obligations on air quality

and I will continue to look to you to take the lead on the measures for London which we agree are necessary as part of the new Plan.

## **Skills**

27. I am grateful to your officials for their collaboration with the Department and infrastructure client bodies on transport infrastructure skills, and for the Commissioner's chairmanship of the Strategic Transport Apprenticeship Taskforce. I know that we both recognise the importance of developing a sustainable pipeline of skills and the role our significant investment can play in leveraging this development across the sector. I will look to you to ensure this collaboration continues.

## **Rail fares**

28. The Government has made a commitment that rail fare increases nationally will be held at RPI inflation over this parliament. This settlement assumes that TfL's income from fares in London will rise broadly in line with your Business Plan assumptions, and the settlement will not be adjusted to take account of any future decisions you make on fares.

## **Other financial flexibilities**

29. HMT will also continue to work closely with TfL and the Department to explore granting TfL some other financial flexibilities. My officials will discuss the detail of this with TfL. Separate discussions are continuing between our officials on the question of whether TfL might also be able to temporarily draw upon some of the Crossrail cash balances held in the Crossrail Sponsor Funding Account (SFA).

## **Future Reviews**

30. As Secretary of State, I reserve the right to review this funding agreement if there is significant deviation from the commitments referred to above. The agreement may also be subject to review in the context of a further government Spending Review or other wider pressures on the Department's finances or those of the Government as a whole, or the emergence of external pressures beyond the control of TfL or GLA, on the TfL budget.

31. In any future review, the Government will take all relevant circumstances into account including:

- a) Delivery of the transport infrastructure milestones listed in Annex B;
- b) Adherence to the agreed borrowing limits in this letter;
- c) The extent to which TfL has managed its business and estate, including the use that TfL and the Mayor have made of their capacity to raise further income and reduce expenditure; and the extent to which any exceptional pressures on TfL's budget could have been, or can be, prevented or alleviated by them;
- d) DfT's public expenditure position and other pressures on the Department's budget and the finances of the Government generally;
- e) Whether TfL has met its existing funding commitments and obligations in relation to the Crossrail project;



- f) Amounts available for the GLA to transfer to TfL under the BRR scheme; and
- g) The proposed further devolution of business rates in London.

32. I acknowledge that in order to achieve some of the milestones efficiently, TfL will need to enter into contractual commitments that extend beyond 2020/21. The Government will take account of these when considering levels of grant and borrowing headroom in future Spending Reviews.

## **ANNEX A: GUIDANCE ON INTERPRETATION OF BORROWING LIMITS AND PFI ACCOUNTING TREATMENT**

The borrowing limits set out in this letter relate to net additions to borrowing, or other on-balance sheet liabilities, across the TfL Group. Within these overall limits, TfL should manage its liabilities as it sees fit; this may include swapping finance leases (as measured for National Accounts purposes) with borrowing undertaken at the TfL level, subject to there being no overall increase in liabilities across the TfL Group.

Following the adoption of IFRS from 2009/10, HM Treasury has prepared guidance for central Government Departments regarding the budgetary treatment of PFIs. In determining whether PFI transactions undertaken by TfL or its subsidiaries score within the borrowing limits, TfL should take account of the impact of those transactions on the National Accounts rather than the accounting treatment under IFRS. To determine whether a particular transaction should be treated as on or off balance-sheet for National Accounts purposes, TfL should follow the guidance on HM Treasury website: "Consolidated Budgeting Guidance" which is updated each year. TfL should consult with the Department if there is any uncertainty over the interpretation of this guidance. Contracts signed before 2009 will continue to be treated as they were under UK GAAP (as a proxy for the National Accounts framework of the time) for budgeting purposes unless there is a material change to the relevant PFI contract, at which point the PFI contract should be reassessed against the latest framework (currently ESA10) and following the guidance on HM Treasury website "Consolidated Budgeting Guidance".

