



Financial Security Policy

This Financial Security Policy is prepared pursuant to, and as defined in, the Connection Charging Policy and Agreements

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1. DEFINITIONS

1.1 References herein to a “Section” are to a section of this Policy unless stated otherwise.

1.2 In this Policy:

“Account Charge” means a legal charge over a Charged Account entered into or to be entered into by the Counterparty in favour of Uisce Éireann to secure the financial obligations of the Counterparty pursuant to the Agreements;

“Agreement(s)” means any agreement entered into between Uisce Éireann and a Counterparty in respect of which Uisce Éireann has conducted an assessment in accordance with Section 4 and, based on the outcome of such assessment, notified that Counterparty that it will require Security Cover;

“Approved Credit Rating” has the meaning given to it in Section 3.1;

“Business Day” means any period during which banks are normally open for business on a day (not being a Saturday or Sunday or a day on which banks are generally closed for business in the city of Dublin);

“Call Notice” means a notice from Uisce Éireann to the Counterparty stating that it is making a Demand on the Counterparty’s Security Cover, pursuant to Section 6;

“Cash Deposit” has the meaning given to it in Section 3.2.4;

“Charged Account” has the meaning given to it in Section 3.2.3;

“Commission for Regulation of Utilities” or “Commission” or “CRU” shall mean the body established pursuant to Section 8 of the Electricity Regulation Act 1999 (as amended);

“Communication” has the meaning given to it in Section 2.5;

“Connection Charging Policy” means the Connection Charging Policy prepared and published by Uisce Éireann, as amended, modified or revised from time to time, and approved by the Commission;

“Counterparty” means each person who is counterparty to an agreement with Uisce Éireann;

“Date of Demand” means the date (being a Business Day) on which Uisce Éireann makes a Demand on a Counterparty’s Security Cover;

“Demand” means a demand or drawdown on Security Cover, made pursuant to Section 6 and the terms thereof;

“Demand Notice” means a notice from Uisce Éireann to the issuer of a Counterparty’s Security Cover making a demand for payment under the terms of the Security Cover for the amount specified therein;

“Deposit Agreement” means an agreement between Uisce Éireann and the Counterparty permitting Uisce Éireann to appropriate money from the Cash Deposit to offset debts owed by the Counterparty to Uisce Éireann;

“Due Date” has the meaning given to it in the relevant Agreement;

“Euro” or “€” means the single currency of the participating member states of the European Union (as described in any EU legislation);

“Fee” means the fee that may be imposed by Uisce Éireann on a Counterparty in accordance with Section 5.6.2;

“Financial Security Amount” means, with respect to a Counterparty and at any particular time, the amount calculated in accordance with Section 4 or 5 in respect of which such Counterparty is then required to provide Security Cover;

“Fitch” means Fitch Ratings Limited, or any successor to the credit ratings business of Fitch Ratings Limited;

“Large Non-Domestic Connection” has the meaning given to it in section 13 of the Connection Charging Policy;

“Letter of Credit” has the meaning given to it in Section 3.2.1;

“Moody’s” means Moody’s Investors Service, Inc., or any successor to the credit ratings business of Moody’s Investors Service, Inc.;

“Qualifying Guarantee” has the meaning given to it in Section 3.2.5;

“Performance Bond” has the meaning given to it in Section 3.2.2;

“Regulator” means where applicable all present and future regulatory bodies having jurisdiction over Uisce Éireann including, but not limited to, the Commission for the Regulation of Utilities, the Environmental Protection Agency, the Department of the Housing, Local Government & Heritage, the Data Protection Commission, the Competition and Consumer Protection Commission and/or any other statutory body or regulatory authority which regulates on an ongoing basis or from time to time the business or operations of Uisce Éireann;

“S&P” means Standard & Poor’s, a division of The McGraw Hill Companies, Inc., or any successor to the credit ratings business of Standard & Poor’s, a division of The McGraw Hill Companies, Inc.;

“Security Cover” means, with respect to a Counterparty, security for the payment obligations of such Counterparty to Uisce Éireann under the Agreements entered into between such Counterparty and Uisce Éireann in form and substance acceptable to Uisce Éireann, and may take the form of a Letter of Credit, a Performance Bond, a Qualifying Guarantee, a Charged Account with Account Charge, and a Cash Deposit with Deposit Agreement or such other form of security as may be acceptable to Uisce Éireann pursuant to Section 3.2;

“Security Cover Instrument” means a Letter of Credit, a Qualifying Guarantee, an Account Charge, a Deposit Agreement or such other instrument as may be acceptable to Uisce Éireann for the purposes of providing Security Cover pursuant to Section 3.2;

“Security Cover Decrease Amount” means, with respect to a Counterparty and at any particular time, the amount by which the Financial Security Amount in respect of which such Counterparty has then provided or is then required to provide Security Cover exceeds the recalculated Financial Security Amount for such Counterparty in accordance with Section 5;

“Security Cover Decrease Notice” means a notice issued by Uisce Éireann to the Counterparty in accordance with Section 5.4 notifying such Counterparty that its Financial Security Amount has been reduced and that the amount of its Security Cover may be decreased accordingly;

