

Amended and Updated Programme Memorandum dated 25 February 2019



RAND WATER

(deemed to have been established in terms of section 84 of the Water Services Act, 1997)

ZAR10,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME

Rand Water (deemed to have been established in terms of section 84 of the Water Services Act, 1997) ("Issuer" and "Rand Water") has established a Domestic Medium Term Note Programme ("Programme") under which the Issuer may, from time to time, issue unsecured notes of any kind ("Notes") pursuant to the Programme Memorandum dated 9 December 2010 ("Previous Programme Memorandum").

The Previous Programme Memorandum was approved by the JSE Limited ("JSE") on 23 November 2010.

On or about 19 June 2015, the Issuer increased the maximum aggregate Outstanding Principal Amount of all of the Notes that may be issued under the Programme at any one point in time ("Programme Amount") from ZAR5,000,000,000 to ZAR10,000,000,000.

The Issuer has amended and updated the Previous Programme Memorandum on the basis set out in this amended and updated Programme Memorandum dated 25 February 2019 ("Programme Memorandum"). Application has been made to the JSE for the registration and approval of this Programme Memorandum. This Programme Memorandum was registered and approved by the JSE on 14 February 2019.

Unless otherwise defined in this Programme Memorandum or, in relation to a Tranche of Notes, the Applicable Pricing Supplement, capitalised terms used in this Programme Memorandum shall bear the meanings ascribed to them in the section of this Programme Memorandum headed "Terms and Conditions" ("Terms and Conditions"). References in this Programme Memorandum to any Condition are to that Condition of the Terms and Conditions.

On and with effect from 25 February 2019 ("Programme Date"), this Programme Memorandum applies to all Notes issued, under the Programme, pursuant to this Programme Memorandum, on and after the Programme Date.

On and with effect from the Programme Date, the sections of this Programme Memorandum headed "Documents Incorporated by Reference", "Risk Factors", "Form of the Notes", "General Description of the Issuer", "Financial Information", "Settlement, Clearing and Transfers of Notes", "Taxation" and "Exchange Control" will supersede and replace the corresponding sections of the Previous Programme Memorandum in their entirety and, to this extent, update the Previous Programme Memorandum.

Subject to the paragraph above and all Applicable Laws (including, without limitation, the JSE Debt Listings Requirements), the Previous Programme Memorandum (including the section of the Previous Programme Memorandum headed "Terms and Conditions of the Notes") will remain applicable to Existing Notes. The Previous Programme Memorandum is available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

As at the Programme Date, the Programme Amount is ZAR10,000,000,000. The aggregate Outstanding Principal Amount Notes (including Existing Notes) in issue under the Programme may not exceed ZAR10,000,000,000 unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum (and the section of the Previous Programme Memorandum) headed "General Description of the Programme".

Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions. The Applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

A Tranche of Notes may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes, Mixed Rate Notes or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

The Applicable Pricing Supplement relating to a Tranche of Notes will set out, among other things, the Principal Amount, the Issue Date, the Issue Price, the Maturity Date and, in the case of interest-bearing Notes, the Interest Rate and the Interest Payment Dates (see the section of this Programme Memorandum headed "Form of the Applicable Pricing Supplement").

A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Exchange.

The Programme is not rated. The Issuer is rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency/ies which assigned such Rating. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating/s, if any, assigned to a Tranche of Notes, as well as the Rating

Agency/ies which assigned such Rating/s. The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

Prospective investors in the Notes should pay particular attention to the section of this Programme Memorandum headed "Risk Factors".

Notes may be issued on a continuing basis and be placed by one or more Dealers appointed by the Issuer from time to time, which appointment may be for a specific issue of one or more Tranches of Notes or on an on-going basis.

Debt Sponsor:

The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division



Co-Arranger and Dealer:

Nedbank Limited, acting through its Corporate and Investment Banking division



Co-Arranger and Dealer:

Quartile Capital Proprietary Limited



Dealer:

Absa Corporate and Investment Bank, a division of Absa Bank Limited



Dealer:

Basis Points Capital Proprietary Limited



Dealer:

FirstRand Bank Limited, acting through its Rand Merchant Bank division



Dealer:

Investec Bank Limited, acting through its division, Investec Corporate and Institutional Banking



Dealer:

The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division



Legal Advisers to the Issuer and the Co-Arrangers:

Cliffe Dekker Hofmeyr Inc.



GENERAL NOTICE

The Issuer certifies that, to the best of its knowledge and belief, there are no facts the omission of which would make any statement contained in this Programme Memorandum false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that this Programme Memorandum contains or incorporates by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") all information required by the JSE Debt Listings Requirements and all other Applicable Laws.

The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the annual financial statements of the Issuer, each Applicable Pricing Supplement, the "Rand Water Annual Reports" ("**Annual Reports**") and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") all information that is material in the context of the issue and the offering of Notes, that the information contained in (or incorporated by reference into) this Programme Memorandum as at the Programme Date is not misleading and that the opinions and intentions expressed in this Programme Memorandum are honestly held.

The JSE takes no responsibility for the contents of this Programme Memorandum, the annual financial statements of the Issuer, each Applicable Pricing Supplement, the Annual Reports and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of this Programme Memorandum, the annual financial statements of the Issuer, each Applicable Pricing Supplement, the Annual Reports and any amendments or supplements to the aforementioned documents, and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of this Programme Memorandum and the listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Issuer makes no representation or warranties as to the settlement procedures of the CSD or the JSE or any other Exchange.

This Programme Memorandum must be read in conjunction with all documents which are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). This Programme Memorandum must be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

No person is authorised to give any information or to make any representation other than those contained in or consistent with this Programme Memorandum. If any such information is given or representation is made, it must not be relied upon as having been authorised by the Issuer, the JSE, the Debt Sponsor, the Co-Arrangers, the Dealer/s or any of their respective Affiliates and advisers.

Neither the delivery of this Programme Memorandum nor any offer, sale, allotment or solicitation made in connection with the offering of the Notes shall, in any circumstances, create any implication or constitute any representation that there has been no change in the affairs of the Issuer since the Programme Date or that the information contained in or incorporated by reference into this Programme Memorandum is correct at any time subsequent to the date of the document containing such information.

Neither the JSE nor the Debt Sponsor nor the Co-Arrangers nor the Dealer/s nor their respective Affiliates and advisers have separately verified the information contained in or incorporated by reference into this Programme Memorandum. No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the JSE, the Debt Sponsor, the Co-Arrangers, the Dealer/s or their respective Affiliates and advisers as to the accuracy or completeness of the information contained in or incorporated by reference into this Programme Memorandum or any other information provided by the Issuer in connection with the Programme or the Notes.

Each person receiving this Programme Memorandum acknowledges that such person has not relied on the JSE, the Debt Sponsor, the Co-Arrangers, the Dealer/s or any of their respective Affiliates and advisers in connection with its investigation of the accuracy of such information or its investment decision. Neither the JSE nor the Debt Sponsor nor the Co-Arrangers nor the Dealer/s nor their respective Affiliates and advisers accept any liability in relation to the information contained in (or incorporated by reference into) this Programme Memorandum or any other information provided by the Issuer in connection with the Programme or the Notes.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme and/or the Notes is intended to provide the basis of any credit or other evaluation, or should be considered as a recommendation or a statement of opinion, or a report of either of those things, by the JSE, the Issuer, the Debt Sponsor, the Co-Arrangers or the Dealer/s that any recipient of this Programme Memorandum or any other

information supplied in connection with the Programme and/or the Notes, should purchase any Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the terms of the offering and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, the extent of its exposure to risk (see the section of this Programme Memorandum headed "*Risk Factors*") and any other factors which may be relevant to it in connection with such investment.

Neither the JSE nor the Issuer nor the Debt Sponsor nor the Co-Arrangers nor the Dealer/s undertake to review the financial condition or affairs of the Issuer or to advise any investor or potential investor in the Notes of any information coming to the attention of the JSE, the Issuer, the Debt Sponsor, the Co-Arrangers or the Dealer/s.

Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme and/or the Notes constitutes an offer or an invitation by or on behalf of the Issuer, the Debt Sponsor, the Co-Arrangers or the Dealer/s to any person to subscribe for or to purchase or otherwise deal in any Notes.

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and the issue, offering or sale of Notes in certain jurisdictions may be restricted by law. In particular, there are restrictions on the distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and the offer or sale or subscription of Notes in the United States of America, the European Economic Area, the United Kingdom and South Africa. For a description of certain restrictions on offers, sales and subscriptions of Notes and on the distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and other offering material relating to the Programme and/or the Notes, see the section of this Programme Memorandum headed "*Subscription and Sale*" under "*Selling Restrictions*".

Neither the Issuer nor the Debt Sponsor nor the Co-Arrangers nor the Dealer/s represent that this Programme Memorandum and/or any Applicable Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, subscribed for or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution, offering, subscription or sale.

In particular, save for obtaining the registration and approval of this Programme Memorandum by the JSE, no action has been taken by the Issuer, the Debt Sponsor, the Co-Arrangers or the Dealer/s which would permit a public offering of any Notes or a distribution of this Programme Memorandum and/or any Applicable Pricing Supplement in any jurisdiction where action for that purpose is required.

The Notes may not be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any Applicable Pricing Supplement nor any advertisement or other offering material relating to the Programme and/or the Notes may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all Applicable Laws and regulations.

Neither this Programme Memorandum nor any Applicable Pricing Supplement are for distribution in, and do not constitute an offer of Notes for sale or subscription in, the United States of America or in any other jurisdiction in which such a distribution or such offer for sale or subscription would be unlawful or would require qualification or registration. It is the responsibility of any person wishing to subscribe for or purchase Notes to satisfy himself as to the full observance of the laws of the relevant jurisdiction.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended ("Securities Act"). The Notes may not be offered or sold in the United States of America or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the US Securities Act.

Persons into whose possession this Programme Memorandum and/or any Applicable Pricing Supplement comes are required by the Issuer, the Debt Sponsor, the Co-Arrangers and the Dealer/s to comply with all Applicable Laws and regulations in each country or jurisdiction in which they subscribe for, purchase, offer, sell, transfer or deliver Notes or have in their possession (or distribute) this Programme Memorandum and/or any Applicable Pricing Supplement, and to obtain any consent, approval or permission required by them for the subscription, purchase, offer, sale, transfer or delivery by them of any Notes under the law and regulations in force in any country or jurisdiction to which they are subject or in which they make such subscriptions, purchases, offers, sales, transfers or deliveries, in all cases at their own expense, and none of the Issuer, the Debt Sponsor, the Co-Arrangers or the Dealer/s shall have responsibility therefor.

Any Notes purchased or subscribed for by any person who wishes to offer such Notes for sale or resale may not be offered in any country or jurisdiction in circumstances which would result in the Issuer being obliged to register this Programme Memorandum or any further prospectus or corresponding document relating to the Notes in such country or jurisdiction.

In connection with the issue and placing of any Tranche of Notes, the Issuer or the Dealer (if any) who is designated in the Applicable Pricing Supplement as the approved stabilisation manager ("**Stabilisation Manager**") may, to the extent permitted by and in accordance with Applicable Laws and subject to the approval of the JSE, over-allot or effect transactions with a view to supporting the market price of Notes in the same Series as that Tranche of Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising must be carried out in accordance with all Applicable Laws.

The price/yield and amount of a Tranche of Notes will be determined by the Issuer and the relevant Dealer/s at the time of issue in accordance with prevailing market conditions.

TABLE OF CONTENTS

	Page
DOCUMENTS INCORPORATED BY REFERENCE	8
GENERAL DESCRIPTION OF THE PROGRAMME	10
SUMMARY OF THE PROGRAMME	12
FORM OF THE NOTES	17
FORM OF THE APPLICABLE PRICING SUPPLEMENT	19
TERMS AND CONDITIONS	30
USE OF PROCEEDS	66
GENERAL DESCRIPTION OF THE ISSUER	67
FINANCIAL INFORMATION	72
RISK FACTORS	73
SETTLEMENT, CLEARING AND TRANSFERS OF NOTES	81
SUBSCRIPTION AND SALE	83
TAXATION	87
EXCHANGE CONTROL	90
GENERAL INFORMATION	91

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into, and form part of, this Programme Memorandum:

- a) the respective "Rand Water Annual Reports" (each an "**Annual Report**") of the Issuer for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- b) the respective audited consolidated annual financial statements of the Issuer for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018, which include the independent auditor's reports in respect of such financial statements;
- c) the respective Annual Reports of the Issuer for all financial years after the Programme Date;
- d) the respective audited consolidated annual financial statements of the Issuer for all financial years after the Programme Date, which will include the independent auditor's reports in respect of such financial statements;
- e) the respective audited interim financial statements of the Issuer for each six-month period falling in all financial years after the Programme Date;
- f) the document entitled "King IV Application Register" prepared by the Issuer which assesses compliance of the Issuer with the King IV Code on Corporate Governance ("**Register**") and any amendments and/or updates to the Register;
- g) each Applicable Pricing Supplement relating to a Tranche of Notes which is listed on the Interest Rate Market of the JSE (or any other separate platform, board or sub-market of the JSE) (each, an "**Applicable Pricing Supplement Relating to Listed Notes**");
- h) each supplement to this Programme Memorandum circulated by the Issuer from time to time; and
- i) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is (i) electronically submitted through the JSE Stock Exchange News Service ("**SENS**") to SENS subscribers and/or (ii) available on any electronic news service established or used or required by the JSE,

save that any statement contained in this Programme Memorandum or in any document which is incorporated by reference into this Programme Memorandum will be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document which is subsequently incorporated by reference into this Programme Memorandum modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

This Programme Memorandum, each supplement to this Programme Memorandum prepared by the Issuer from time to time and each Applicable Pricing Supplement Relating to Listed Notes are (or will be) available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). For as long as this Programme Memorandum remains registered with the JSE, this Programme Memorandum, each supplement to this Programme Memorandum prepared by the Issuer from time to time and each Applicable Pricing Supplement Relating to Listed Notes are (or will be) available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

For as long as this Programme Memorandum remains registered with the JSE, this Programme Memorandum, each supplement to this Programme Memorandum prepared by the Issuer from time to time and each Applicable Pricing Supplement Relating to Listed Notes are (or will be) available on the JSE's website at www.jse.co.za.