The Department is aware that changes to the treatment of leases under IFRS are under consideration. No decisions have yet been taken on how such changes, if they were to come about, would affect budgets and borrowing limits in the public sector.

## ANNEX B: INDICATIVE INFRASTRUCTURE AND SCHEME DELIVERY MILESTONES

ITEM	MILESTONE	DATE
<b>Part one: short term milestones</b>		
1.	Completion of Phase 1 of Structures and Tunnels Investment Programme which involves major renewal and replacement works on the Capital's most important bridges and tunnels including Highbury corner, Ardleigh Green Bridge, Power Road, Upper Holloway and Fore Street Tunnel	2017
2.	Victoria Station Upgrade – Northern ticket hall complete, including step-free access to all platforms via lifts.	2017
3.	Bond Street station upgrade complete, including a new station entrance and step-free access to all platforms.	2017
4.	Victoria Line Upgrade to 36 trains per hour	2017
5.	Archway Gyrotory Better Junctions, construction complete (excluding Despard Road Loading Bay)	2017
6.	London Underground Track renewals: drainage (2,500 metres), track renewal and re-ballast (7,000 metres) and Deep Tube track (2,500 metres)	2018
7.	Elizabeth Line fully open and extends to Reading	2019
<b>Part two: longer term priorities</b>		
8.	Progress the Road Reliability Programme to ensure road assets are fit for the future, including major highways enhancements and phase 2 of the Structures and Tunnels Investment Programme to improve reliability of the road network and reduce congestion.	
9.	Progress investment in healthy streets to improve public spaces and increase walking and cycling (eg cycle network improvements, vision zero, liveable neighbourhoods and Oxford Street Pedestrianisation)	
10.	Progress investment to deliver improvements in London's air quality and carbon footprint, through new infrastructure to enable and incentivise cleaner vehicles (eg ULEZ, Greenwich power station upgrade, Hybrid buses)	
11.	Progress river crossings programme (eg Rotherhithe)	
12.	Progress the delivery of additional capacity on the existing Rail & Underground network through line upgrades and additional capacity programmes (e.g Four Lines Modernisation Programme and Deep Tube Upgrade Programme).	
13.	Progress a number of key line extensions to add new capacity to the Rail & Underground network (e.g. Crossrail 2, Bakerloo Line Extension, Sutton Tramlink Extension, Croydon Tramlink Dingwall Road Loop, Metropolitan Line Extension, Barking Riverside)	
14.	Deliver a programme of Rail & Underground core asset renewals which focuses on the provision of safe and reliable services for customers.	
15.	Progress programme to improve accessibility at tube stations including schemes to deliver 40% fully step-free station access by 2021/22	

## Annex C – Business Rates Retention

### PILOTING THE APPROACH TO 100% BUSINESS RATES RETENTION IN THE GREATER LONDON AUTHORITY FROM 2017/18

This note sets out the high level principles agreed between the Government and the Greater London Authority (GLA) regarding the Budget 2016 announcement that the GLA will receive an increase in the share of business rates retained from 2017/18 onwards in exchange for the reduction of TfL capital grant.

The Government and the GLA agree that:

1. The TfL Investment Grant (see funding definition in Table 1 below) will cease to be paid to the GLA from April 2017. The GLA will retain an additional amount in business rates from April 2017 that will be sufficient to cover the TfL Investment Grant amounts set out in Table 1 through an increase in the percentage of London’s business rates to be retained by the GLA. The GLA will in return take on full responsibility for funding TfL’s capital projects (excluding Crossrail 2 which will be subject to a separate funding discussion and any similar strategic or regional transport investment projects the Government may decide to part finance in the future).