“Security Cover Increase Amount” means, with respect to a Counterparty and at any particular time, the

amount by which the Financial Security Amount in respect of which such Counterparty has then provided or is then required to provide Security Cover is less than the recalculated Financial Security Amount for such Counterparty in accordance with Section 5;

“Security Cover Increase Notice” means a notice issued by Uisce Éireann to a Counterparty in accordance with Section 5.3 notifying such Counterparty that its Financial Security Amount has been increased and that the amount of its Security Cover must be increased accordingly;

“Security Cover Notice” means a notice issued by Uisce Éireann to a Counterparty indicating such Counterparty’s then applicable Financial Security Amount, which may also be a Security Cover Increase Notice or Security Cover Decrease Notice; and

“Uisce Éireann” means Uisce Éireann, a designated activity company, limited by shares with registration number 530363 established pursuant to the Water Services Act 2013 and having its registered office at Colvill House, 24-26 Talbot Street, Dublin 1, Ireland.

2. INTRODUCTION

2.1 Background & Purpose

This Policy outlines the obligations of a Counterparty to provide Security Cover with respect to its payment obligations under the Agreement(s) where none of the credit ratings of that Counterparty is an Approved Credit Rating or where the long term unguaranteed, unsecured and unsubordinated debt of such Counterparty is not rated by any of S&P, Fitch or Moodys. All Counterparties and Uisce Éireann will be required to comply with the terms and conditions set forth herein.

This Policy is issued with the approval of the Commission for the Regulation of Utilities on [xx/xx/xxxx].

2.2 Overview of Provisions

Whenever the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is not rated by any of S&P, Fitch or Moodys, or where such debt of a Counterparty is so rated but no such rating is an Approved Credit Rating, then such Counterparty must provide Security Cover to Uisce Éireann in accordance with this Policy with respect to each Agreement to which it is party. The requisite Security Cover must be maintained by the Counterparty in accordance with this Policy throughout the term of the Agreement(s) or until the Counterparty satisfies Uisce Éireann that it has been credit rated with an Approved Credit Rating.

The Financial Security Amount for each Counterparty shall be determined in accordance with Section 4. Uisce Éireann will review each Counterparty’s Financial Security Amount calculated under Section 4 in accordance with Section 5. Where the recalculated Financial Security Amount is greater or less than the current Financial Security Amount, Uisce Éireann will require the Counterparty to increase or permit the Counterparty to decrease the level of Security Cover provided by it accordingly.

2.3 Scope of this Policy

This Policy sets out the procedures to be followed relating to the provision of Security Cover,

including calculation of the applicable Financial Security Amount, the form and approval of form of Security Cover, how Uisce Éireann should monitor Security Cover and when Uisce Éireann may make Demands on Security Cover.

2.4 Compliance with this Policy

Compliance with this Policy is required under the terms of the Connection Charging Policy and the Agreement(s).

In the case of any conflict between the provisions of this Policy and the Connection Charging Policy, the terms of the Connection Charging Policy shall prevail.

In the case of any conflict between the provisions of this Policy and an Agreement, the terms of the relevant Agreement shall prevail.

2.5 Communication under this Policy

Any communication or notification given or made by a party to the other party under this Policy (a "Communication") shall be:

- 2.5.1 in writing and may be delivered by hand to the addressee, or sent by registered post or courier delivery to the address of the addressee or sent by fax (followed up by the original hard copy, where a signature is required, within a maximum of 5 days) to the addressee's fax transmission number specified in writing by the addressee or by email (followed up by fax where expediency is required and the original hard copy, where a signature is required, within a maximum of 5 days) to the addressee's email address specified in writing by the addressee;
- 2.5.2 deemed to have been given or made or delivered,
 - (a) if delivered in person or by courier delivery, when actually delivered at the address;
 - (i) if sent by registered post, on the third (3rd) day following the day of or, if sent by airmail from overseas, on the fifth (5th) day following the day of posting; and
 - (b) if sent by email, when confirmation of its transmission has been recorded by the sender's email provided that in the event that there is a dispute in respect of the time when the notice sent by email was received, the time of receipt shall be:
 - (i) in the case of an email sent by a Counterparty, the time of receipt of such email recorded by Uisce Éireann's email account, save that in the event of a fault with Uisce Éireann's email the time of receipt shall be the time of actual receipt; and

(ii) in the case of an email sent by Uisce Éireann, the time of complete transmission of such email recorded by Uisce Éireann's email save that in the event of a fault with Uisce Éireann's email the time of receipt shall be the time of actual receipt,

provided that supplemental evidence in support of and/or demonstrating the above receipt/sending of notices may be addressed by appropriate means (such as, by way of example, telephone data records);

2.5.3 effective when deemed to have been given, made or delivered under Section 2.5.2 notwithstanding that the person by whom it is sent may be required to follow up with a fax or hard copy under Section 2.5.1;

2.5.4 in English.

3.COMPLIANCE PROVISIONS

3.1 Approved Credit Rating

If and for so long as the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is rated BBB (S&P or equivalent) (an "Approved Credit Rating"), then such Approved Credit Rating shall exempt the Counterparty from any requirement to provide Security Cover under this Policy.