The Annual Reports and consolidated annual financial statements listed in paragraphs (a) and (b) above are available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these Annual Reports and consolidated annual financial statements are available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

The Annual Reports, consolidated annual financial statements and interim financial statements listed in paragraphs (c), (d) and (e) above will (as and when such Annual Reports, consolidated annual financial statements and interim financial statements are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these Annual Reports, consolidated annual financial statements and interim financial statements will (as

and when such Annual Reports, consolidated annual financial statements and interim financial statements are approved and become available) be available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

The Register is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, the Register is available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Governance-Compliance/KING%20IV%20REGISTER.pdf>.

Any amendments and/or updates to the Register will (as and when such amendments and/or updates to the Register are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, any amendments and/or updates to the Register will (as and when such amendments and/or updates to the Register are approved and become available) be available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Governance-Compliance/KING%20IV%20REGISTER.pdf>.

Subject to the paragraph below, the Issuer will, for as long as this Programme Memorandum remains registered with the JSE, review this Programme Memorandum, on an annual basis following each anniversary of the Programme Date, to consider if any of the information contained in this Programme Memorandum in relation to the Issuer, but expressly excluding the Terms and Conditions, is outdated in a material respect.

No update of any information which has been incorporated by reference into this Programme Memorandum (see the 1st paragraph, and the proviso thereto, above) will require an update of this Programme Memorandum; provided that the Issuer will procure that a SENS announcement is released which notifies the Noteholders of the update of information which has been incorporated by reference into this Programme Memorandum and where such updated information is available.

The required updates to this Programme Memorandum will be provided for in a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be. All such updates must be approved by the JSE. The Issuer will procure that a SENS announcement is released which contains a summary of such updates and a statement that the new Programme Memorandum or the supplement to this Programme Memorandum, as the case may be, containing such updates will be available for inspection on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

Any new Programme Memorandum or Programme Memorandum as supplemented, as the case may be, will be deemed to have substituted the previous Programme Memorandum from the date of issue of the new Programme Memorandum or the supplement to this Programme Memorandum, as the case may be.

GENERAL DESCRIPTION OF THE PROGRAMME

A general description of the Programme is set out below. The general description does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to a Tranche of Notes, the Applicable Pricing Supplement.

ISSUE

The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranches of Notes (denominated in the Specified Currency) under the Programme, pursuant to this Programme Memorandum, provided that the aggregate Outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme from time to time does not exceed the Programme Amount.

Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions. The Applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

A Tranche of Notes may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes, Mixed Rate Notes or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

The Issuer will, prior to the issue of a Tranche of Notes, complete an Applicable Pricing Supplement based on the *pro forma* Applicable Pricing Supplement set out in the section of this Programme Memorandum headed "*Form of the Applicable Pricing Supplement*".

The Applicable Pricing Supplement relating to a Tranche of Notes will set out, among other things, the Principal Amount, the Issue Date, the Issue Price, the Maturity Date and, in the case of interest-bearing Notes, the Interest Rate and the Interest Payment Dates (see the section of this Programme Memorandum headed "*Form of the Applicable Pricing Supplement*").

LISTED AND UNLISTED TRANCHES OF NOTES

A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Exchange.

A copy of the signed Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD, before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures.

Where the listing of a Tranche of Notes on the Interest Rate Market of the JSE has been approved by the JSE, the granting of such listing will be announced by the Issuer on SENS by no later than the close of business on the day preceding the Issue Date.

The settlement of trades in Uncertificated Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The settlement and redemption procedures for a Tranche of Notes which is listed on any Exchange other than (or in addition to) the Interest Rate Market of the JSE will be specified in the Applicable Pricing Supplement.

PROGRAMME AMOUNT

As at the Programme Date, the Programme Amount is ZAR10,000,000,000. The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR10,000,000,000, unless such amount is increased by the Issuer, as set out below (and as set out in the section of the Previous Programme Memorandum headed "*General Description of the Programme*").

For the purpose of calculating the aggregate Outstanding Principal Amount of all Notes in issue under the Programme, pursuant to this Programme Memorandum, from time to time:

- a) the ZAR equivalent of a Tranche of Notes denominated in any Specified Currency other than ZAR shall be determined, at or about the time at which a Placement Agreement is entered into between the Issuer and the relevant Dealer/s for the issue and placing of such Notes (or where no such Placement Agreement is entered into, at or about the time of placing of such Notes), on the basis of the spot rate at such time for the sale of such ZAR amount against the purchase of such other Specified Currency in the Johannesburg

- inter-bank foreign exchange market, as quoted by any leading bank selected by the Issuer;
- b) the ZAR equivalent of a Tranche of Index-Linked Notes shall be calculated *mutatis mutandis* in accordance with paragraph (a) above, with reference to the aggregate Principal Amount of that Tranche of Index-Linked Notes (regardless of the Issue Price of that Tranche);
 - c) the ZAR equivalent of a Tranche of Zero Coupon Notes (or any other Tranche of Notes issued at a discount or a premium) shall be calculated *mutatis mutandis* in accordance with paragraph (a) above, with reference to the Issue Price of that Tranche.

Subject to the Applicable Procedures and all Applicable Laws, the Issuer may, without the consent of any Noteholder, increase the Programme Amount by delivering a notice thereof to (i) the Co-Arrangers, (ii) the Debt Sponsor and (iii) the Dealer/s. Upon the conditions set out in the Programme Agreement to the exercise of the Issuer's right to increase the Programme Amount having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount. The Issuer shall, forthwith after the Programme Amount is so increased, notify the Noteholders (in accordance with Condition 18) of the increased Programme Amount.

RATING

The Programme is not rated. The Issuer is rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency/ies which assigned such Rating. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating/s, if any, assigned to a Tranche of Notes, as well as the Rating Agency/ies which assigned such Rating/s. The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

A Rating of the Issuer and/or a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any Notes.

RISK FACTORS

Investing in the Notes involves certain risks (see the section of this Programme Memorandum headed "*Risk Factors*").

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to a Tranche of Notes, the Applicable Pricing Supplement.

Approval and listing	<p>This Programme Memorandum, dated 25 February 2019, was registered and approved by the JSE on 14 February 2019.</p> <p>A Tranche of Notes may be listed on the Interest Rate Market of the JSE and/or on such other Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.</p> <p>The Applicable Pricing Supplement relating to a Tranche of Notes will specify whether or not the Notes in that Tranche will be listed and, if so, on which Exchange.</p>
Blocked Rand	<p>Blocked Rand may be used for the purchase of or subscription for Notes, subject to the Exchange Control Regulations (see the section of this Programme Memorandum headed "<i>Exchange Control</i>").</p>
Books Closed Period	<p>The Register will, in respect of a Tranche of Notes, be closed during the Register Closed Period.</p> <p>The Books Closed Period will be from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding each Interest Payment Date (where applicable) and the Redemption Date.</p> <p>The Last Day to Register will be until 17h00 (South African time) on the 6th Business Day or such other Business Day as is specified in the Applicable Pricing Supplement preceding each Interest Payment Date (where applicable) and the Redemption Date.</p>
Calculation/Issuer Agent	<p>The Issuer, unless the Issuer elects to appoint another entity as Calculation/Issuer Agent, as contemplated in Condition 17.</p>
Clearing and Settlement	<p>The CSD is the operator of an electronic clearing system which matches, clears and facilitates the settlement of all transactions carried out on the Interest Rate Market of the JSE.</p> <p>Each Tranche of Uncertificated Notes will be issued in registered uncertificated form and will be held in the CSD. Each Tranche of Uncertificated Notes will be issued, cleared and settled in accordance with the Applicable Procedures through the CSD electronic settlement system (see the section of this Programme Memorandum headed "<i>Settlement, Clearing and Transfers of Notes</i>").</p> <p>Each Tranche of Notes which is listed on any Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Exchange (see the section of this Programme Memorandum headed "<i>Settlement, Clearing and Transfers of Notes</i>").</p>
Co-Arrangers	<p>Nedbank Limited, acting through its Corporate and Investment Banking division</p> <p>Quartile Capital (Proprietary) Limited</p>
Commercial Paper Regulations	<p>The Commercial Paper Regulations comprise an exemption to "<i>the business of a bank</i>" as defined in the Banks Act. The question of whether the Issuer, in the issue and placing of a Tranche of Notes, conducts "<i>the business of a bank</i>" as defined in the Banks Act is a question of fact.</p> <p>If the Issuer, in relation to the issue and placing of a Tranche of Notes, is obliged (or is not obliged but nevertheless elects) to comply with the Commercial Paper Regulations, the Issuer will procure that annexure "A" to the Applicable Pricing</p>

	Supplement relating to that Tranche of Notes is completed and attached to that Applicable Pricing Supplement (see the section of this Programme Memorandum headed " <i>Form of the Applicable Pricing Supplement</i> ").
Cross default	Senior Notes will have the benefit of a cross default as described in Condition 16.1.1.4.
CSD	Strate Proprietary Limited, a central securities depository licensed in terms of the Financial Markets Act, or any additional or alternative depository approved by the Issuer.
CSD Participants	<p>The persons accepted by the CSD as participants in terms of the Financial Markets Act.</p> <p>As at the Programme Date, the CSD Participants are Standard Chartered Bank Johannesburg Branch, Société Générale, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank.</p> <p>Euroclear Bank S.A/N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, <i>société anonyme</i> ("Clearstream"), among others, may hold Notes through their nominated CSD Participant.</p>
CSD Procedures	In relation to a Tranche of Uncertificated Notes, the rules, directives and operating procedures for the time being of the CSD and CSD Participants.
Dealers	Absa Corporate and Investment Bank, a division of Absa Bank Limited, Basis Points Capital Proprietary Limited, FirstRand Bank Limited, acting through its Rand Merchant Bank division, Investec Bank Limited, acting through its division, Investec Corporate and Institutional Banking, Nedbank Limited, acting through its Corporate and Investment Banking division, Quartile Capital Proprietary Limited and The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division, and each other Dealer (if any) appointed by the Issuer in terms of, and subject to, the Programme Agreement (see the section of this Programme Memorandum headed " <i>Subscription and Sale</i> ").
Debt Sponsor	The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division.
Description of the Programme	Rand Water ZAR10,000,000,000 Domestic Medium Term Note Programme.
Distribution	A Tranche of Notes may be offered by way of public auction or private placement or any other means permitted by law as determined by the Issuer and the relevant Dealer/s, and as specified in the Applicable Pricing Supplement.
Exchange control	<p>This Programme Memorandum does not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.</p> <p>In general, the issue of a Tranche of Notes will not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.</p> <p>However, under certain circumstances (and if so indicated in the Applicable Pricing Supplement), the issue of a particular Tranche of Notes will require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations (see the section of this Programme Memorandum headed "<i>Exchange Control</i>").</p>
Form of Notes	Notes will be issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act and will be held in the CSD. Uncertificated Notes will not be represented by any certificate or written instrument (see the section of this Programme Memorandum headed " <i>Form of the Notes</i> ").
Governing Law	This Programme Memorandum, the Notes and the Applicable Terms and Conditions will be governed by, and construed in accordance with, the laws of South Africa.
Interest	Notes may be interest-bearing or non-interest bearing, as specified in the

	Applicable Pricing Supplement.
Interest Commencement Date	A Tranche of interest-bearing Notes will bear interest from (and including) the Interest Commencement Date. Unless otherwise specified in the Applicable Pricing Supplement, the Interest Commencement Date will be the Issue Date.
Interest payments	Interest on a Tranche of interest-bearing Notes will be payable in arrear, in respect of the Interest Periods specified in the Applicable Pricing Supplement, on the Interest Payment Dates specified in the Applicable Pricing Supplement.
Interest Rate	A Tranche of interest-bearing Notes will bear interest on the aggregate Outstanding Principal Amount, at the Fixed Interest Rate and/or the Floating Interest Rate, for the period from and including the Interest Commencement Date to but excluding the Redemption Date. Zero Coupon Notes will not bear interest.
Issue Price	A Tranche of Notes will be issued on a fully-paid basis at its aggregate Principal Amount or at a discount or premium to its aggregate Principal Amount, as specified in the Applicable Pricing Supplement.
Issuer	Rand Water.
Issue and transfer taxes	As at the Programme Date, no securities transfer tax or any similar tax is payable under the Securities Transfer Tax Act in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed " <i>Taxation</i> "). Any future transfer duties and/or taxes that may be introduced in respect of (or be applicable to) the transfer of Notes will be for the account of Noteholders.
JSE	JSE Limited, licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act.
Maturity Date	The Maturity Date of a Tranche of Notes will be specified in the Applicable Pricing Supplement.
Negative pledge	Senior Notes will have the benefit of a negative pledge as described in Condition 7.
Noteholders	The holders of Notes recorded as the registered Noteholders of such Notes in the Register (see " <i>Register</i> " below).
Programme Amount	As at the Programme Date, the Programme Amount is ZAR10,000,000,000. The aggregate Outstanding Principal Amount of Notes (including Existing Notes) in issue under the Programme may not exceed ZAR10,000,000,000, unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum (and the section of the Previous Programme Memorandum) headed " <i>General Description of the Programme</i> ".
Rating	<p>The Programme is not rated. The Issuer is rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency/ies which assigned such Rating.</p> <p>A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating/s, if any, assigned to a Tranche of Notes, as well as the Rating Agency/ies which assigned such Rating/s.</p> <p>The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.</p> <p>A Rating of the Issuer and/or a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any Notes.</p>
Redemption	<p><i>Redemption at maturity:</i> Unless previously redeemed, or purchased and cancelled, pursuant to Condition 10, the Issuer will redeem a Tranche of Notes, on the Maturity Date, at the Final Redemption Amount, as set out in Condition 10.1.</p> <p><i>Redemption for tax reasons:</i> The Issuer may, at its option, redeem any Tranche</p>

of Notes (in whole or in part) for tax reasons (as set out in Condition 10.2), on the Early Redemption Date, at the Early Redemption Amount, subject to and in accordance with Condition 10.2.

