ANNEX 9

FINANCING ARRANGEMENTS

1. This Annex sets out a summary of the currently contemplated financing arrangements in relation to the Operator as they have been presented to the Board in the Financing Heads of Terms. Given that the FAP closely interacts with the financing arrangements for the Operator in a number of respects (in particular, the terms of the Security Trust and Intercreditor Deed which will set out the enforcement proceeds waterfall), the Board recommends that the Secretary of State consider whether to defer their final approval of the FAP until they are satisfied that the final terms of the anticipated financing arrangements do not affect the validity of their conclusions on the FDP. The Board asks that the Secretary of State also refer to its assumptions regarding the financing arrangements set out in Annex 3 (*Assumptions*).

2. The Board's understanding is that the financing is contemplated to be structured in two phases. Phase 1 comprises the initial position, where National Wealth Fund Limited ("**NWF**") will be the majority debt provider, and phase 2 which contemplates the introduction of additional private debt in the future. The proposed terms of the financing will be implemented through the Debt Financing Platform. The Board has not, at the request of the Secretary of State, reviewed any of the Debt Financing Platform documents or other financing documentation entered into or proposed to be entered into between the Operator and any finance party – indeed, the Board has not been provided with any such documents. As such, the comments made by the Board below and in its advice on the financing structure are limited to what has been explained to the Board by its advisers based on their review of the Financing Heads of Terms and the information in the FAP.

3. The facilities in place at the commencement of phase 1 (the "**Initial Authorised Credit Facilities**") will include a term facility provided by NWF (the "**HMG Term Facility**"), a term facility (up to £ equivalent of €6 billion) provided by commercial lenders, 95% covered by Bpifrance in accordance with OECD guidelines (the "**Bpifrance Covered Facility**"), a liquidity facility provided by the Secretary of State to mitigate against the refinancing risk in respect of maturing principal under Class A Authorised Credit Facilities (the "**Government Liquidity Facility**" or "**GLF**") and a revolving credit facility in an amount up to £500 million to be reserved for issuing annual bank guarantees and/or letters of credit (of which a maximum of £200 million can be drawn for the Operator's general corporate purposes) (the "**Guarantee Facility**"). The HMG Term Facility will finance 65% of the forecasted RAB value at the point that allowable capital spend is equal to the Higher Regulatory Threshold, less the committed amount of the Bpifrance Covered Facility at Revenue Commencement.

4. The Equity Shareholders' Agreement ("**E-SHA**") will set out the governance mechanism for the Operator seeking additional private debt as part of phase 2 (the "**Phase 2 Additional Debt**"). The Debt Financing Platform will permit the Operator and the Issuer to raise class A and class B financial indebtedness through financing methods such as publicly listed notes or bonds, privately placed notes, bank and institutional term facilities, revolving credit facilities, guarantee facilities, interest rate and currency hedging entered into in connection therewith, debt service liquidity facilities and operating and capital expenditure reserve facilities. The raising of Phase 2 Additional Debt, without prejudice to the Operator's obligation to repay any maturing principal under the HMG Term Facility or Bpifrance Covered Facility, will be subject to mandatory prepayment requirements in respect of the Initial Authorised Credit Facilities.

5. Security Package

5.1 The Board understands that the Operator will grant first ranking fixed and floating security, in favour of the Security Trustee to be held under a Common Security Package for the FDP

Implementation Company (acting through the Secretary of State as Secured Creditor Representative), Secretary of State and other secured senior lenders and hedge banks in accordance with the terms of a security trust and intercreditor deed (together the "**Secured Creditors**").

5.2 The security package will comprise:

(A) liabilities under loans made by Equity Investors to the Operator's immediate holding company;

(B) subordinated intra-group liabilities;

(C) the shares in the Operator's immediate holding company;

(D) the assets of the Operator's immediate holding company;

(E) certain bank accounts and credit support issued in favour of the parent of the Operator's immediate holding company for the purposes of funding amounts owed by the Equity Investors;

(F) the assets of the Operator's 100% subsidiary which is expected to issue public bonds (when incorporated); and

(G) the assets and shares of the Operator (to the extent permitted by law and regulation, as further summarised in paragraph 5.3 below).