A Counterparty shall provide Uisce Éireann with such information as Uisce Éireann may reasonably require in order to satisfy itself that the Counterparty has an Approved Credit Rating. Such information may include the Counterparty's company registration number, details of its jurisdiction of incorporation, certified copies of letters from any relevant credit rating agency and any other information that Uisce Éireann may reasonably require in order to carry out an independent verification of any claim on the part of a Counterparty to have an Approved Credit Rating.

If the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is rated with an Approved Credit Rating and such credit rating is subsequently downgraded to less than the Approved Credit Rating or withdrawn, the Counterparty must immediately notify Uisce Éireann of any such downgrade or withdrawal, including giving details of its revised credit rating (if any) and certified copies of any correspondence with any relevant credit rating agency. If a Counterparty ceases to have at least one Approved Credit Rating, then such Counterparty must, by 5pm on the tenth (10th) Business Day of it so ceasing, provide Security Cover in accordance with this Policy in respect of the applicable Financial Security Amount.

3.2 Security Cover

If the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is rated with less than an Approved Credit Rating or is not rated, the Counterparty must provide for the benefit of Uisce Éireann and maintain Security Cover in respect of the applicable Financial Security Amount in one or more of the following forms:

3.2.1 Letter of Credit

A irrevocable standby letter of credit in or substantially in the form attached at Appendix 1, or in such other form as may be acceptable to Uisce Éireann (a “Letter of Credit”) issued for the account of the Counterparty in favour of Uisce Éireann which Letter of Credit shall allow for partial drawings, if necessary, and shall provide for payment to Uisce Eireann forthwith on demand and shall be issued either by:

- (a) The issuing bank needs to have a minimum credit rating of BBB- (S&P or equivalent) for security with a value up to €2.5 million or a minimum credit rating of A- (S&P or equivalent) for security with a value exceeding €2.5m, or
- (b) If the issuing bank is a subsidiary that is not independently rated or has a long term credit rating of less than BBB- (S&P or equivalent) for security with a value up to €2.5 million, or has a long term credit rating of less than A- (S&P or equivalent) for security with a value exceeding €2.5 million, then its parent company must guarantee the obligations of the subsidiary and have a long term credit rating of not less than BBB- (S&P or equivalent) for security with a value up to €2.5 million or have a long term credit rating of less than A- (S&P or equivalent) for security with a value up exceeding €2.5 million.

A Letter of Credit shall be drafted under Irish law and shall be subject to Irish legislation. For the purposes of this Financial Security Policy, a “Bank” means the holder of a licence under Section 9 of the Central Bank Act 1971 (as amended) or the holder of an authorisation as a credit institution issued by a competent authority of a jurisdiction other than Ireland under EU Directive No. 2006/48/EC of 14 June 2006; or

3.2.2 Performance Bond

A performance bond in or substantially in the form attached at Appendix 5(a “Performance Bond”) issued by the Counterparty in favour of Uisce Éireann and shall provide for payment to Uisce Éireann in the event of default (including insolvency) by the Counterparty.

The Issuer shall:

- (a) be authorised to issue bonds in the State and shall have an address for delivery of any demands under the Performance Bond in the State; and
- (b) have a minimum credit rating of BBB- (S&P or equivalent) for Security Cover up to and including a value of €0.5 million; and
- (c) have a minimum credit rating of A- (S&P or equivalent) for Security Cover with a value above €0.5m.

If the Issuer is a subsidiary or branch office of an international entity that is not independently rated or has a long term credit rating of less than BBB- (S&P or equivalent) for Security Cover up to and including a value of €0.5 million, or has a long term credit rating of less than A- (S&P or equivalent) for Security Cover with a value above €0.5m, then the Issuer’s parent company must have a long term credit rating or /financial strength rating of not less than BBB- (S&P or equivalent) for Security Cover up to and including a value of €0.5 million or have a long term credit rating of less than A- (S&P or equivalent) for Security Cover with a value above €0.5m and must guarantee the obligations of the Issuer.

The Performance Bond shall be drafted under Irish law and subject to Irish legislation. The cost of provision of the Performance Bond will be borne by the Counterparty.

For the purposes of this Financial Security Policy, an authorised “Issuer” means:

- a) a non-life insurance undertaking subject to Solvency II, being an insurance undertaking authorised by the Central Bank of Ireland under the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) to carry on non-life insurance business of the relevant class or an insurance undertaking authorised by a supervisory authority of another EEA Member State, which is duly authorised to carry on non-life insurance business of the relevant class by way of freedom of services in Ireland;
- b) a non-life insurance undertaking not subject to Solvency II, being an insurance undertaking authorised by the Central Bank of Ireland under the European Communities (Non-Life Insurance) Framework Regulations, 1994 (S.I. No. 359 of 1994), to carry on non-life insurance business of the relevant class; or
- c) a holder of a licence granted or deemed to be granted by the European Central Bank under Council Regulation (EU) No 1024/2013 of 15 October 2013 (the SSM Regulation) acting in the course of its banking business (as defined by section 2 of the Central Bank Act, 1971 (as amended)).