Redemption at the option of the Issuer: If "*Redemption at the Option of the Issuer*" is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes, the Issuer may, at its option, redeem that Tranche of Notes (in whole or in part), on the Optional Redemption Date, at the Optional Redemption Amount, subject to and in accordance with Condition 10.3.

Redemption following a Change of Control Event: If "*Redemption following a Change of Control Event*" is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes and, within the Change of Control Period (i) a Change of Control Event occurs and (ii) the Noteholders of that Tranche of Notes resolve by way of an Extraordinary Resolution passed at a meeting of the relevant Group of Noteholders to require the Issuer to redeem that Tranche of Notes (in whole), then the Issuer shall redeem that Tranche of Notes (in whole), on the Mandatory Redemption Date, at the Mandatory Redemption Amount, subject to and in accordance with Condition 10.4.

Register	<p>The Register is the register of the Issuer's securities (including the register of the Issuer's uncertificated securities) contemplated in (and maintained in accordance with) Chapter 2 (Part E) of the Companies Act.</p> <p>The Register will be maintained by the Transfer Agent.</p> <p>The registered Noteholders of the Uncertificated Notes in a Tranche of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered Noteholders of such Uncertificated Notes.</p> <p>Each holder of Notes which are represented by a Certificate will be named in the Register as the registered Noteholder of such Notes.</p> <p>Subject to Condition 9.2.2, only Noteholders named in the Register at 17h00 (South African time) on the relevant Last Day to Register will be entitled to payments of amounts due and payable in respect of the Notes.</p>
Regulation of the Issuer	<p>See the section of this Programme Memorandum headed "<i>General Description of the Issuer</i>" under "<i>Establishment and regulation of the Issuer</i>" for a description of the establishment and regulation of the Issuer.</p>
Risk factors	<p>Investing in the Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are set out in the section of this Programme Memorandum headed "<i>Risk Factors</i>".</p>
Selling Restrictions	<p>The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the European Economic Area, the United Kingdom and South Africa (see the section of this Programme Memorandum headed "<i>Subscription and Sale</i>" under "<i>Selling Restrictions</i>").</p> <p>Any other or additional selling restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.</p>
Settling Bank	<p>The Standard Bank of South Africa Limited, unless the Issuer elects to appoint another entity as Settling Bank, as contemplated in Condition 17.</p>
Specified Currency	<p>South African Rand (ZAR) or (subject, to the Exchange Control Regulations and the approval of the JSE), any other currency specified as such in the Applicable Pricing Supplement.</p>
Specified Denomination	<p>The denomination of each Note in a Tranche of Notes will be the amount specified as such in the Applicable Pricing Supplement; provided that such amount shall not be less than ZAR1,000,000 (or the equivalent thereof in the</p>

Specified Currency if the Specified Currency is not ZAR) or such higher amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act.

Status of the Notes

A Tranche of Notes may comprise Senior Notes or Subordinated Notes, as specified in the Applicable Pricing Supplement.

Senior Notes: Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 7) unsecured obligations of the Issuer and will rank *pari passu* without any preference or priority among themselves and *pari passu* with Existing Notes which are Senior Notes, and (save for certain debts accorded preferential rights by law) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, as described in Condition 5.

Subordinated Notes: Subordinated Notes will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and will rank *pari passu* and without preference or priority among themselves and *pari passu* with Existing Notes which are Subordinated Notes, and (save for certain debts accorded preferential rights by law) at least *pari passu* with all other present and future subordinated and unsecured obligations of the Issuer, as more fully described in Condition 6.

Taxation

A summary of the more important fiscal provisions pertaining to the Notes as at the Programme Date, is set out in the section of this Programme Memorandum headed "*Taxation*". The summary is not intended to be and does not constitute tax advice. Potential investors in the Notes should, before making an investment in the Notes, consult their own professional advisers as to the potential fiscal consequences of, and their tax positions in respect of the acquisition, holding and/or disposal of the Notes.

Terms and Conditions

See the section of this Programme Memorandum headed "*Terms and Conditions*" ("**Terms and Conditions**").

The Applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

Transfer Agent

The Standard Bank of South Africa Limited, unless the Issuer elects to appoint another entity as Transfer Agent, as contemplated in Condition 17.

Type of Notes

A Tranche of Notes may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes, Mixed Rate Notes or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

Use of proceeds

The Issuer will use the net proceeds of the issue of a Tranche of Notes for its general corporate purposes or as may otherwise be described in the Applicable Pricing Supplement.

Withholding tax

All payments of interest in respect of the Notes will be made without withholding or deduction for or on account of any South African Taxes unless such withholding or deduction is required by Applicable Law and is applicable to all Noteholders. If any such withholding or other deduction is required by Applicable Law, the Issuer will, subject to the election of the Issuer to redeem that Tranche of Notes following a Tax Event pursuant to Condition 10.2 (and subject to certain exceptions as provided in Condition 11.2), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

FORM OF THE NOTES

UNCERTIFICATED NOTES

Each Tranche of Uncertificated Notes will be issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act and held in the CSD. Uncertificated Notes will not be represented by any certificate or written instrument.

Subject to the Applicable Procedures and unless the context clearly otherwise indicates, references to "Uncertificated Notes" include Beneficial Interests in Uncertificated Notes, and *vice versa*, and references to "registered Noteholders of Uncertificated Notes" include the holders of Beneficial Interests in Uncertificated Notes, and *vice versa*.

The registered Noteholders of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered Noteholders of such Uncertificated Notes.

Each Tranche of Uncertificated Notes will be held by the registered Noteholder/s of such Uncertificated Notes in accordance with and subject to the Financial Markets Act and the Applicable Procedures.

The CSD maintains central securities accounts only for CSD Participants. As at the Programme Date, the CSD Participants are Standard Chartered Bank Johannesburg Branch, Société Générale, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank.

The clients of CSD Participants may include the registered Noteholders of Uncertificated Notes or their custodians.

The CSD Participants will maintain records of Uncertificated Notes held by their clients.

Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes may exercise their rights in respect of Uncertificated Notes through their CSD Participants. Euroclear and Clearstream, among others, may hold Uncertificated Notes through their nominated CSD Participant.

Title to Uncertificated Notes will be reflected in the securities accounts maintained by the relevant CSD Participants for the registered Noteholders of such Uncertificated Notes.

In relation to each person shown in the records of the CSD or the relevant CSD Participant, as the case may be, as the registered Noteholder of Uncertificated Notes in a particular aggregate Outstanding Principal Amount of Notes, a certificate or other document issued by the CSD or the relevant CSD Participant, as the case may be, as to the aggregate Outstanding Principal Amount of such Uncertificated Notes standing to the account of any person shall be *prima facie* proof of such aggregate Outstanding Principal Amount of such Uncertificated Notes.

Title to Uncertificated Notes will pass on transfer thereof by way of electronic book entry in the securities accounts maintained by the relevant CSD Participants for the registered Noteholders of such Uncertificated Notes. Uncertificated Notes may be transferred only in accordance with the CSD Procedures.

Registered Noteholders of Uncertificated Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes must exercise their respective rights to vote through their respective CSD Participants. Subject to the CSD Procedures, the respective CSD Participants will vote in accordance with the respective instructions conveyed to them by the respective registered Noteholders of Uncertificated Notes.

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Notes will only be entitled to exchange such Uncertificated Notes for Notes represented by a Certificate in accordance with Condition 12.

NOTES REPRESENTED BY CERTIFICATES

Each Noteholder of Notes which are represented by a Certificate will be named in the Register as the registered Noteholder of such Notes.

Title to Notes represented by Certificates will pass upon registration of transfer in accordance with Condition 14.2.

The Issuer, the Settling Bank, the Settling Bank and the Transfer Agent shall regard the Register as the conclusive record of title to Notes represented by Certificates.

PAYMENTS

Payments of all amounts due and payable in respect of Uncertificated Notes will be made in accordance with the CSD Procedures and Condition 9.2.2.

Payments of all amounts due and payable in respect of Notes represented by Certificates will be made, in accordance with Condition 9.2.3, to the person named as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register.

TRANSFERABILITY OF THE NOTES

The Notes in a Tranche of Notes will, upon issue, be freely transferrable and fully paid.

9. Issue Price [[]% of the Principal Amount] *[specify other]*
10. Aggregate Principal Amount of this Tranche ZAR[]
11. Interest *(*delete whichever of the below is not applicable)*
 [Fixed Rate Note provisions (see Condition 8.1)]
 [Floating Rate Note provisions (see Condition 8.2)]
 [Mixed Rate Note provisions (see Condition 8.3)]
[specify other]
12. Redemption/Payment Basis [Redemption at par] *[specify other]*
13. Change of interest or redemption payment basis [Not Applicable] *[specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
14. Specified Denomination (Principal Amount per Note) [ZAR1,000,000] *[specify other - that is, such higher amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act]*
15. Specified Currency ZAR
16. Business Day Convention [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention] *[specify other]*
17. Day Count Fraction [Not Applicable]
 [1/1] [Actual/365] [Actual/365 Fixed]] [Actual/360] [30/360] [30E/360] *[specify other]*
18. Business Centre [Johannesburg] *[specify other]*
- B PROGRAMME AMOUNT**
1. Programme Amount as at the Issue Date [ZAR10,000,000,000] *[specify other]*
2. Aggregate Outstanding Principal Amount of all of the Notes issued under the Programme as at the Issue Date ZAR[], excluding the aggregate Principal Amount of this Tranche and any other Tranche/s of Notes issued on the Issue Date specified in Item A(8) above.
3. Issuer confirmation as to Programme Amount The Issuer confirms that the issue of this Tranche of Notes will not cause the Issuer to exceed the Programme Amount.
- C FIXED RATE NOTES** *(*delete if not applicable)*
1. Fixed Interest Rate [[]% per annum [NACS] *[specify other]* for the period from and including the Interest Commencement Date to but excluding the Redemption Date] *[specify other]*
2. Interest Commencement Date [Issue Date] *[specify other]*
3. Interest Payment Dates Semi-annually in arrear on [] and [] of each year for the period from and including the Interest Commencement Date to but excluding the Redemption Date or, if any such date is not a Business Day, the date determined in accordance with the [] Business Day Convention (see Item A(16) above).
4. First Interest Payment Date []
5. Interest Periods Each successive period commencing on and including an Interest Payment Date and ending on but excluding the following Interest Payment Date; provided that the first Interest Period will commence on and include

- the Interest Commencement Date ([]) and end on (but exclude) the First Interest Payment Date ([]) and the last Interest Period will end on but exclude the Redemption Date, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the Following Business Day Convention (see Item C(3) above).
6. Initial Broken Amount [Not Applicable] [*specify Initial Broken Amount:* []]
7. Final Broken Amount [Not Applicable] [*specify Final Broken Amount:* []]
8. Default Rate [[]% per annum] (see Condition 8.6.1)] [*specify other*]
9. Other terms relating to the method of calculating interest for Fixed Rate Notes [Not Applicable] [*specify other terms*]
- D FLOATING RATE NOTES** (**delete if not applicable*)
1. Floating Interest Rate [The floating interest rate per annum [NACQ] [*specify other*] equal to the sum of the [Reference Rate] and [the Margin] [*specify other*] for the period from and including the Interest Commencement Date to but excluding the Redemption Date] [*specify other*]
2. Interest Commencement Date [Issue Date] [*specify other*]
3. Interest Payment Dates Quarterly in arrear on [] [] [] and [] of each year for the period from and including the Interest Commencement Date to but excluding the Redemption Date or, if any such date is not a Business Day, the date determined in accordance with the [] Business Day Convention (see Item A(16) above).
4. First Interest Payment Date []
5. Interest Periods Each successive period commencing on and including an Interest Payment Date and ending on but excluding the following Interest Payment Date; provided that the first Interest Period will commence on and include the Interest Commencement Date ([]) and end on (but exclude) the First Interest Payment Date ([]) and the last Interest Period will end on but exclude the Redemption Date, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the Following Business Day Convention (see Item D(3) above).
6. Manner in which the Floating Interest Rate is to be determined: [Screen Rate Determination] [ISDA Determination] [Other Determination - *specify*]
7. **Screen Rate Determination:** [Applicable] [Not Applicable]
- (a) Reference Rate [ZAR-JIBAR-SAFEX (being, subject to Condition 8.2.3, the average mid-market yield rate per annum for 3-month deposits in Rand which appears on the Relevant Screen Page as the "SFX 3M YIELD" at or about the Relevant Time on the Rate Determination Date, determined by the Calculation/Issuer Agent in accordance with Condition 8.2.3)] [*specify other*]