5.3 Security will be granted over all assets of the Operator save: (i) any asset where it is not permitted to do so in accordance with the terms of the SZC Economic Licence, the Nuclear Site Licence or the NASTA; (ii) any assets falling within the definition of "protected assets" in accordance with section 56 of the 2008 Act, which include sums received by the Operator from either market revenues or Difference Payments which are equivalent to the payments which the Operator is required to make to the FDP Implementation Company in respect of the FAP and FDP, any shareholding in the FDP Implementation Company, the assets of the FDP Implementation Company and any amounts standing to the credit of the FDP Account in accordance with clause 25.3 (*Operator Insolvency Event and Nuclear Transfer Scheme*) of the FAP and clause 5.3 (*Nuclear Administration*) of the NASTA (provided that security shall be granted over the shares in the Operator in favour of the Secured Creditors); (iii) where such security is required to be granted in favour of the Secretary of State (which will benefit from an assignment of certain key Project Documents); and (iv) certain excluded bank accounts.

5.4 The Operator will also enter into separate FDP Additional Security Documents, which include granting security over the FDP Account in favour of the FDP Implementation Company and the Secretary of State (as the Secured Creditor Representative of the FDP Implementation Company).

6. Standstill Provisions

6.1 A Standstill Period will commence following the occurrence of any Event of Default (which includes non-payment under the Debt Financing Platform, non-payment under the GSP or non-payment of any Contributions).

6.2 During a Standstill Period, no Secured Creditors may take, or may instruct the Security Trustee to take, any enforcement or acceleration action. A Standstill Period will not affect the rights and obligations of the Secretary of State under the GSP, other than in respect of its rights and obligations in relation to taking any enforcement action as a Secured Creditor.

6.3 As referred to in paragraph 6.2 above, the Secretary of State's enforcement rights (in its capacity as Secured Creditor Representative on behalf of the FDP Implementation Company) are subject to the Standstill Period. Therefore, the Secretary of State cannot unilaterally end a Standstill Period.

6.4 A Standstill Period will terminate following (i) an Operator insolvency event, (ii) payment of the Senior Debt Compensation Lump Sum Amount by the Secretary of State (as the Discontinuation and Compensation Creditor) and the designation of all facilities or hedging agreements which are not repaid through the Senior Debt Compensation Lump Sum Amount as a Maintained Authorised Credit Facility or DCA Maintained Hedging Agreement (as applicable) (and entry into the related Debt Assumption Documentation) and payment of the Equity Compensation by the Secretary of State (as the Discontinuation and Compensation Creditor), in each case, in accordance with the Discontinuation and Compensation Agreement, (iii) full discharge of the secured debt, (iv) the remedy or waiver of the relevant Event of Default, or (v) a vote of Qualifying Secured Creditors in respect of Class A Financing Debt to terminate the Standstill Period which satisfies the relevant Standstill Threshold.

6.5 Where a Standstill Period is ended by a vote of the Qualifying Secured Creditors, the Secretary of State may, if a Non Contribution Trigger Event is continuing, take unilateral enforcement action (triggering payment of the Accelerated Decommissioning Contributions Amount), and payments to the FDP Implementation Company will rank in seniority to payments to the senior lenders under the post-enforcement waterfall.

7. Payment Shortfall

7.1 Where a payment shortfall occurs:

(A) prior to the occurrence of an enforcement action, the Operator; and

(B) following the occurrence of a continuing Event of Default, the Standstill Cash Manager,[1]

will apply amounts from the Operator's accounts in accordance with the pre-enforcement waterfall, which prioritises payment into the Make Safe Reserve Account and Safety Critical Opex Reserve Account, payment of amounts due in respect of the Operator’s liabilities under the WTCs Debt, payment of scheduled Contributions due to the FDP Implementation Company and then payment of operating and capital costs and expenditure and debt obligations.

8. Enforcement

8.1 The Secretary of State is able to enforce (or instruct the Security Trustee to enforce) the security, subject to Standstill Period provisions, provided that such enforcement is permitted under the Security Trust and Intercreditor Deed and a Non Contribution Trigger Event has occurred.