3.2.3 Charged Account

a “Charged Account” means an interest bearing deposit account with a Bank acting through a headquarters or branch in Ireland that satisfies the criteria outlined in Section 3.2.1 (a) or (b) to which money has been credited and which account is charged by way of Account Charge for any amount becoming due to Uisce Éireann and from which funds may be released to Uisce Éireann on Demand to discharge sums due and payable from time to time to Uisce Éireann pursuant to an Agreement (a pro-forma Account Charge which is acceptable to Uisce Éireann has been attached as Appendix 2); or

3.2.4 Cash Deposit

a cash deposit in an interest bearing bank deposit account (the interest rate applied by the bank to this account may be negative, positive or zero) specified by (and in the name of) Uisce Éireann where interest (negative, positive or zero) on the amount deposited will accrue for the benefit/charge to the Counterparty at market related rates of interest after deduction for any tax or bank charges. The money standing to the credit of such an account (a “Cash Deposit”) is to be held by way of Security Cover pursuant to an agreement (a “Deposit Agreement”) that will allow sums due and payable from time to time by the Counterparty pursuant to an Agreement to be released to Uisce Éireann on demand or immediately upon an acceleration event occurring as specified in the Deposit Agreement (a pro-forma Deposit Agreement that is acceptable to Uisce Éireann has been attached as Appendix 3); or

3.2.5 Qualifying Guarantee

A guarantee for the payment of all monies due to Uisce Éireann under the Agreement and all costs reasonably incurred in order to recover such monies in accordance with the guarantee, which guarantee shall be in or substantially in the form attached at Appendix 4, or in such other form as may be acceptable to Uisce Éireann (a “Qualifying Guarantee”) and which is issued in favour of Uisce Éireann by an entity whose long term unguaranteed, unsecured and unsubordinated debt has an Approved Credit Rating; or

3.2.6 Other

Other such other form of security as is acceptable to Uisce Éireann and approved by the Commission.

3.3 Approval Process

Counterparties and Uisce Éireann shall adhere to the following procedure in tendering and approving proposed Security Cover.

3.3.1 Letter of Credit

Where a Counterparty proposes to provide a Letter of Credit as Security Cover, the Counterparty shall provide the proposed form of Letter of Credit to Uisce Éireann in advance of issue and Uisce Éireann will review the proposed form of Letter of Credit and verify that such Letter of Credit will be issued by an entity which meets one of the criteria specified in Section 3.2.1 (a) or (b). If Uisce Éireann is satisfied with the proposed form of Letter of Credit and has so verified the issuer thereof, Uisce Éireann shall approve the proposed form of Letter of Credit and shall confirm such approval to the Counterparty.

The Counterparty shall thereupon immediately arrange for the issue of the Letter of Credit.

Where a Counterparty provides a Letter of Credit as Security Cover the Counterparty shall ensure that a new Letter of Credit, effective as of the expiry date of the subsisting Letter of Credit, is provided to Uisce Éireann not less than fifteen (15) Business Days prior to the expiry date of the subsisting Letter of Credit unless the Counterparty proposes to, and provides, alternative Security Cover in accordance with this Policy.

A Letter of Credit shall be deemed to be received by Uisce Éireann on the date that the original signed copy of the Letter of Credit is received by Uisce Éireann from an issuer which meets the applicable criteria specified in Section 3.2.1 (a) or (b), in a form previously approved by Uisce Éireann.

3.3.2 Charged Account

Where the Counterparty proposes to provide a Charged Account with Account Charge, the Counterparty shall provide to Uisce Éireann the proposed form of Account Charge together with details of the Charged Account which shall be with a Bank which satisfies the criteria set out in Section 3.2.1. If Uisce Éireann is satisfied with the proposed form of Account Charge and Charged Account (including the form of bank mandates in respect of such Charged Account) Uisce Éireann shall approve the proposed form of Account Charge and Charged Account and shall confirm such approval to the Counterparty. The Counterparty shall deliver to Uisce Éireann two (2) signed original hard copies of the Account Charge (including two (2) signed original hard copies of the forms of notice to the account bank and acknowledgement to Uisce Éireann referred to therein) copies of the relevant mandates in respect of the Charged Account and evidence of the amount credited to such Charged Account).

A Counterparty shall be deemed to have provided Security Cover by way of Charged Account on the date of receipt by Uisce Éireann of the duly executed Account Charge (in a form as previously approved by Uisce Éireann) together with the original forms of notice and acknowledgement and acknowledgement referred to therein, and evidence of deposit of requisite moneys to the Charged Account.

3.3.3 Cash Deposit

Where a Counterparty proposes to provide a Cash Deposit as Security Cover, the Counterparty shall provide to Uisce Éireann the proposed Deposit Agreement together with

details of the amount of the proposed Cash Deposit. Uisce Éireann shall review the Deposit Agreement and the amount of the proposed Cash Deposit and if Uisce Éireann is satisfied with the proposed Cash Deposit and Deposit Agreement Uisce Éireann shall approve the proposed form of Deposit Agreement and Cash Deposit and shall confirm such approval to the Counterparty and shall provide the Counterparty with details of the account into which the Cash Deposit is to be paid.