- (b) Rate Determination Dates The first day of each Interest Period; provided that the first Rate Determination Date shall be [].
- (c) Relevant Screen Page and Reference Code [Reuters Screen SAFEX MNY MKT page - "SFX 3M YIELD"] [*specify other*]
- (d) Relevant Time [11h00 (South African time)] [*specify other*]
- (e) Reference Banks [Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited] [*specify other*]
- 8. ISDA Determination:** [Applicable] [Not Applicable]
- (a) Floating Rate Option []
- (b) Designated Maturity []
- (c) Reset Date []
- 9. Other Determination:** [Applicable] [Not Applicable] (*if the Floating Interest Rate to be calculated otherwise than by reference to Item D(7) or Item D(8) above, insert basis for determining the Floating Interest Rate*)
10. Margin [Not Applicable] [*specify Margin: (+/-) []%*] to be added to/subtracted from the relevant [ISDA Rate] [Reference Rate] [*specify other*]
11. Minimum Floating Interest Rate [Not Applicable] [*specify Minimum Floating Interest Rate: []%*]
12. Maximum Floating Interest Rate [Not Applicable] [*specify Maximum Floating Interest Rate: []%*]
13. Default Rate [[]% per annum] (see Condition 8.6.1) [*specify other*]
14. Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest for Floating Rate Notes, if different from those set out in the Terms and Conditions [Not Applicable] [*specify other terms*]
- E MIXED RATE NOTES (*delete if not applicable)**
1. Interest Period/s during which the Interest Rate for the Mixed Rate Notes will be a Fixed Interest Rate, and for which Interest Period/s the Mixed Rate Notes will, pursuant to Condition 8.3, be construed as Fixed Rate Notes and have the terms set out in Item C above headed "**FIXED RATE NOTES**" Each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period shall commence on (and include) [the Interest Commencement Date ([])] [*specify other*] and end on (but exclude) [the First Interest Payment Date ([])] [*specify other*] and the final Interest Period shall end on (but exclude) [the Redemption Date] [*specify other*], it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the [] Business Day Convention (see Item C(3) above)
2. Interest Period/s during which the Interest Rate for the Mixed Rate Notes will be a Floating Interest Rate, and for which Interest Period/s the Mixed Rate Notes will, pursuant to Condition 8.3, be construed as Floating Rate Notes and have the terms set out in Item D above headed "**FLOATING RATE NOTES**" Each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period shall commence on (and include) [the Interest Commencement Date ([])] [*specify other*] and end on (but exclude) [the First Interest Payment Date ([])] [*specify other*] and the final Interest Period shall end on (but exclude) [the

Redemption Date] *[specify other]*, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the [] Business Day Convention (see Item D(3) above)

3. Other terms relating to the method of calculating interest for Mixed Rate Notes [Not Applicable] *[specify other terms]*

F ZERO COUPON NOTES *(*delete if not applicable)*

1. Implied Yield [(]% *[specify other]*
2. Reference Price []
3. Any other formula/basis of determining amount payable [Not Applicable] *[give details]*
4. Default Rate [Condition 8.6.2 applicable] *[specify other]*
5. Other terms relating to the method of calculating payments for Zero Coupon Notes, if different from those set out in the Terms and Conditions [Not Applicable] *[specify other terms]*

G OTHER NOTES *(*delete if not applicable)*

1. If the Notes are not Floating Rate Notes, Fixed Rate Notes, Mixed Rate Notes or Zero Coupon Notes, or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional terms and conditions applicable to such Notes []

H REDEMPTION

1. Maturity Date []
2. Final Redemption Amount [The aggregate Outstanding Principal Amount of this Tranche plus interest accrued (if any) to the Maturity Date] *[specify other]*
- 3. Redemption for tax reasons:** Applicable (see Condition 10.2)
- (a) Early Redemption Date [The Interest Payment Date (in the case of interest-bearing Notes) or other date (in the case of non-interest-bearing Notes) stipulated as the date for redemption of this Tranche of Notes in the notice of redemption given by the Issuer in terms of Condition 10.2] *[specify other]*
- (b) Early Redemption Amount If redemption in whole is applicable: [The aggregate Outstanding Principal Amount of this Tranche of Notes plus interest accrued (if any) to the Early Redemption Date] [The aggregate amount of principal of this Tranche of Notes calculated in accordance with Condition 10.5] *[specify other]*.
- If redemption in part is applicable: the percentage of the aggregate Outstanding Principal Amount of this Tranche of Notes which will be redeemed on the Early Redemption Date will be the percentage specified in the relevant notice of partial redemption given by the Issuer in terms of Condition 10.2, and the applicable provisions of the paragraph above will apply to the calculation of the Early Redemption Amount.
4. **Redemption at the option of the Issuer:** [Applicable - see Condition 10.3]
[Not Applicable]

5. If "Redemption at the option of the Issuer" applicable:
- (a) Optional Redemption Date [The Interest Payment Date (in the case of interest-bearing Notes) or other date (in the case of non-interest-bearing Notes) stipulated as the date for redemption of this Tranche of Notes in the notice of redemption given by the Issuer in terms of Condition 10.3] [*specify other*]
- (b) Optional Redemption Amount
If redemption in whole is applicable: [The aggregate Outstanding Principal Amount of this Tranche of Notes plus interest accrued (if any) to the Optional Redemption Date] [The aggregate amount of principal of this Tranche calculated in accordance with Condition 10.5] [*specify other*].
If redemption in part is applicable: the percentage of the aggregate Outstanding Principal Amount of this Tranche of Notes which will be redeemed on the Optional Redemption Date will be the percentage specified in the relevant notice of partial redemption given by the Issuer in terms of Condition 10.3, and the applicable provisions of the paragraph above will apply to the calculation of the Optional Redemption Amount.
6. **Redemption following a Change of Control Event:** [Applicable – see Condition 10.4]
[Not Applicable]
7. If "Redemption following a Change of Control Event" applicable:
- (a) Mandatory Redemption Date The date selected by the Issuer for redemption of this Tranche of Notes in terms of Condition 10.4; provided that such date shall fall no later than 30 (thirty) days of the date on which the Extraordinary Resolution is passed by the relevant Group of Noteholders, as set out in Condition 10.4.
- (b) Mandatory Redemption Amount [The aggregate Outstanding Principal Amount of this Tranche of Notes plus accrued interest (if any) to the Mandatory Redemption Date] [the amount of principal of this Tranche of Notes calculated in accordance with Condition 10.5] [*specify other*].
8. Section 4.22(gg) of the JSE Debt Listings Requirements The Notes will not be "automatically redeemed on the occurrence of a trigger event" as contemplated in Section 4.22(gg) of the JSE Debt Listings Requirements).
9. Other terms applicable on redemption [Not Applicable] [*give details*]
- I AGENTS AND SPECIFIED OFFICES**
1. Calculation/Issuer Agent [Rand Water] [*specify other*]
2. Specified Office of the Calculation/Issuer Agent [522 Impala Road, Glenvista 2058, Gauteng, South Africa] [*specify other*]
3. Settling Bank [The Standard Bank of South Africa Limited] [*specify other*]
4. Specified Office of the Settling Bank [25 Pixley Ka Isaka Seme Street, Johannesburg 2000, South Africa] [*specify other*]
5. Transfer Agent [The Standard Bank of South Africa Limited] [*specify other*]

6. Specified Office of the Transfer Agent [25 Pixley Ka Isaka Seme Street, Johannesburg 2000, South Africa] *[specify other]*
7. Issuer's CSD Participant/Settlement Agent [The Standard Bank of South Africa Limited] *[specify other]*
8. Specified Office of the Issuer's CSD Participant/Settlement Agent [25 Pixley Ka Isaka Seme Street, Johannesburg 2000, South Africa] *[specify other]*

J REGISTER CLOSED

1. Last Day to Register Up until 17h00 (South African time) on the [sixth] *[specify other]* day preceding each Interest Payment Date (where applicable) and the Redemption Date, being in each instance, the last date on which the Transfer Agent will accept Transfer Forms and record in the Register the transfer of Notes represented by Certificates.
2. Books Closed Period The Register will be closed during the [5 (five)] *[specify other]* days preceding each Interest Payment Date (where applicable) and the Redemption Date from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding the Interest Payment Date (where applicable) and the Redemption Date.
3. Books Closed Dates *[specify]*

K GENERAL

1. Exchange control approval [Not Applicable] [Applicable] *(Note: see the section of the Programme Memorandum headed "Exchange Control")*
2. Additional selling restrictions (if any) [Not Applicable] *[give details]*
3. International Security Identification Number (ISIN) []
4. Stock Code Number []
5. Exchange JSE Limited (Interest Rate Market)
6. Debt Sponsor [The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division] *[specify other]*
7. Name/s of Dealer/s *[give details]*
8. Stabilisation Manager (if applicable) [Not Applicable] *[give details]*
9. Method of distribution [Private Placement] [Dutch Auction] [Dutch Auction (sealed bid without feedback)] *[specify other]*
10. Bookbuild and allocation Policy [Not Applicable] [As set out under "Auction and Allocation Policy" in the Term Sheet, dated [], prepared by [] and sent to potential investors for purposes of placing the Notes] *[specify other]*
11. Pricing methodology [Not Applicable] *[give details]*
12. Rating assigned to the Issuer, Rating Agency and date on which such Rating is expected to be reviewed *[give details]*
13. Rating (if any) assigned to the Notes, Rating Agency and date on which such Rating is expected to be reviewed [Not Applicable] *[give details]*

14. Governing law
The Programme Memorandum, the Notes and the Applicable Terms and Conditions are governed by, and shall be construed in accordance with, the laws of South Africa.
15. Use of proceeds
[The Issuer will use the proceeds of this Tranche of Notes for [its general corporate purposes] *[specify other]*].
16. Material change
(Note: only applicable where the Commercial Paper Regulations are not applicable to the issue and placing of this Tranche of Notes – see Item L(17) below)
[Not Applicable - see Annexure "A" to this Applicable Pricing Supplement - paragraph 6] [Applicable]
(Note: if the Commercial Paper Regulations are not applicable, consider the following "material change" statement as at the Issue Date) [The Issuer confirms that, as at the date of signature of this Applicable Pricing Supplement [save as is set out in the paragraph below], no material change in the financial or trading condition of the Issuer or any "subsidiary" (as defined in the Companies Act) of the Issuer has occurred since [30 June [] (being the end of the last financial period for which audited annual financial statements of the Issuer have been published)] [31 December [] (being the end of the last financial period for which audited interim financial statements of the Issuer have been prepared)]. This statement has not been confirmed or verified or reviewed and reported on by the auditors of the Issuer.
[specify material change/s in the financial and/or trading condition, if applicable]
17. Commercial Paper Regulations
[Not Applicable] [Applicable - see Annexure "A" to this Applicable Pricing Supplement]
(Note: The Issuer is only obliged to comply with the Commercial Paper Regulations where, in the issue and placing of this Tranche, it conducts "the business of a bank" as defined in the Banks Act, 1990)
18. Other relevant information
[Not Applicable] *[give details]*

The Issuer certifies that, to the best of its knowledge and belief, there are no facts the omission of which would make this Applicable Pricing Supplement false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that this Applicable Pricing Supplement contains all information required by the JSE Debt Listings Requirements (and all other Applicable Laws) to appear in this Applicable Pricing Supplement.

The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum, the annual financial statements of the Issuer, this Applicable Pricing Supplement, the "Rand Water Annual Report" of the Issuer ("**Annual Report**") and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The JSE takes no responsibility for the contents of the Programme Memorandum, the annual financial statements of the Issuer, this Applicable Pricing Supplement, the Annual Reports and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum, the annual financial statements of the Issuer, this Applicable Pricing Supplement, the Annual Reports and any amendments or supplements to the aforementioned documents, and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

Application is hereby made to list Tranche [] of Series [] of the Notes on the Interest Rate Market of the JSE, as from [], pursuant to the Rand Water ZAR10,000,000,000 Domestic Medium Term Note Programme.

RAND WATER

By: _____

By: _____

Name: _____

Name: _____

Capacity: _____

Capacity: _____

Duly authorised

Duly authorised

ANNEXURE "A" TO THE APPLICABLE PRICING SUPPLEMENT- COMMERCIAL PAPER REGULATIONS

Disclosure requirements in terms of paragraph 3(5) of the Commercial Paper Regulations

If the Issuer, in relation to the issue and placing of a Tranche of Notes ("**relevant Tranche of Notes**"), is obliged (or is not obliged but nevertheless elects) to comply with the Commercial Paper Regulations, the Issuer will procure that this Annexure "A" is completed and attached to the Applicable Pricing Supplement relating to the relevant Tranche of Notes ("**Applicable Pricing Supplement**").

The information required to be disclosed in terms of paragraph 3(5) of the Commercial Paper Regulations is set out in this Annexure "A" (except where such information is disclosed in the Programme Memorandum and/or the Applicable Pricing Supplement):

1. Issuer and Ultimate Borrower (paragraph 3(5)(a) of the Commercial Paper Regulations)

The Issuer of the relevant Tranche of Notes is Rand Water (deemed to have been established in terms of section 84 of the Water Services Act, 1997).

The "*ultimate borrower*" (as defined in the Commercial Paper Regulations) is [the Issuer] [*specify other*].

(*Note: only applicable if the relevant Tranche of Notes is not listed – see paragraph 7 below*) [The Issuer, during the 18 months prior to the Issue Date, has held net assets in excess of ZAR100 million, as certified by the auditors of the Issuer in the Issuer's most recent audited financial statements, and, in the calculation of the value of such net assets, (a) intangible assets that are not readily marketable have been excluded and (b) the total amount of the Issuer's off-balance-sheet liabilities and contingent liabilities have been deducted.]

2. Going concern (paragraph 3(5)(b) of the Commercial Paper Regulations)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments, thereby reflecting the adequacy of the liquidity and solvency of the Issuer.

3. Auditor (paragraph 3(5)(c) of the Commercial Paper Regulations)

The auditor of the Issuer as at the Issue Date is the Auditor-General of South Africa, as described in section 188 of the Constitution of the Republic of South Africa, 1996 and the Public Audit Act, 2004 ("**Auditor-General of South Africa**"). The Auditor-General of South Africa has acted as the auditors of the Issuer's latest audited financial statements.

4. Total amount of Commercial Paper (paragraph 3(5)(d) of the Commercial Paper Regulations)

a) [The Issuer has not, prior to the Issue Date, issued any "*commercial paper*" (as defined in the Commercial Paper Regulations).]

[The Issuer has, prior to the Issue Date, issued "*commercial paper*" (as defined in the Commercial Paper Regulations) in an aggregate amount of ZAR[]]

b) [As at Issue Date, to the best of the Issuer's knowledge and belief, the Issuer estimates that it will not issue any "*commercial paper*" (as defined in the Commercial Paper Regulations) during the Issuer's current financial year (excluding the relevant Tranche of Notes).]

[As at Issue Date, to the best of the Issuer's knowledge and belief, the Issuer estimates that it will issue "*commercial paper*" (as defined in the Commercial Paper Regulations) in an aggregate amount of ZAR[] during the Issuer's current financial year (excluding the relevant Tranche of Notes).]