8.2 Once the Secretary of State has taken Security Trigger Event Action in the period between First Criticality and the financial year-end of the Second Decommissioning Period, the relevant Accelerated Decommissioning Contributions Amount (which will be determined by the timing of the Security Trigger Event Action) shall become immediately payable by the Operator to the FDP Implementation Company. Similarly, subject to Standstill Period provisions, the FDP Implementation Company is able to instruct the Security Trustee to enforce the security,

[1] **Note:** The Financing Heads of Terms do not specify who will perform the role of a Standstill Cash Manager, other than that it will likely be appointed pursuant to the Security Trust and Intercreditor Deed.

provided that the Secretary of State has taken an equivalent security enforcement action (except that the FDP Implementation Company may exercise any relevant remedy available to it under the FAP in relation to an amount which has become due and payable under the FAP).

8.3 Following any enforcement of security, proceeds of enforcement must be applied in accordance with the post-enforcement waterfall, which prioritises payment into the Make Safe Reserve Account and Safety Critical Opex Reserve Account and then payment of scheduled Contributions due to the FDP Implementation Company and the Accelerated Decommissioning Contributions Amount.

8.4 Payment of the Accelerated Decommissioning Contributions Amount (broadly defined as the difference between present Fund Asset value and the End of Primary Funding Target or End of Generation Target (as applicable)) under the FAP is triggered by the occurrence of any Security Trigger Event Action, which is defined as including the taking of any steps to enforce the Common Security Package or an FDP Additional Security Document.

8.5 FDP Payments (including the Accelerated Decommissioning Contributions Amount post enforcement) will rank second only to safety critical costs, payments into the Make Safe Reserve Account under the Finance Documents (other than following a Discontinuation, as discussed further in paragraph 9.3 below) and payment of amounts due in respect of the Operator’s liabilities under the WTCs Debt. In the event that a Standstill Period terminates and the debt is accelerated:

(A) the Secretary of State (as the FDP Implementation Company's Secured Creditor Representative) may take unilateral enforcement action in respect of unpaid amounts owing to the FDP Implementation Company thereby triggering the payment of the Accelerated Decommissioning Contributions Amount; and

(B) the Operator would enter insolvency and the provisions of the nuclear administration regime would apply.

9. Compensation Under the Discontinuation and Compensation Agreement

9.1 In the post-enforcement waterfall set out in the Finance Documents, payments from the Operator's available assets to the FDP Implementation Company, including the Accelerated Decommissioning Contributions Amount, rank above all payments (except payments into the Make Safe Reserve Account and Safety Critical Opex Reserve Account and payment of amounts due in respect of the Operator’s liabilities under the WTCs Debt).

9.2 However, the payment of Senior Debt Compensation and Equity Compensation by the Secretary of State under the Discontinuation and Compensation Agreement (in the event of a Discontinuation) to the Security Trustee is addressed separately to the Operator's assets and will be applied in payment of amounts outstanding in relation to senior debt and hedging agreements and then to equity in the form of shareholder loan repayments and equity redemption. Discontinuation payments received by the Security Trustee under the GSP are not applied to the FDP Implementation Company.

9.3 The Discontinuation and Compensation Agreement may therefore operate to pay out the senior debt and a component of the equity (depending on the value of the RAB and solvency of the Operator at the time of Discontinuation) regardless of the existence of an FDP Shortfall in relation to the Fund Assets. This would lower the likelihood of senior lenders and the FDP Implementation Company competing for the same Operator assets.

9.4 Following a Discontinuation, the Senior Debt Compensation and the Equity Compensation payable to the Security Trustee, as well as "all other available enforcement proceeds", shall be applied in accordance with a "Discontinuation Waterfall", which does not include a ranking for any payments to the FDP Implementation Company. The Board expects this would be to avoid the leakage of the Senior Debt Compensation and the Equity Compensation to meet the Operator's liabilities to the FDP Implementation Company under the FAP, which should be supported by the payments made under the SZC Economic Licence. However, even if this were the intention, the Board would still have expected to see the payments to the FDP Implementation Company included in the ranking below senior debt but above distributions, given the SZC Economic Licence payments are at least initially made to the Operator's general account before being transferred to the FDP Account. The Board nevertheless does not consider this to be a material issue, in light of the protected assets regime discussed in paragraph 1.2 (*Protected assets*) of Part B (*Operator Insolvency*) of Annex 13 (*Insolvency Remoteness Analysis*).