The Counterparty shall thereupon immediately arrange for the execution and delivery to Uisce Éireann of the Deposit Agreement and payment of the Cash Deposit. Uisce Éireann shall notify the Counterparty when it has received confirmation by the nominated bank as to the amount credited as a Cash Deposit.

The Counterparty will be deemed to have provided a Cash Deposit by way of Security Cover on the later of:

- (a) the date that the sum of money deposited to an acceptable account as a Cash Deposit, when aggregated with all other Security Cover in forms satisfactory to Uisce Éireann being provided by the Counterparty, is at least equal to such Counterparty's then applicable Financial Security Amount; and
- (b) the date of delivery of the executed Deposit Agreement to Uisce Éireann in the form as previously approved by Uisce Éireann.

3.3.4 Qualifying Guarantee

Where a Counterparty proposes to provide a Qualifying Guarantee as Security Cover, the Counterparty shall provide the proposed form of Qualifying Guarantee to Uisce Éireann in advance of issue along with evidence that the entity providing such a guarantee has an Approved Credit Rating. Uisce Éireann will review the proposed form of Qualifying Guarantee and verify that the entity providing such Qualifying Guarantee has an Approved Credit Rating. If Uisce Éireann is satisfied with the proposed form of Qualifying Guarantee and has so verified the issuer thereof, Uisce Éireann shall approve the proposed form of Qualifying Guarantee and shall confirm such approval to the Counterparty.

The Counterparty shall thereupon immediately arrange for the issue of two (2) signed copies of the Qualifying Guarantee and send to Uisce Éireann the two (2) signed original copies of the Qualifying Guarantee. Uisce Éireann shall review the documents sent to it and if satisfied sign the Qualifying Guarantee. Uisce Éireann shall then return a copy to the applicant Counterparty.

The Counterparty will be deemed to have provided Security Cover by a Qualifying Guarantee on the date that the original signed copies of the Qualifying Guarantee are received by Uisce Éireann from an entity which has an Approved Credit Rating in a form previously approved by Uisce Éireann and if Uisce Éireann is satisfied with the legal opinion or confirmation that the obligations of the issuer of the Qualifying Guarantee are enforceable ones.

3.3.5 Performance Bond

Where a Counterparty proposes to provide a Performance Bond as Security Cover, the Counterparty shall provide Uisce Éireann with details of the proposed Issuer (provided always that such Issuer is a reputable surety authorised in Ireland).

If Uisce Éireann is satisfied with the identity of the proposed Issuer and has so verified the Issuer thereof, the Counterparty shall procure a draft form of Performance Bond from the

Issuer in or substantially in the form attached at Appendix 5 for approval by Uisce Éireann. Uisce Éireann shall approve the proposed form of Performance Bond and shall confirm such approval to the Counterparty.

The Counterparty shall thereupon immediately arrange for the issue of the original duly executed version of the Performance Bond and send this to Uisce Éireann, which shall retain the Performance Bond until expiry of the same..

3.3.6 Additional Requirements

Uisce Éireann may, at its sole discretion and at the cost of the Counterparty, request a legal opinion from lawyers (other than the Counterparty's in-house lawyers) qualified in the laws of the place of incorporation of the Counterparty and/or the entity that has issued a Qualifying Guarantee or a Letter of Credit in a form satisfactory to Uisce Éireann.

Uisce Éireann may, at its sole discretion, request a certificate from a director of the Counterparty and/or an entity that has issued a Qualifying Guarantee or a Letter of Credit in a form satisfactory to Uisce Éireann and, if so requested, the Counterparty shall deliver such certificate to Uisce Éireann within 10 days of the request.

3.3.7 Perfection of Security

The Counterparty shall, at its own cost, deliver to Uisce Éireann any and all documents evidencing the perfection of any security created pursuant to this Policy.

3.3.8. Other

Where Uisce Éireann with the approval of the Commission has agreed to accept some other form of Security Cover, the procedure to be followed by the Counterparty and Uisce Éireann in approving the form of such Security Cover shall be specified by Uisce Éireann to the Counterparty at the relevant time.

Uisce Éireann shall notify the applicant Counterparty, when the applicant Counterparty has successfully complied with all the relevant Security Cover provisions.

3.4 Changes to forms of Security Cover

Uisce Éireann's requirements with respect to the form and content of Letters of Credit, Account Charges, Deposit Agreements, Qualifying Guarantees and other forms of Security Cover may change over time to reflect, amongst other things, changes in applicable law and regulation and market practice. Where such changes are material Uisce Éireann will issue the changed pro-forma document(s) to the Commission for review.

Subject to Commission approval Uisce Éireann may require Counterparties to amend or procure the amendment of the Security Cover provided by them. Uisce Éireann, where appropriate, will advise all relevant parties in advance of any required amendments and the time available to the Counterparty to comply therewith.

Where Uisce Éireann's requirements with respect to the form and content of Security Documents change, Uisce Éireann will notify the Commission of such changes and where appropriate, publish new Appendices to this Policy to reflect its changed requirements.