Table 1:

£m	2017/18	2018/19	2019/20	2020/21
TfL Investment Grant	960	976	993	1010

2. The sum of retained taxes equivalent to the foregone TfL Investment Grant 2017/18 up to and including 2020/21 is expected to be earmarked for capital projects. The Government expects that this level of funding will continue to be spent on transport capital projects for the years covered by the existing Spending Review letter, and that the Mayor will use the funding to deliver the agreed programme of transport infrastructure investment and other commitments set out in that letter, including the “annex B milestones”. Any income in excess of those annual amounts is to be spent at the discretion of the GLA.
3. DCLG, HMT and GLA will work together to ensure appropriate accounting and accountability arrangements for the increase in the share of business rates retained by the GLA.
4. The precise details of the approaches to be piloted are to be worked up between the GLA and the Government over the coming months and will include the development of mechanisms to manage risk and reward under 100% rates retention. In developing pilot approaches to 100% rates retention, Government will work with the GLA and London Boroughs to deal with the financial impacts for London of an increased business rates percentage, including the impact on the GLA’s resources of appeal risk, provisions and prior year adjustments. While the GLA accepts the risks and rewards of this increased devolution, the Government intends the piloted approaches to be without detriment to the resources that would have been available to the GLA under the current local government finance regime, meaning that during the course of the pilot the Mayor will have sufficient resources to cover capital investment broadly in line with current levels.
5. The GLA will work with the Government to explore with the 32 London boroughs and the Corporation of London the options for implementing a full 100% retention pilot in London ahead of the implementation of the national reforms, including options for dealing with any potential increase in appeal risk and provisions.

5. The GLA will work with the Government to explore with the 32 London boroughs and the Corporation of London the options for implementing a full 100% retention pilot in London ahead of the implementation of the national reforms, including options for dealing with any potential increase in appeal risk and provisions.
6. The GLA will support DCLG and the Department for Transport in achieving the necessary legislative changes to the GLA Act 1999, the Local Government Finance Act 1988 and the Local Government Finance Act 2012 and other applicable legislation, and in creating new statutory instruments as necessary.
7. This is an opportunity to pilot approaches to 100% business rate retention and for the GLA to receive some of the benefits of 100% retention ahead of full roll out, but these arrangements do not prejudice the final scheme design for the 100% business rate retention.

*Stuart Hoggan*

Stuart Hoggan  
Deputy Director, Local Government Finance  
Department for Communities and Local Government

*D. Gallie*

David Gallie  
Assistant Director, Finance  
Greater London Authority

**Annex D – Schedule of payments for 2017/2018**

<b>Payment no</b>	<b>Period</b>	<b>Amount (£)</b>	<b>LOROL (£)</b>	<b>Date to arrive in GLA bank</b>
1	1 Apr – 30 Apr	17,538,461.50	2,082,385	Mon 6 Apr 2017
2	1 May – 28 May	17,538,461.50	2,082,385	Tue 2 May 2017
3	29 May – 25 June	17,538,461.50	2,082,385	Tues 30 May 2017
4	26 June – 23 July	17,538,461.50	2,082,385	Mon 26 Jun 2017
5	24 July – 20 Aug	17,538,461.50	2,082,385	Mon 24 Jul 2017
6	21 Aug – 17 Sept	17,538,461.50	2,082,385	Mon 21 Aug 2017
7	18 Sept – 15 Oct	17,538,461.50	2,082,385	Mon 18 Sept 2017
8	16 Oct – 12 Nov	17,538,461.50	2,082,385	Mon 16 Oct 2017
9	13 Nov – 10 Dec	17,538,461.50	2,082,385	Mon 13 Nov 2017
10	11 Dec – 7 Jan	17,538,461.50	2,082,385	Mon 11 Dec 2017
11	8 Jan – 4 Feb	17,538,461.50	2,082,385	Mon 8 Jan 2018
12	5 Feb – 4 March	17,538,461.50	2,082,385	Mon 5 Feb 2018
13	5 Mar – 30 Mar	17,538,461.50	2,082,380	Mon 5 Mar 2018
		228,000,000	27,071,000	

*With best wish*



**Rt Hon Chris Grayling MP**

**SECRETARY OF STATE FOR TRANSPORT**

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