5. Other information (paragraph 3(5)(e) of the Commercial Paper Regulations)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the relevant Tranche of Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

6. Material adverse change (paragraph 3(5)(f) of the Commercial Paper Regulations)

Save as disclosed in the Programme Memorandum [and as set out below], there has been no material adverse change in the Issuer's financial position since the date of the Issuer's last audited financial statements.

[*give details, if applicable*]

7. Listing (paragraph 3(5)(g) of the Commercial Paper Regulations)

The relevant Tranche of Notes will be [unlisted] [listed on [the Interest Rate Market of the JSE] [*specify other*]].

8. Use of proceeds (paragraph 3(5)(h) of the Commercial Paper Regulations)

[The proceeds of the issue of the relevant Tranche of Notes will be used by the Issuer for its general corporate purposes] [*specify other*].

9. Security (*paragraph 3(5)(i) of the Commercial Paper Regulations*)

The relevant Tranche of Notes is unsecured.

10. Auditors confirmation (*paragraph 3(5)(j) of the Commercial Paper Regulations*)

The Auditor-General of South Africa has confirmed in writing that nothing has come to [his] [her] attention which causes [him] [her] to believe that the issue of the relevant Tranche of Notes under the Programme, pursuant to the Programme Memorandum (as read with the Applicable Pricing Supplement) will not comply in all material respects with the provisions of the Commercial Paper Regulations.

11. Audited financial statements (*paragraphs 3(5)(j)(i) and (j)(ii) of the Commercial Paper Regulations*)

Where, in relation to the issue and placing of the relevant Tranche of Notes, the Programme Memorandum and/or the Applicable Pricing Supplement is distributed and/or made available for inspection in South Africa, a copy of the Issuer's latest audited annual financial statements will at all times separately accompany (either by electronic delivery or by physical delivery) the Programme Memorandum and/or the Applicable Pricing Supplement, as required by the Commercial Paper Regulations.

TERMS AND CONDITIONS

The following is the text of the Terms and Conditions.

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

Unless separately defined in the Terms and Conditions or, in relation to a Tranche of Notes, unless separately defined in the Applicable Pricing Supplement, the following expressions have the following meanings:

"**Accelerated Senior Notes**" has the meaning given to it in Condition 16.1.3;

"**Accelerated Subordinated Notes**" has the meaning given to it in Condition 16.2.4;

"**Actual Redemption Date**" means, in relation to each Note in a Tranche of Notes, the date upon which such Note is actually redeemed in full by the Issuer and the full amount due and payable by the Issuer to the Noteholder of such Note under the Applicable Terms and Conditions has been paid (a) where that Note is held in the CSD, to the bank account of the CSD in accordance with Condition 9.2.3.1 or (b) where that Note is represented by a Certificate, to the bank account of the person (or the first person, where applicable) named as the registered Noteholder of such Note in the Register, as contemplated in Condition 9.2.3.2;

"**Affiliate**" means, in relation to a company, its "*holding company*" (as defined in the Companies Act) and each Subsidiary of such company and such holding company, it being recorded that the relevant entities shall not be limited to being South African companies;

"**Applicable Agency Agreement**" means each agency agreement concluded between the Issuer and the Settling Bank and/or the Calculation/Issuer Agent and/or the Transfer Agent, as amended, novated and/or substituted from time to time in accordance with its/their terms, unless the Issuer itself acts in any of the abovementioned capacities;

"**Applicable Laws**" means, in relation to the Issuer (or any other person), all and any statutes, subordinate legislation, regulations, ordinances, directives, circulars and guidance notices, and judgments and decisions of any competent authority in South Africa, (including without limitation, the JSE Debt Listings Requirements and the Applicable Procedures), compliance with which is mandatory for the Issuer (or that other person);

"**Applicable Pricing Supplement**" means, in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the *pro forma* pricing supplement which is set out in the section of the Programme Memorandum headed "*Form of the Applicable Pricing Supplement*";

"**Applicable Procedures**" means, in relation to a Tranche of Uncertificated Notes, the CSD Procedures, the JSE Rules, the JSE Debt Listings Requirements and such other rules and operating procedures for the time being as are applicable to the CSD and/or CSD Participants and/or the JSE and, in relation to a Tranche of Notes which is listed on any other Exchange, the rules and operating procedures for the time being of that Exchange;

"**Applicable Terms and Conditions**" means, in relation to a Tranche of Notes, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes;

"**Banks Act**" means the Banks Act, 1990;

"**Beneficial Interest**" means, in relation to a Tranche of Uncertificated Notes, subject to Condition 1.2.4, the beneficial interest as co-owner of all of the Uncertificated Notes in that Tranche, as contemplated in Chapter IV of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Uncertificated Notes in that Tranche, is determined by reference to the proportion that the aggregate Outstanding Principal Amount of such number of Uncertificated Notes bears to the aggregate Outstanding Principal Amount of all of the Uncertificated Notes in that Tranche, as contemplated in Chapter IV of the Financial Markets Act;

"**Blocked Rand**" means, for purposes of Exchange Control Regulations, funds which may not be remitted out of South Africa or paid into a bank account outside South Africa;

"**Board**" means, in relation to the Issuer, the "*board members*" contemplated in the Water Services Act, as read with Schedule 1 thereto;

"**Books Closed Period**" means, in relation to a Tranche of Notes, from 17h00 (South African time) on the Last Day to Register until 17h00 (South African time) on the day preceding each Interest Payment Date (where applicable) and the Redemption Date, during which the Register will be closed for purposes of giving effect to transfers, redemptions or payments in respect of that Tranche of Notes;

"**Business Day**" means, subject to the Applicable Procedures, a day (other than a Saturday or Sunday or statutory public holiday) on which commercial banks and foreign exchange markets settle payments in the Specified Currency in the Principal Financial Centre of the Specified Currency;

"**Business Day Convention**" means, in relation to a Tranche of Notes (where applicable), the convention for adjusting any date if it would otherwise fall on a day that is not a Business Day, and the following terms, when specified in the Applicable Pricing Supplement and used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- a) if "**Following**" is specified in the Applicable Pricing Supplement the relevant payment date will be the first following day that is a Business Day; or
- b) if "**Modified Following**" or "**Modified**" is specified in the Applicable Pricing Supplement, the relevant payment date will be 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; or
- c) if "**Preceding**" is specified in the Applicable Pricing Supplement, the relevant payment date will be the first preceding day that is a Business Day; or
- d) such other method of adjusting the relevant payment date as is specified in the Applicable Pricing Supplement;

"**Calculation/Issuer Agent**" means the Issuer or, if the Issuer elects to appoint another entity as Calculation/Issuer Agent, as contemplated in Condition 17, that other entity, as the case may be;

"**Certificate**" means the single certificate in definitive registered form without interest coupons representing Notes for which Uncertificated Note/s has/have been exchanged in accordance with Condition 12.1;

"**Co-Arrangers**" means each of Nedbank and Quartile Capital, or such other person/s as may be appointed by the Issuer from time to time as Arranger or Co-Arranger, as applicable, in accordance with the Programme Agreement, subject to the Issuer's right to terminate the appointment of any Arranger or Co-Arranger, as applicable;

"**Commercial Paper Regulations**" means the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of "*the business of a bank*" in the Banks Act, set out in Government Notice 2172 and published in *Government Gazette* 16167 of 14 December 1994;

"**Common Monetary Area**" means, for purposes of the Exchange Control Regulations, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;

"**Companies Act**" means the Companies Act, 2008;

"**Condition**" means a numbered term or condition forming part of the Terms and Conditions;

"**CSD**" means Strate Proprietary Limited (incorporated with limited liability in South Africa under registration number 1998/022242/07), licensed as a central securities depository in terms of the Financial Markets Act or any additional or alternate depository approved by the Issuer;

"**CSD Participant**" means a person accepted by the CSD as a participant in terms of the Financial Markets Act;

"**CSD Procedures**" means, in relation to a Tranche of Uncertificated Notes, the rules, directives and operating procedures for the time being of the CSD and CSD Participants;

"**Day Count Fraction**" means, in relation to a Tranche of Notes (where applicable):

- a) if "**1/1**" is specified in the Applicable Pricing Supplement, 1; or
- b) if "**Actual/365**", "**Act/365**", "**Actual/Actual**" or "**Act/Act**" is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the

actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365); or

- c) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365; or
- d) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 360; or
- e) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Applicable Pricing Supplement, the number of days in the Interest Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) that last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); or
- f) if "**30E/360**" or "**Eurobond Basis**" is specified in the Applicable Pricing Supplement, the number of days in the Interest Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Interest Payment Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or
- g) such other calculation method as is specified in the Applicable Pricing Supplement;

"**Dealers**" means Absa Corporate and Investment Bank, a division of Absa Bank Limited, Basis Points Capital Proprietary Limited, FirstRand Bank Limited, acting through its Rand Merchant Bank division, Investec Bank Limited, acting through its division, Investec Corporate and Institutional Banking, Nedbank, Quartile Capital and Standard Bank, acting through its Corporate and Investment Banking division, and each additional Dealer appointed by the Issuer from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of any Dealer;

"**Debt Sponsor**" means Standard Bank, acting through its Corporate and Investment Banking division, or such other person as may be appointed by the Issuer from time to time in accordance with the Applicable Procedures;

"**Default Rate**" means, in relation to a Tranche of Notes (where applicable), the default rate specified as such in the Applicable Pricing Supplement;

"**Designated Bank Account**" means, in relation to a Tranche of Uncertificated Notes, the individual designated bank account opened by the Issuer with the Settling Bank, into which the full aggregate amount due and payable in respect of such Uncertificated Notes will be irrevocably deposited, all as required by, and in accordance with, the CSD Procedures and as contemplated in Condition 9.2.2;

"**Early Redemption Amount**" means, in relation to a Tranche of Notes (i) the aggregate Outstanding Principal Amount (or the relevant portion thereof) of that Tranche plus accrued interest (if any) to the Early Redemption Date or (ii) the aggregate amount of principal (or the relevant portion thereof) of that Tranche calculated in accordance with Condition 10.5 or (iii) such other amount as is specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Early Redemption Date**" means, in relation to a Tranche of Notes, the Interest Payment Date (in the case of interest-bearing Notes) or other date (in the case of non-interest-bearing Notes) stipulated as the date for redemption of that Tranche of Notes (in whole or in part) in the notice of redemption given by the Issuer in terms of Condition 10.2;

"**Early Termination Amount**" means, in relation to each Accelerated Senior Note or Accelerated Subordinated Note, as the case may be, which has been declared by the Noteholder thereof to be immediately due and payable following an Event of Default (i) the Outstanding Principal Amount of that Accelerated Senior Note or that Accelerated Subordinated Note, as the case may be, plus accrued interest (if any) to the Actual Redemption Date or (ii) the amount of principal of that Accelerated Senior Note or that Accelerated Subordinated Note, as the case may be, calculated in accordance with Condition 10.5 or (iii) such other amount as is specified as such in (or calculated in the manner set out in) the Applicable

Pricing Supplement;

"**Encumbrance**" means any mortgage, pledge, hypothecation, assignment, *cession in securitatem debiti*, deposit by way of security creating, in each instance, real rights of security, or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets) having the effect of providing a security interest to a creditor and which creates real rights of security, or any agreement or arrangement to give any form of a secured claim to a creditor with real rights of security;

"**Event of Default**" means, in relation to Senior Notes, any of the events described in Condition 16.1 and, in relation to Subordinated Notes, any of the events described in Condition 16.2;

"**Exchange**" means, in relation to a Tranche of Notes (where applicable), the Interest Rate Market of the JSE and/or such other exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws, as specified in the Applicable Pricing Supplement;

"**Exchange Control Authorities**" means the Financial Surveillance Department of the South African Reserve Bank;

"**Exchange Control Regulations**" means the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933;

"**Existing Notes**" means Notes in issue under the Programme, pursuant to the Previous Programme Memorandum, as at the Programme Date;

"**Extraordinary Resolution**" means a resolution passed at a meeting (duly convened) of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) by Noteholders holding not less than 66.67% (sixty-six point six seven percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable), present in person or by proxy voting at such meeting upon a show of hands or a poll;

"**Extraordinary Written Resolution**" means a resolution passed other than at a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), as contemplated in Condition 20.9, with the written consent of Noteholders holding not less than 66.67% (sixty-six point six seven percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable);

"**Final Broken Amount**" means, in relation to a Tranche of Notes (where applicable), the amount (if any) specified as such in the Applicable Pricing Supplement;

"**Final Redemption Amount**" means, in relation to a Tranche of Notes which is to be redeemed on the Maturity Date in terms of Condition 10.1, (i) the aggregate Outstanding Principal Amount of that Tranche plus accrued interest (if any) to the Maturity Date or (ii) such other amount as is specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Financial Markets Act**" means the Financial Markets Act, 2012;

"**First Interest Payment Date**" means, in relation to a Tranche of Notes (where applicable), the date specified as such in the Applicable Pricing Supplement;

"**Fixed Interest Rate**" means, in relation to a Tranche of Notes (where applicable), the fixed interest rate per annum specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Fixed Rate Notes**" means a Tranche of Notes which will bear interest at a Fixed Interest Rate, as specified in the Applicable Pricing Supplement;

"**Floating Interest Rate**" means, in relation to a Tranche of Notes (where applicable), the floating interest rate per annum specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Floating Rate Notes**" means a Tranche of Notes which will bear interest at a Floating Interest Rate, as specified in the Applicable Pricing Supplement;

"**Group**" or "**Class**" or "**Group of Noteholders**" or "**Class of Noteholders**" means Noteholders of one or more Tranche/s of Notes or Noteholders of more of more Series of Notes, as applicable;

"**Group Company**" means any company within the Rand Water Group;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);

"**Implied Yield**" means, in relation to a Tranche of Zero Coupon Notes, the yield accruing on the Issue Price, specified as a percentage in the Applicable Pricing Supplement;

"**Income Tax Act**" means the Income Tax Act, 1962;