3.5 Compliance with Policy

A Counterparty shall be deemed to be in compliance with such Counterparty's obligations to comply with this Financial Security Policy from time to time when and for so long as such Counterparty shall have provided to Uisce Éireann and maintains Security Cover in respect of the applicable Financial Security Amount (as same may be recalculated from time to time).

3.6 Notification of Financial Security Amount

Uisce Éireann will notify each Counterparty of its applicable Financial Security Amount as determined in accordance with Section 4. Uisce Éireann will also be entitled to recover all costs reasonably incurred in order to recover such monies.

The Counterparty may request Uisce Éireann to provide an updated calculation of its applicable Financial Security Amount for which purpose the Counterparty must provide all relevant information to Uisce Éireann.

4.FINANCIAL SECURITY AMOUNT

4.1 Determination of Financial Security Amount in respect of Agreements

Subject to the terms of individual Agreements, Uisce Éireann will determine (a) whether an agreement entered into by it with a Counterparty will constitute an Agreement for the purposes of this Policy and (b) the Financial Security Amount required in respect of any Agreement based on (i) its determination of its financial exposure to such Counterparty under such agreement in the event of a payment or performance default by such Counterparty, and (ii) its assessment of the risk of payment or performance default by a Counterparty.

4.2 Clause not in use

4.3 Notification of Financial Security Amount

Uisce Éireann will issue a notice (a "Security Cover Notice") to an applicant Counterparty containing the details of the applicable Financial Security Amount and the calculations used to determine this amount.

5.REVIEW OF FINANCIAL SECURITY AMOUNT

5.1 Review Time Scale

The Financial Security Amount in respect of which Security Cover is required to be provided by a Counterparty may be reviewed on an annual basis or in accordance with the relevant Security Cover Instrument(s) provided by such Counterparty.

5.2 Changes to the Security Cover

Uisce Éireann will issue either a Security Cover Increase Notice or Security Cover Decrease Notice to a Counterparty where the existing Financial Security Amount is not the same as the revised Financial Security Amount that is required based on a review undertaken by Uisce Éireann in accordance with Section 5.1.

5.3 Security Cover Increase Notice

If the aggregate amount secured pursuant to a Counterparty's existing Security Cover (after reducing the amount by Demands made) is less than the Financial Security Amount applicable to such Counterparty upon a recalculation of such Financial Security Amount in accordance with Section 5.2, Uisce Éireann shall notify the Counterparty in writing (a "Security Cover Increase Notice") of the applicable recalculated Financial Security Amount and the Security Cover Increase Amount.

The Counterparty shall forthwith procure that Uisce Éireann receives the necessary additional Security Cover in respect of the increased Financial Security Amount by 5pm on the tenth (10th) Business Day after the date of issue of a Security Cover Increase Notice, as follows:

5.3.1 Letter of Credit

The Counterparty may procure the issue of a new Letter of Credit for an amount equal to the new Financial Security Amount or an additional Letter of Credit for an amount equal to the increase in the Financial Security Amount from an entity that satisfies one of the criteria set out in Section 3.2.1 (a) or (b) and shall follow the procedures specified in Section 3.3.1 for issue of that Letter of Credit unless the Letter of Credit is in terms identical (except with respect to amount) to one being relied upon as Security Cover, when the Counterparty may arrange for issue without prior approval of Uisce Éireann; or

5.3.2 Charged Account

The Counterparty may make a deposit of the Security Cover Increase Amount to an existing Charged Account that is being used as Security Cover and provide evidence of the account balance in such Charged Account together with such other documentation as may be necessary to ensure that the Account Charge extends to and applies to such increased balance to reflect the new amount; or

5.3.3 Cash Deposit

The Counterparty may make a Deposit of the Security Cover Increase Amount to a cash deposit account designated by Uisce Éireann that is being used as Security Cover, provide evidence of such Deposit to Uisce Éireann and sign an appendix to the Deposit Agreement specifying the new amount or such other documentation as may be reasonably required by Uisce Éireann to ensure that the Deposit Agreement extends to and includes the deposit of the Security Cover Increase Amount; or

5.3.4 Qualifying Guarantee

The Counterparty may provide an acknowledgement by the issuer of a Qualifying Guarantee that the Qualifying Guarantee being relied upon as Security Cover covers any increase in liability of the Counterparty resulting from the recalculation on the Financial Security Amount; or

5.3.5 Performance Bond

In the event of a Performance Bond being exhausted prior completion of the relevant obligations under the Agreement(s), the Counterparty may be required to either increase the secured amount under the Performance Bond or put in place a further Performance Bond or other security, as may be agreed with Uisce Éireann

5.3.6 Other

The Counterparty may provide such additional cover for the Security Cover Increase Amount by such other means as shall be acceptable to Uisce Éireann with approval from the Commission, within the timeframe allowed.

For the avoidance of doubt, the Counterparty may provide Security Cover for the Security Cover Increase Amount by a combination of options available under Sections 5.3.1 to 5.3.6.

5.4 Security Cover Decrease Notice

If the aggregate amount secured pursuant to a Counterparty's existing Security Cover (after reducing the amount by Demands made) is greater than the Financial Security Amount applicable to such Counterparty upon a recalculation of such Financial Security Amount in accordance with Section 5.2, Uisce Éireann shall notify the Counterparty in writing (a "Security Cover Decrease Notice") of the applicable recalculated Financial Security Amount and the SecurityCoverDecreaseAmount.

The Counterparty shall be entitled to request Uisce Éireann to review such Counterparty's existing Security Cover as follows:

5.4.1 Letter of Credit

Where a Letter of Credit has been provided as Security Cover, Uisce Éireann shall notify the Counterparty that the maximum liability under the Letter of Credit may be reduced by the Security Cover Decrease Amount and, if requested by the Counterparty, return the original Letter of Credit to the issuer upon receipt of a new Letter of Credit from the issuer in the same terms (except reduced in amount by the Security Cover Decrease Amount) as the original; or

5.4.2 Charged Account

Where a Charged Account has been provided as Security Cover, the Counterparty shall then have five (5) Business Days, from the date of the Security Cover Decrease Notice, to notify Uisce Éireann if it wishes to withdraw funds from the Charged Account. If such notification is made, Uisce Éireann shall have ten (10) Business Days from the date of receipt by Uisce Éireann of such notice from the Counterparty to notify the Bank with which the Charged Account is held to transfer the excess from the Charged Account into such other bank account as the Counterparty may advise and Uisce Éireann will confirm its consent to such transfer to the relevant account bank; or

5.4.3 Cash Deposit

Where a Cash Deposit has been provided as Security Cover the Counterparty may, within five (5) Business Days from the date of the Security Cover Decrease Notice, notify Uisce Éireann that it requires repayment of part of the Cash Deposit. If such notification is made to the satisfaction of Uisce Éireann, Uisce Éireann shall have ten (10) Business Days from the date of receipt by Uisce Éireann of such notice from the Counterparty to transfer the excesses from the Cash Deposit Account into such bank account of the Counterparty as the Counterparty shall advise; or

5.4.4 Other

Where some other form of Security Cover has been accepted further to Section 3.2.6, the Counterparty may within five (5) Business Days, from the date of the Security Cover Decrease Notice, notify Uisce Éireann that it wishes to reduce its Security Cover.

5.5 Substitute and Replacement Security Cover

If the issuer of a Letter of Credit provided to Uisce Éireann as Security Cover ceases to be an entity which satisfies one of the criteria set out in Section 3.2.1 (a) or (b) the Counterparty shall forthwith procure the issue of a substitute Letter of Credit by an entity that satisfies one of such criteria or provide Security Cover in one of the other forms set out in Section 3.2.

If the issuer of a Performance Bond provided to Uisce Éireann as Security Cover ceases to be an entity which satisfies one of the criteria set out in Section 3.2.2 (b) or (c) the Counterparty shall forthwith procure the issue of a substitute Letter of Credit by an entity that satisfies one of such criteria or provide Security Cover in one of the other forms set out in Section 3.2.

If the issuer of a Qualifying Guarantee provided to Uisce Éireann as Security Cover has its credit rating withdrawn or downgraded to less than an Approved Credit Rating, the Counterparty shall forthwith procure a replacement Qualifying Guarantee from an entity having an Approved Credit Rating or provide Security Cover in one of the other forms contemplated by Section 3.2.

If the Security Cover provided by the Counterparty under Section 3.2.5 ceases to satisfy Uisce Éireann and the Commission the Counterparty shall forthwith procure a replacement form of cover in one of the other forms contemplated by Section 3.2.

5.6 Consequences of Breach of the Financial Security Policy

- 3.6.1 The consequences of breach or non-compliance by a Counterparty with this Financial Security Policy at any time shall be as prescribed in the Agreement(s).
- 3.6.2 In addition and without prejudice to the rights and remedies available to Uisce Éireann pursuant to the Agreement(s) in respect of any breach, or non-compliance, by a Counterparty with this Financial Security Policy, where the Financial Security Policy has not been complied with by the Counterparty within the time specified in this Financial Security Policy or any Agreement, a Fee of two hundred and fifty Euro (€250) per Business Day will be charged to the Counterparty until the Financial Security Policy is complied with or the date the relevant Agreement(s) terminate in accordance with the terms of the relevant Agreement(s).
- 3.6.3 At the end of each month, Uisce Éireann shall issue an invoice for the amount of such Fees accrued by the Counterparty in the preceding month. The Counterparty shall pay Uisce Éireann the sum set out in the invoice by the Due Date in accordance with the relevant Agreement.
- 3.6.4 Uisce Éireann shall notify the Commission of the financial amount of these Fees collected from each Counterparty at intervals agreed between Uisce Éireann and the Commission from time to time.

6.DEMANDS ON SECURITY COVER

6.1 Overview

Subject to the terms of the relevant Security Cover, Uisce Éireann shall be entitled to make a Demand on the Security Cover provided by a Counterparty if the Counterparty has failed to pay any amount due and payable under or pursuant to the Agreement by the fifth (5th) Business Day after the Due Date thereof. Where an acceleration event has occurred pursuant to the terms of the relevant Security Cover, Uisce Éireann shall be entitled to make a Demand on the Security Cover with immediate effect.