"**Indebtedness**" means, in relation to the Issuer or any Material Subsidiary, as the case may be, any indebtedness of the Issuer or that Material Subsidiary, as the case may be, in respect of moneys borrowed from any third party lender, and (without double counting) any guarantees given (other than those given in the ordinary course of business) by the Issuer or that Material Subsidiary, as the case may be, whether present or future, actual or contingent;

"**Indexed Interest Notes**" means a Tranche of Notes in respect of which the Interest Amount will be calculated by reference to an index and/or a formula, as specified in the Applicable Pricing Supplement;

"**Indexed Redemption Amount Notes**" means a Tranche of Notes in respect of which the Final Redemption Amount will be calculated by reference to an index and/or a formula, as specified in the Applicable Pricing Supplement;

"**Index-Linked Notes**" means a Tranche of Indexed Interest Notes or a Tranche of Indexed Redemption Amount Notes, as specified in the Applicable Pricing Supplement;

"**Initial Broken Amount**" means, in relation to a Tranche of Notes (where applicable), the amount (if any) specified as such in the Applicable Pricing Supplement;

"**Insolvency Act**" means the Insolvency Act, 1936;

"**Interest Amount**" means, in relation to a Tranche of Notes (where applicable), the amount of interest due and payable in respect of each Note in that Tranche, on the relevant Interest Payment Date, in respect of the relevant Interest Period, calculated by the Calculation/Issuer Agent in accordance with Condition 8;

"**Interest Commencement Date**" means, in relation to a Tranche of Notes (where applicable), the Issue Date or such other date (if any) as is specified in the Applicable Pricing Supplement;

"**Interest Payment Date**" means, in relation to a Tranche of Notes (where applicable), the date specified as such in the Applicable Pricing Supplement or, if such date is not a Business Day, the date determined in accordance with the applicable Business Day Convention specified in the Applicable Pricing Supplement;

"**Interest Period**" means, in relation to a Tranche of Notes (where applicable), each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period shall commence on (and include) the Interest Commencement Date and end on (but exclude) the First Interest Payment Date and the final Interest Period shall end on (but exclude) the Redemption Date, it being recorded, for the avoidance of doubt, that if any such date is not a Business Day, the date will be determined in accordance with the applicable Business Day Convention specified in the Applicable Pricing Supplement;

"**Interest Rate**" and "**Rate of Interest**" means, in relation to a Tranche of Notes (where applicable), the Fixed Interest Rate and/or the Floating Interest Rate and/or such other interest rate per annum as is specified in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Interest Rate Market of the JSE**" means the separate platform or sub-market of the JSE designated as the "*Interest Rate Market*" and on which "*debt securities*" (as defined in the JSE Debt Listings Requirements) may be listed, or such other separate platform or sub-market of the JSE as is selected by the Issuer, subject to all Applicable Laws;

"**ISDA**" means International Swaps and Derivatives Association Inc.;

"**ISDA Definitions**" means, in relation to a Tranche of Floating Rate Notes (where applicable), the 2006 ISDA Definitions (*Interest Rate and Currency Derivative Transactions*) published by ISDA (as amended, supplemented, revised or republished from time to time) or such other ISDA Definitions as are specified as such in the Applicable Pricing Supplement;

"**ISDA Determination**" means, in relation to a Tranche of Floating Rate Notes (where applicable), the manner (set out in Condition 8.2.2 as read with the Applicable Pricing Supplement) in which the Floating Interest Rate applicable to that Tranche is to be determined;

"**Issue Date**" means, in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

"**Issue Price**" means, in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing

Supplement;

"**Issuer**" and "**Rand Water**" means Rand Water (deemed to have been established in terms of section 84 of the Water Services Act, 1997);

"**Rand Water Group**" means the Issuer and each Subsidiary of the Issuer and each other entity (if any) within South Africa whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;

"**JSE**" means JSE Limited (incorporated with limited liability in South Africa under registration number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act;

"**JSE Debt Listings Requirements**" means the JSE Debt Listings Requirements applicable to the Interest Rate Market of the JSE, as amended and/or supplemented from time to time by the JSE;

"**JSE Rules**" means the exchange rules of the JSE promulgated from time to time pursuant to the Financial Markets Act;

"**Last Day to Register**" means, in relation to a Tranche of Notes, the sixth Business Day or such other Business Day as is specified in the Applicable Pricing Supplement preceding each Interest Payment Date (where applicable) and the Redemption Date until 17h00 (South African time) on that Business Day, such Business Day being the last day on which the Transfer Agent will accept Transfer Forms and record in the Register the transfer of Notes in that Tranche represented by Certificate/s;

"**Mandatory Redemption Amount**" means, in relation to a Tranche of Notes which is required to be redeemed (in whole) by the Issuer subject to and in accordance with Condition 10.4, (i) the Outstanding Principal Amount of that Tranche of Notes plus accrued interest (if any) to the Mandatory Redemption Date or (ii) the amount of principal of that Tranche of Notes calculated in accordance with Condition 10.5 or (iii) such other amount as is specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Mandatory Redemption Date**" means, in relation to a Tranche of Notes which is required to be redeemed (in whole) by the Issuer subject to and in accordance with Condition 10.4, the date selected by the Issuer for redemption of that Tranche of Notes in terms of Condition 10.4; provided that such date shall fall no later than 30 (thirty) days of the date on which the Extraordinary Resolution is passed by the relevant Group of Noteholders, as set out in Condition 10.4;

"**Margin**" means, in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;

"**Material Indebtedness**" means, in relation to any Indebtedness of the Issuer or any Material Subsidiary, as the case may be, at any point in time, an amount which (either alone or when aggregated with the amount of any other Indebtedness of the Issuer or that Material Subsidiary, as the case may be, at that point in time) is equal to or exceeds 5% (five percent) of the aggregate value of the total assets of the Issuer or that Material Subsidiary, as the case may be, such aggregate value and such total assets being determined by reference to the latest audited consolidated annual financial statements of the Issuer;

"**Material Part**" means, in relation to the present or future assets of the Issuer or any Material Subsidiary, as the case may be, at any point in time, assets of the Issuer or that Material Subsidiary, as the case may be, which (either alone or when aggregated with other assets of the Issuer or that Material Subsidiary, as the case may be, at that point in time) have an aggregate value equal to or greater than 25% (twenty five percent) of the aggregate value of the total assets of the Issuer or that Material Subsidiary, as the case may be, such aggregate value and such total assets being determined by reference to the latest audited consolidated annual financial statements of the Issuer;

"**Material Subsidiary**" means a Subsidiary of the Issuer:

- a) of which more than 50% (fifty percent) of the ordinary shares are owned by the Issuer; and
- b) the total value of whose net assets represents at least 15% (fifteen percent) of the total value of all consolidated net assets owned by the Issuer, such total value being determined by reference to the latest audited consolidated financial statements of the Issuer;

"**Maturity Date**" means, in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

"**Mixed Rate Notes**" means a Tranche of Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Index-Linked Notes or other Notes, as specified in the Applicable Pricing Supplement;

"**NACA**" means nominal annual compounded annually;

"**NACM**" means nominal annual compounded monthly;

"**NACQ**" means nominal annual compounded quarterly;

"**NACS**" means nominal annual compounded semi-annually;

"**Nedbank**" means Nedbank Limited (incorporated with limited liability under registration number 1951/000009/06 in South Africa), acting through its Corporate and Investment Banking division;

"**Noteholders**" and "**holders of Notes**" means, subject to Condition 1.2.4, the registered Noteholders of Uncertificated Notes determined in accordance with the CSD Procedures (in the case of Uncertificated Notes) and (ii) the holders of Notes recorded as the registered holders of such Notes in the Register (in the case of Notes represented by Certificates);

"**Notes**" means the unsecured notes of any kind issued or to be issued by the Issuer, under the Programme, pursuant to the Programme Memorandum;

"**Optional Redemption Amount**" means, in relation to a Tranche of Notes (where applicable), (i) the aggregate Outstanding Principal Amount (or the relevant portion thereof) of that Tranche plus accrued interest (if any) to the Early Redemption Date or (ii) the aggregate amount of principal (or the relevant portion thereof) of that Tranche calculated in accordance with Condition 10.5 or (iii) such other amount as is specified as such in (or calculated in the manner set out in) the Applicable Pricing Supplement;

"**Optional Redemption Date**" means, in relation to a Tranche of Notes (where applicable), the Interest Payment Date (in the case of interest-bearing Notes) or other date (in the case of non-interest-bearing Notes) stipulated as the date for redemption of that Tranche of Notes (in whole or in part), in the notice of redemption given by the Issuer in terms of Condition 10.3;

"**Ordinary Resolution**" means a resolution passed at a meeting (duly convened) of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) by Noteholders holding not less than 51% (fifty one percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable), present in person or by proxy voting at such meeting upon a show of hands or a poll;

"**Ordinary Written Resolution**" means a resolution passed other than at a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), as contemplated in Condition 20.9, with the written consent of Noteholders holding not less than 51% (fifty one percent) of the Outstanding Principal Amount (that is, the nominal value) of all of the Notes or the relevant Tranche/s of Notes (as applicable);

"**Outstanding Principal Amount**" means, in relation to each Note in a Tranche of Notes, the Principal Amount of that Note less (on each occasion on which that Note is partially redeemed in terms of and subject to Condition 10, that portion of the Principal Amount of that Note which has been so partially redeemed and, in relation to the Programme at any point in time, the aggregate of all of such Principal Amounts of all of the Notes (including Existing Notes) in issue under the Programme at that time;

"**Payment Date**" means, in relation to each Note in a Tranche of Notes, the Redemption Date or (in the case of interest-bearing Notes) each Interest Payment Date or any other date on which any amount is due and payable to the Noteholders of such Notes in terms of the Applicable Terms and Conditions, as applicable;

"**Permitted Encumbrance**" means, in relation to the Issuer or a Material Subsidiary, as the case may be:

- a) any Encumbrance existing at the Programme Date; or
- b) any Encumbrance created or arising by operation of law;
- c) any statutory Encumbrance;
- d) any Encumbrance created over or with respect to any receivables of the Issuer or that Material Subsidiary, as the case may be, if such Encumbrance was created pursuant to any securitisation or like arrangement in accordance with normal market practice and the Indebtedness secured by such Encumbrance is limited to the value (on or about the date of creation of such Encumbrance) of such receivables; or
- e) any Encumbrance created over or with respect to any inter-company Indebtedness incurred between the Issuer or that Material Subsidiary, as the case may be, and any Subsidiary, or any inter-company Indebtedness incurred between any Subsidiary and any other Subsidiary; or
- f) any Encumbrance created over any asset owned, acquired, developed or constructed by the Issuer

or that Material Subsidiary, as the case may be, if such Encumbrance was created for the sole purpose of financing or refinancing that asset by the Issuer or that Material Subsidiary, as the case may be; provided that the Indebtedness so secured shall not exceed the *bona fide* arm's length market value (on or about the date of creation of such Encumbrance) of that asset or the cost of the acquisition, development or construction of that asset by the Issuer or that Material Subsidiary, as the case may be (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value and such cost both apply, the higher of the two;

- g) any Encumbrance created by or on behalf of the Issuer or that Material Subsidiary, as the case may be, to secure any Indebtedness incurred in relation to or for purposes of any financing, on a normal project finance basis, of all or part of the costs of the acquisition, construction or development of any project where the person/s providing such financing expressly agree/s to limit its/their recourse to the assets of the project so financed and the revenues derived from the project so financed as the sole source or repayment for moneys advanced in relation to such financing; or
- h) any Encumbrance over deposit accounts securing a loan to the Issuer or that Material Subsidiary, as the case may be, equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or
- i) any Encumbrance created in the ordinary course of business of the Issuer or that Material Subsidiary, as the case may be; or
- j) any Encumbrance subsisting over any asset of any company which becomes a Material Subsidiary after the Programme Date where (i) the Encumbrance is created prior to the date on which that company became a Material Subsidiary and (ii) the Encumbrance was not created in contemplation of that company becoming a Material Subsidiary, and any substitute Encumbrance created over that asset provided that the amount of the Indebtedness secured by that substitute Encumbrance may not be increased, save in the ordinary course of business of that Material Subsidiary; or
- k) any other Encumbrance, provided that the aggregate value of the assets of the Issuer or that Material Subsidiary, as the case may be, which are subject to such other Encumbrance does not, at any time, exceed 5% (five percent) of the aggregate value of the total assets of the Issuer or that Material Subsidiary, as the case may be, at that time, such aggregate value and such total assets being determined by reference to the then most recent audited [consolidated] annual financial statements of the Issuer; or
- l) any extension or renewal of any Encumbrance contemplated in sub-paragraphs (a) to (k) inclusive above;

"**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;

"**place**" means, in relation to a Dealer, to use reasonable commercial endeavours to procure the subscription and payment for the Notes in one or more Tranches of Notes pursuant to a Placement Agreement so that all of the Notes in such Tranche/s are subscribed and paid for on the Issue Date/s and "**placing**" will be construed accordingly;

"**Placement Agreement**" means an agreement, concluded in accordance with the Programme Agreement, in terms of which the Issuer agrees to issue one or more Tranches of Notes and one or more Dealers agree to place such Tranche or Tranches of Notes, in accordance with such agreement;

"**Previous Programme Memorandum**" means the Programme Memorandum, dated 9 December 2010, as amended and/or supplemented, prepared by the Issuer in respect of the Programme;

"**Principal Amount**" means, in relation to each Note in a Tranche of Notes, the nominal amount (that is, the nominal value) of that Note (being the amount equivalent to the Specified Denomination), and in relation to any number of Notes in that Tranche, such number of Notes multiplied by that nominal amount;

"**Programme**" means the Rand Water ZAR10,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;

"**Programme Agreement**" means the written agreement entitled "*Programme Agreement*" entered into in respect of the Programme, on 9 December 2010, between the Issuer, Nedbank (as Co-Arranger and Dealer), Quartile Capital (as Co-Arranger and Dealer) and Investec Bank Limited (as Dealer), as amended,

novated and/or substituted from time to time in accordance with its terms;