6.2 Demand on Security Cover

Subject to the minimum Demand amount specified in Section 6.3, if by 10:00 hours on the fifth (5th) Business Day after the Due Date any such payment is outstanding (in whole or in part), Uisce Éireann may without prejudice to any other rights of Uisce Éireann under the Agreement(s) make a Demand on the Counterparty's Security Cover by issue of a notice (a "Demand Notice") for all or part of any amounts outstanding including any interest accruing.

6.2.1 Letter of Credit

Where a Letter of Credit has been provided as Security Cover, Uisce Éireann shall make a Demand in accordance with the terms thereof to the issuer thereof for payment of an amount thereunder not exceeding the aggregate amount then unpaid, including interest thereon by the Counterparty.

6.2.2 Charged Account

Where a Charged Account has been provided as Security Cover, Uisce Éireann shall be entitled to enforce the relevant Account Charge and require the relevant account bank pay to it from the Charged Account an amount not exceeding the aggregate amount then unpaid by the Counterparty, including interest thereon.

6.2.3 Cash Deposit

Where a Cash Deposit has been provided as Security Cover, Uisce Éireann shall appropriate from the designated cash deposit account the monies owed including interest (negative, positive or zero), in accordance with the terms of the Deposit Agreement.

6.2.4 Qualifying Guarantee

Where a Qualifying Guarantee has been provided as Security Cover, Uisce Éireann shall make a Demand in accordance with the terms thereof to the issuer thereof for payment of an amount not exceeding the aggregate amount then unpaid by the Counterparty including interest thereon, and instruct the Counterparty's guarantor to transfer the outstanding amount to Uisce Éireann's account.

6.2.5 Performance Bond

Where a Performance Bond has been provided as Security Cover, Uisce Éireann shall make a Demand in accordance with the terms thereof to the Issuer for payment of any amounts payable in accordance with the underlying agreement arising from the insolvency and/or termination of the Counterparty, or any loss and damage suffered and incurred by reason of any breach of the contract by the Counterparty as are established and ascertained in accordance with the underlying agreement which damages may include interest. Such Demand (or Demands) may be up to the total the total value of the

Performance Bond.

6.2.6 Other

In the case where Uisce Éireann has accepted some other form of Security Cover, Uisce Éireann shall take whatever action is required to draw down the monies owed (in whole or in part) including interest in accordance with the agreed arrangements.

6.3 Minimum Demand Amount

For outstanding amounts less than two thousand five hundred Euro (€2,500) in aggregate a Demand shall not be made on the Security Cover but interest shall accrue in accordance with the Agreements until paid. However, should an amount remain unpaid for more than 90 (ninety) calendar days and if the aggregate unpaid amount is greater than one thousand Euro (€1,000) at the end of such 90 (ninety) day period, then a Demand shall be made on the Security Cover. Demands thereafter in respect of amounts less than one thousand Euro (€1,000) may be made at the discretion of Uisce Éireann.

Uisce Éireann will calculate the interest to be charged on unpaid amounts on a monthly basis as defined under the Agreement and where the principal plus interest exceeds the minimum Demand of two thousand five hundred Euro (€2,500) then a Demand shall be made.

6.4 Replenishment

Following a Demand on a Counterparty's Security Cover the Counterparty shall be obliged to replenish by 5.00 pm on the fourth Business Day thereafter the Security Cover such that the Counterparty shall have provided Security Cover in respect of the applicable Financial Security Amount (after taking account of the Demand(s) made). Uisce Éireann shall on the Date of Demand, notify the Counterparty (the "Call Notice") of:

- a) the fact that the Demand has been made; and
- b) its obligation under its Agreement(s) to replenish Security Cover up to the Financial Security Amount and that this replenishment will be required by 5pm on the fourth (4th) Business Day after the date of Demand on the Security Cover.

6.5 Immediate Drawdown

Uisce Éireann will be entitled to enforce the Counterparty's Security Cover with immediate effect, to the value of the Counterparty's total debt exposure pursuant to the Agreements including interest, upon the occurrence of an acceleration event as specified in the Agreements and the Security Cover.

7. RETURN OF SECURITY COVER

Upon termination of the Agreement(s) entered into between a Counterparty and Uisce Éireann any Security Cover remaining once all the Counterparty's payment obligations arising under or in connection with such Agreement(s) have been irrevocably and unconditionally discharged in full (and in the case of a Cash Deposit, any interest applied, at market rates of interest (negative, positive or zero), in respect of such an account, less any bank and similar charges and any taxes deducted by the bank) will be released to the Counterparty (or, in the case of a Letter of Credit or Qualifying Guarantee, to the issuer

thereof) within ten (10) Business Days of Uisce Éireann being satisfied that all such payment obligations have been irrevocably and unconditionally discharged in full.

Return of Security Cover is without prejudice to the rights of Uisce Éireann under the Agreement(s) and does not relieve the Counterparty of any of its obligations or any liability in respect of the Agreement.