"Programme Amount" means the maximum aggregate Outstanding Principal Amount of all of the Notes (including Existing Notes) that may be in issue under the Programme at any one point in time being, as at the Programme Date, ZAR10,000,000,000, or such increased amount as is determined by the Issuer from time to time, as set out in the section of the Programme Memorandum headed "*General Description of the Programme*";

"Programme Date" means the date of the Programme Memorandum, being 25 February 2019;

"Programme Memorandum" means this document so entitled in respect of the Programme dated 25 February 2019; provided that if the Issuer publishes a new Programme Memorandum or a supplement to the Programme Memorandum, as the case may be (as contemplated in the section of this document headed "*Documents Incorporated by Reference*"), references to "Programme Memorandum" shall be construed as references to that new Programme Memorandum or the Programme Memorandum as supplemented by that supplement to the Programme Memorandum, as the case may be;

"Public Finance Management Act" means the Public Finance Management Act, 1999;

"Quartile Capital" means Quartile Capital Proprietary Limited (incorporated with limited liability under registration number 2005/016810/07 in South Africa);

"R" or "Rand" or "ZAR" means the lawful currency of South Africa;

"Rate Determination Date" means, in relation to a Tranche of Notes (where applicable), the first day of each Interest Period; provided that the Rate Determination Date for the first Interest Period shall, in the case of a Tranche of Floating Rate Notes or if otherwise specified in the Applicable Pricing Supplement, be the date specified as such in the Applicable Pricing Supplement;

"Rating" means, in relation to the Issuer and/or a Tranche of Notes (where applicable), the rating assigned to the Issuer and/or a Tranche of Notes (as applicable) granted by any Rating Agency, as specified in the Applicable Pricing Supplement;

"Rating Agency" means Global Credit Rating Co. Proprietary Limited (incorporated with limited liability under registration number 1995/005001/07 in South Africa) and/or Moody's Investors Service South Africa Proprietary Limited (incorporated with limited liability under registration number 2002/014566/07 in South Africa) or the South African branch (registration number 2012/020451/10) of Standard & Poor's Global Inc. and/or Fitch Ratings Ltd (registered in England under registration number 1316230) and/or such other internationally recognised rating agency/ies as is/are appointed by the Issuer;

"Redemption Amount" means, in relation to all or any of the Notes in a Tranche of Notes (as applicable), the Final Redemption Amount or the Early Redemption Amount or the Mandatory Redemption Amount or the Early Termination Amount, as applicable;

"Redemption Date" means, in relation to all or any of the Notes in a Tranche of Notes (as applicable), the Maturity Date or the Optional Redemption Date or the Early Redemption Date or the Mandatory Redemption Date or the Actual Redemption Date, as applicable;

"Reference Banks" means, in relation to a Tranche of Notes (where applicable), the banks specified as such in the Applicable Pricing Supplement or, if none, 4 (four) major banks (selected by the Calculation/Issuer Agent and approved by the Issuer) in the market that is most closely connected with the Reference Rate;

"Reference Price" means, in relation to a Tranche of Zero Coupon Notes, the price specified as such in the Applicable Pricing Supplement;

"Reference Rate" means, in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;

"Register" means the register of the Issuer's securities (including the register of the Issuer's uncertificated securities) contemplated in (and maintained in accordance) with Chapter 2 Part E of the Companies Act;

"Relevant Screen Page" means, in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, 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" means, in relation to a Tranche of Notes (where applicable), the time specified as such in the Applicable Pricing Supplement;

"**Representative**" means a person duly authorised to act on behalf of a Noteholder, which person may be regarded by each of the Issuer, the Transfer Agent and the Settling Bank (acting in good faith) as being duly authorised to act based upon the tacit or express representation made by such person, in the absence of express notice to the contrary from that Noteholder;

"**Screen Rate Determination**" means, in relation to a Tranche of Floating Rate Notes (where applicable), the manner (set out in Condition 8.2.3 as read with the Applicable Pricing Supplement) in which the Floating Interest Rate applicable to that Tranche is to be determined;

"**Senior Notes**" means Notes issued with the status and characteristics set out in Condition 5, as specified in the Applicable Pricing Supplement;

"**Series**" means a Tranche of Notes which, together with any other Tranche/s of Notes, is expressed in the Applicable Pricing Supplement to form a single series of Notes, identified in the Applicable Pricing Supplements relating to such Tranches of Notes by way of a unique numeral (such as Series 1);

"**Settling Bank**" means Standard Bank or, if the Issuer elects to appoint another entity as Transfer Agent, as contemplated in Condition 17, that other entity, as the case may be;

"**South Africa**" means the Republic of South Africa;

"**Specified Currency**" means, in relation to each Note in a Tranche of Notes, ZAR or, subject to the Exchange Control Regulations and the approval of the JSE, such other currency as is specified in the Applicable Pricing Supplement;

"**Specified Denomination**" means, in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement; provided that such amount shall not be less than ZAR1,000,000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not ZAR) or such other amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act;

"**Specified Office**" means, in relation to each of the Issuer, the Calculation/Issuer Agent, the Settling Bank and the Transfer Agent, the address of the office specified in respect of such entity at the end of this Programme Memorandum or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with Condition 18, as the case may be;

"**Standard Bank**" means The Standard Bank of South Africa Limited (incorporated with limited liability under registration number 1962/000738/06 in South Africa);

"**Subordinated Indebtedness**" means, any indebtedness of the Issuer, including any guarantee given by the Issuer, under which the right of payment of the person/s entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer;

"**Subordinated Notes**" means Notes issued with the status and characteristics set out in Condition 6, as specified in the Applicable Pricing Supplement;

"**Subsidiary**" means, in relation to any person as at any time, each "*subsidiary*" (as defined in the Companies Act) of that person at that time;

"**Taxes**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax (including any penalty, including *mora* interest, payable in connection with any failure to pay, or delay in paying, any of the same; provided that such penalty does not arise as a result of any default of negligence on the part of the relevant Noteholder) and "**Tax**" and "**Taxation**" will be construed accordingly;

"**Tax Event**" means, in relation to a Tranche of Notes, an event where, as a result of a Tax Law Change, the Issuer has paid or will pay or would on the next Interest Payment Date be required to pay additional amounts as provided for in Condition 11 and the Issuer cannot avoid the foregoing by taking measures reasonably available to it;

"**Tax Law Change**" means, in relation to a Tranche of Notes, a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change or proposed change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change, proposed change, amendment or proposed amendment is announced on or after the Issue Date;

"**Terms and Conditions**" means the terms and conditions of the Notes set out in this section of the Programme Memorandum headed "*Terms and Conditions*";

"**Tranche**" and "**Tranche of Notes**" means those Notes which are subject to the identical Applicable Terms and Conditions (including as to listing) and in respect of which the same Applicable Pricing Supplement applies;

"**Transfer Agent**" means Standard Bank or, if the Issuer elects to appoint another entity as Transfer Agent, as contemplated in Condition 17, that other entity, as the case may be;

"**Transfer Form**" means the written form for the transfer of a Note represented by a Certificate, in the usual form or in such other form as is approved by the Transfer Agent;

"**Uncertificated Notes**" means, subject to Condition 1.2.4, Notes issued in registered uncertificated form in terms of Chapter IV of the Financial Markets Act, and held in the CSD;

"**Value-Added Tax Act**" means the Value-Added Tax Act, 1991;

"**VAT**" means value added tax imposed in terms of the Value-Added Tax Act, or any similar tax imposed in place thereof from time to time;

"**Water Services Act**" means the Water Services Act, 1997;

"**ZAR-JIBAR-SAFEX**" means, in relation to a Tranche of Notes (where applicable), the Reference Rate specified as such in the Applicable Pricing Supplement that is, subject to Condition 8.2.3, the average mid-market yield rate per annum for 3-month deposits in Rand which appears on the Relevant Screen Page as the "SFX 3M YIELD" at or about the Relevant Time on the Rate Determination Date, determined by the Calculation/Issuer Agent in accordance with Condition 8.2.3;

"**Zero Coupon Notes**" means a Tranche of Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment, as specified in the Applicable Pricing Supplement.

1.2 Interpretation

1.2.1 To the extent that there is any conflict or inconsistency between the provisions of the Terms and Conditions and the provisions of any of the Applicable Procedures (including, without limitation, the CSD Procedures and the JSE Debt Listings Requirements) those provisions of the Applicable Procedures shall prevail.

1.2.2 In the Terms and Conditions:

1.2.2.1 if an expression is stated in Condition 1.1 to have the meaning given in the Applicable Pricing Supplement, but the Applicable Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the relevant Tranche of Notes; and

1.2.2.2 any reference to the Applicable Agency Agreement shall be construed as a reference to the Applicable Agency Agreement, as amended and/or supplemented from time to time.

1.2.3 Unless inconsistent with the context or save where the contrary is expressly specified in the Terms and Conditions:

1.2.3.1 all references in the Terms and Conditions to any statute, regulation or other legislation will be a reference to that statute, regulation or other legislation as at the Programme Date and as amended, re-enacted or replaced and substituted from time to time;

1.2.3.2 references to any Condition are to that Condition of the Terms and Conditions;

1.2.3.3 words denoting the singular only will include the plural also and *vice versa*, words denoting one gender only will include the other genders and words denoting persons only will include firms and corporations and *vice versa*;

1.2.3.4 the use of the word "including" followed by a specific example/s will not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule will not be applied in the interpretation of such general wording or such specific example/s. Such references to "including" and "in particular" will not be construed restrictively but will mean "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively;

1.2.3.5 any reference to days (other than a reference to Business Days), months or years will be a reference to calendar days, months or years, as the case may be.

1.2.4 Subject to the Applicable Procedures and unless the context clearly otherwise indicates, references to "Uncertificated Notes" include Beneficial Interests in Uncertificated Notes, and *vice versa*, and

references to "registered Noteholders of Uncertificated Notes" include the holders of Beneficial Interests in Uncertificated Notes, and *vice versa*.

- 1.2.5 If any provision in a definition in the Terms and Conditions is a substantive provision conferring a right or imposing an obligation on any party then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of the Terms and Conditions.
- 1.2.6 Headings and sub-headings in the Terms and Conditions are inserted for convenience only.
- 1.2.7 Where any term is defined within a particular Condition, that term shall bear the meaning ascribed to it in that Condition wherever it is used in the Terms and Conditions.
- 1.2.8 The *contra proferentem* rule shall not be applied in the interpretation of the Terms and Conditions.

2. ISSUE

- 2.1. The Issuer may from time to time (without the consent of any Noteholder), issue one or more Tranche/s of Notes (denominated in the Specified Currency) pursuant to the Programme, provided that the aggregate Outstanding Principal Amount of all of the Notes (including Existing Notes) in issue under the Programme from time to time does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions of that Tranche of Notes.
- 2.3. The Applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Certificate/s (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement will be attached to such Certificate/s.
- 2.4. The Issuer may issue listed or unlisted Notes. Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE. Listed Notes will be listed on the Interest Rate Market of the JSE and/or on such other Exchange/s as may be determined by the Issuer and the relevant Dealer/s subject to Applicable Laws. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Exchange/s.

3. TYPE, FORM AND DENOMINATION

3.1. General

- 3.1.1. All payments in relation to the Notes in a Tranche will be made in the Specified Currency. The denomination of each Note in a Tranche will be the Specified Denomination.
- 3.1.2. A Tranche of Notes may comprise Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes, Mixed Rate Notes or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and the relevant Dealer/s and specified in the Applicable Pricing Supplement.

3.2. Uncertificated Notes

- 3.2.1. Each Tranche of Uncertificated Notes will be issued in uncertificated form in terms of Chapter IV of the Financial Markets Act and will be held in the CSD. Uncertificated Notes will not be represented by any certificate or written instrument.
- 3.2.2. Each Tranche of Uncertificated Registered Notes will be held by the registered Noteholder/s of such Uncertificated Registered Notes in accordance with and subject to the Financial Markets Act and the Applicable Procedures.

3.3. Notes represented by Certificates

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Notes shall be entitled to exchange such Uncertificated Notes in accordance with Condition 12.1.

4. TITLE

4.1. Uncertificated Notes

- 4.1.1. The registered Noteholders of Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered Noteholders of such Uncertificated Notes.
- 4.1.2. The clients of CSD Participants may include the registered Noteholders of Uncertificated Notes or their custodians. The CSD Participants will maintain records of the Uncertificated Notes held by their clients.

- 4.1.3. Title to Uncertificated Notes will be reflected in the securities accounts maintained by the relevant CSD Participants for the registered Noteholders of such Uncertificated Notes.
- 4.1.4. In relation to each person shown in the records of the CSD or the relevant CSD Participant, as the case may be, as the registered Noteholder of Uncertificated Notes in a particular aggregate Outstanding Principal Amount, a certificate or other document issued by the CSD or the relevant CSD Participant, as the case may be, as to the aggregate Outstanding Principal Amount of such Uncertificated Notes standing to the account of such person shall be *prima facie* proof of such aggregate Outstanding Principal Amount of such Uncertificated Notes.
- 4.1.5. Uncertificated Notes may be transferred only in accordance with the CSD Procedures.
- 4.1.6. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes may only exercise their rights in respect of such Uncertificated Notes through their CSD Participants.
- 4.1.7. Any reference in the Terms and Conditions to the relevant CSD Participant shall, in respect of an Uncertificated Note, be a reference to the CSD Participant appointed to act as such by the registered Noteholder of such Uncertificated Note.

4.2. Notes represented by Certificates

- 4.2.1. Each holder of Notes which are represented by a Certificate will be named in the Register as the registered holder of such Notes.
- 4.2.2. Title to Notes which are represented by a Certificate will pass upon registration of transfer in the Register in accordance with Condition 14.2.

4.3. Register

The Issuer, the Transfer Agent and the Settling Bank shall recognise a Noteholder of Notes as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

5. STATUS OF SENIOR NOTES

Senior Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 7) unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and *pari passu* with Existing Notes which are Senior Notes, and (save for certain debts accorded preferential rights by law) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

6. STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES

- 6.1. Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank *pari passu* and without preference or priority among themselves and *pari passu* with Existing Notes which are Subordinated Notes, and (save for certain debts accorded preferential rights by law) at least *pari passu* with all other present and future subordinated and unsecured obligations of the Issuer.
- 6.2. Subject to Applicable Law, in the event of the dissolution of the Issuer or if the Minister of Water and Sanitation, by notice in the *Government Gazette*, disestablishes the Issuer in terms of section 28(1) of the Water Services Act, the claims of Subordinated Noteholders entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to the claims of all other creditors in respect of any other indebtedness of the Issuer (except for other Subordinated Indebtedness), and accordingly no amount due under the Subordinated Notes shall be eligible for set-off nor shall any amount due under the Subordinated Notes be payable to any Subordinated Noteholder until the claims of all such other creditors in respect of any such other indebtedness of the Issuer (except for other Subordinated Indebtedness) which are admissible in any such dissolution or disestablishment have been paid or discharged in full.

7. NEGATIVE PLEDGE

- 7.1. For as long as any of the Senior Notes remain outstanding, the Issuer shall not (and the Issuer shall procure that no Material Subsidiary will) create or permit the creation of any Encumbrance (other than a Permitted Encumbrance) over the whole or any part of its present or future undertaking, assets or revenues, to secure any Indebtedness without (a) at the same time (or prior thereto) securing the Senior Notes equally and rateably with such Indebtedness or (b) providing such other security or arrangement for the Senior Notes as is approved by an Extraordinary Resolution of the Senior Noteholders, unless the

provision of any such other security or arrangement is waived by an Extraordinary Resolution of the Senior Noteholders.

- 7.2. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any rights of security referred to in Condition 7.1 for the benefit or on behalf of the Senior Noteholders.

8. INTEREST

8.1. Fixed Rate Notes

- 8.1.1. A Tranche of Fixed Rate Notes will bear interest on its Outstanding Principal Amount at the Fixed Interest Rate specified in (or calculated in the manner set out in) the Applicable Pricing Supplement, for the period from (and including) the Interest Commencement Date to (but excluding) the Redemption Date.
- 8.1.2. The interest due on a Tranche of Fixed Rate Notes in respect of an Interest Period will be payable in arrears on the Interest Payment Date in respect of that Interest Period. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date. If any Interest Payment Date falls upon a day which is not a Business Day, the provisions of Condition 9.5 shall determine the date of payment of interest due on that Interest Payment Date; provided that for the purposes of determining an Interest Period, no such adjustment will be made to an Interest Payment Date.
- 8.1.3. The interest payable in respect of a Tranche of Fixed Rate Notes in respect of any six-monthly Interest Period shall, unless otherwise specified in the Applicable Pricing Supplement, be calculated by multiplying the Fixed Interest Rate applicable to that Tranche of Fixed Rate Notes by its Outstanding Principal Amount and then dividing the product by two; provided that:
- 8.1.3.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, the first Interest Amount shall equal that Initial Broken Amount; and
- 8.1.3.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, the final Interest Amount shall equal that Final Broken Amount.
- 8.1.4. Save as provided in the preceding paragraphs of this Condition 8.1, if interest on a Tranche of Fixed Rate Notes is required to be calculated for a period of other than one year (in the case of annual interest payments) or other than six months (in the case of semi-annual interest payments), as the case may be, such interest shall (unless otherwise specified in the Applicable Pricing Supplement) be calculated on the basis of the actual number of days in such period divided by 365 (three hundred and sixty five).

8.2. Floating Rate Notes

8.2.1. *General*

- 8.2.1.1. A Tranche of Floating Rate Notes will bear interest on its Outstanding Principal Amount at the Floating Interest Rate specified in (or calculated in the manner set out in) the Applicable Pricing Supplement, for the period from (and including) the Interest Commencement Date to (but excluding) the Redemption Date.
- 8.2.1.2. The interest due on a Tranche of Floating Rate Notes in respect of an Interest Period will be payable in arrears on the Interest Payment Date in respect of that Interest Period. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date. If any Interest Payment Date falls upon a day which is not a Business Day, the provisions of Condition 9.5 shall determine the date of payment of interest due on that Interest Payment Date; provided that for the purposes of determining an Interest Period, no such adjustment will be made to an Interest Payment Date.
- 8.2.1.3. The Floating Interest Rate applicable from time to time to a Tranche of Floating Rate Notes will be determined (and specified in the Applicable Pricing Supplement) (i) on the basis of ISDA Determination or (ii) on the basis of Screen Rate Determination or (iii) on such other basis as may be determined by the Issuer and specified in the Applicable Pricing Supplement.

8.2.2. *ISDA Determination*

- 8.2.2.1. Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Floating Interest Rate is to be determined, the Floating Interest Rate applicable to a Tranche of Floating Rate Notes for each Interest Period will be the relevant ISDA Rate plus or minus

(as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this Condition 8.2.2.1, "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation/Issuer Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- 8.2.2.1.1. the Floating Rate Option is as specified in the Applicable Pricing Supplement;
 - 8.2.2.1.2. the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
 - 8.2.2.1.3. the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on ZARJIBAR-SAFEX, the first day of that Interest Period or (ii) in any other case, as specified in the Applicable Pricing Supplement.
- 8.2.2.2. For the purposes of Condition 8.2.2.1, "**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

8.2.3. *Screen Rate Determination*

8.2.3.1. Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Floating Interest Rate is to be determined, the Floating Interest Rate applicable to a Tranche of Floating Rate Notes for each Interest Period will subject to the provisions of this Condition 8.2.3, be:

- 8.2.3.1.1. if the Relevant Screen Page is available, either:
 - a) the offered quotation (if only one quotation appears on the screen page); or
 - b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at the Relevant Time on the relevant Rate Determination Date plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation/Issuer Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation/Issuer Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- 8.2.3.1.2. if the Relevant Screen Page is not available or if, in the case of Condition 8.2.3.1.1(a), no such offered quotation appears or, in the case of Condition 8.2.3.1.1(b), fewer than three such offered quotations appear, in each case as at the Relevant Time, the Calculation/Issuer Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation/Issuer Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the relevant Rate Determination Date. If two or more of the Reference Banks provide the Calculation/Issuer Agent with such offered quotations, the Floating Interest Rate for the relevant Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation/Issuer Agent; or

- 8.2.3.1.3. if the Floating Interest Rate cannot be determined by applying the provisions of Condition 8.2.3.1.1 and Condition 8.2.3.1.2, the Floating Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation/Issuer Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation/Issuer Agent by the Reference Banks or any two or more of them, at which such Reference Banks offered, at the Relevant Time on the relevant Rate Determination Date, deposits in an amount approximately equal to the aggregate Principal Amount of the relevant Tranche of Floating Rate Notes, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation/Issuer Agent with such offered rates, the Floating Interest Rate for the relevant Interest Period will be determined by the Calculation/Issuer Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the aggregate Principal Amount of the relevant Tranche of Floating Rate Notes, for a period

equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date by the Reference Banks plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). If the Floating Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 8.2.3.1.3, the Floating Interest Rate shall be determined as at the last preceding Rate 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).

- 8.2.3.2. If the Reference Rate from time to time in respect of a Tranche of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Floating Interest Rate applicable to that Tranche of Floating Rate Notes will be determined as provided in the Applicable Pricing Supplement.

8.2.4. *Maximum or Minimum Floating Interest Rate*

If any Maximum Floating Interest Rate or Minimum Floating Interest Rate is specified in the Applicable Pricing Supplement, then the Floating Interest Rate applicable to the relevant Tranche of Floating Rate Notes shall in no event be greater than the maximum or be less than the minimum so specified.

8.2.5. *Calculation of Floating Interest Rate and Interest Amount*

The Calculation/Issuer Agent will, on or as soon as practicable after each Rate Determination Date or each Reset Date, as applicable, but in any event not later than 3 (three) Business Days after the Rate Determination Date or the Reset Date, as applicable, determine the Floating Interest Rate applicable to a Tranche of Floating Rate Notes for the Interest Period commencing on that Rate Determination Date or that Reset Date, as applicable, and (ii) calculate the Interest Amount payable in respect of that Tranche of Floating Rate Notes for that Interest Period. Unless otherwise specified in the Applicable Pricing Supplement, the Interest Amount in respect of a Tranche of Floating Rate Notes will be determined by multiplying the Floating Interest Rate applicable to that Tranche of Floating Rate Notes by its Outstanding Principal Amount, then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest cent, half a cent being rounded upwards.

8.3. **Mixed Rate Notes**

A Tranche of Mixed Rate Notes will bear interest on its Outstanding Principal Amount at the Interest Rate payable on the form of interest-bearing Note specified for each respective Interest Period in the Applicable Pricing Supplement, for the period from (and including) the Interest Commencement Date to (but excluding) the Redemption Date. During each such applicable Interest Period, the Interest Amount payable in respect of a Tranche of Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes or Index-Linked Notes, as the case may be.

8.4. **Index-Linked Notes**

The Applicable Pricing Supplement relating to a Tranche of Index-Linked Notes will set out, among other things, the manner in which the Interest Amount and/or Redemption Amount and/or other amounts payable in respect of that Tranche of Index-Linked Notes are to be calculated, the Interest Commencement Date (and/or other payment commencement date), the Interest Payment Date/s (and/or other payment date/s) and the Interest Period/s (and/or other payment period/s), and the manner in which the increased interest and/or other amounts payable in respect of that Tranche of Index-Linked Notes (if applicable) are to be calculated.

8.5. **Other Notes**

The Applicable Pricing Supplement relating to any other Tranche of Notes not specifically provided for in the Terms and Conditions will set out, among other things, the manner in which the interest and/or other amounts payable in respect of that Tranche are to be calculated, the Interest Commencement Date (and/or other payment commencement date), the Interest Payment Date/s (and/or other payment date/s) and the Interest Period/s (and/or other payment period/s).

8.6. **Default interest**

- 8.6.1. If payment of principal (or any portion thereof) and/or interest (or any portion thereof) due and payable in respect of a Tranche of interest-bearing Notes (or the relevant Notes in that Tranche) is improperly withheld or refused, the overdue principal and/or interest will bear interest, at the Default Rate, from and including the due date for payment of such principal and/or interest to but excluding the Payment Date.

8.6.2. If payment of principal (or any portion thereof) due and payable in respect of a Tranche of Zero Coupon Notes (or the relevant Notes in that Tranche) is improperly withheld or refused then, unless otherwise specified in the Applicable Pricing Supplement, the amount of principal (or the relevant portion thereof) shall thereafter be an amount equal to the sum of (i) the Reference Price (or the relevant portion thereof) and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price (or the relevant portion thereof) on the basis of the relevant Day Count Fraction from and including the Issue Date to but excluding the Payment Date.

8.7. **Debt Instrument System and Issuer Agent**

8.7.1. The CSD Procedures (as amended with effect from 26 September 2017) provide for the establishment and implementation of the CSD's "Debt Instrument Solution ('DIS')". These amendments also provide, among other things, for the appointment of an 'Issuer Agent' who will be responsible, among other things, for the confirmation of interest/coupon and partial redemption amounts to be disbursed under debt instruments and the confirmation, on a daily basis of the outstanding principal amount of debt instruments in issue. An 'Issuer Agent' may be electronically connected to the Debt Instrument System by a system (the Central Messaging Front-End System ('CMFE')) that caters for an 'Issuer Agent' interface to the Debt Instrument System. The Central Messaging Front-End System will enable an 'Issuer Agent' to interact directly with the CSD.

8.7.2. The Calculation/Issuer Agent is the 'Issuer Agent' contemplated in the CSD Procedures. In addition to the duties and obligations of the Calculation/Issuer Agent contemplated in this Condition 8 and the Applicable Agency Agreement (if any), the Calculation/Issuer Agent will perform all such additional duties and comply with all such additional obligations as are required to be performed and/or complied with under the applicable provisions of the CSD Procedures.

8.8. **General**

8.8.1. *Calculation of other amounts*

If the Applicable Pricing Supplement specifies that any other amount, rate, index and/or formula in relation to a Tranche of Notes is to be calculated by the Calculation/Issuer Agent, the Calculation/Issuer Agent will, as soon as practicable after the time or times at which any such amount, rate, index and/or formula is to be determined, calculate the relevant amount, rate, index and/or formula in the manner specified in the Applicable Pricing Supplement.

8.8.2. *Fall-back Interest Rate*

Unless otherwise specified in the relevant Applicable Pricing Supplement, if the Calculation/Issuer Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions of this Condition 8, the Interest Rate applicable to the relevant Tranche of Notes during the relevant Interest Period will be the Interest Rate applicable to the relevant Tranche of Notes during the immediately preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

8.8.3. *Notification of Floating Interest Rate and each Interest Amount*

8.8.3.1. The Calculation/Issuer Agent will cause each Floating Rate of Interest and each Interest Amount determined by it (and any other amount/s required to be determined by it) to be notified to the Settling Bank as soon as practicable after such determination but in any event not later than 3 (three) Business Days after the Rate Determination Date or the Reset Date, as applicable (in the case of the determination of the Floating Interest Rate) and not later than 3 (three) Business Days before the Interest Payment Date (in the case of the determination of the Interest Amount). The Calculation/Issuer Agent will cause each Floating Interest Rate applicable to, and each Interest Amount in respect of, a Tranche of Notes which is listed on the Interest Rate Market to be published on SENS not later than 3 (three) Business Days before the relevant Interest Payment Date.

8.8.3.2. The Calculation/Issuer 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.

8.8.4. *Certificates to be final*

All communications, notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation/Issuer Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to the Issuer or the Noteholders will attach to the Calculation/Issuer Agent in connection with the exercise or non-

exercise by it of its powers, duties and discretions pursuant to the provisions of this Condition 8.

8.8.5. *Failure to make determinations*

If the Calculation/Issuer Agent does not for any reason determine and/or calculate and/or publish any amount, rate or date as provided in the Terms and Conditions, it will forthwith notify the Issuer and the Settling Bank thereof and, if the relevant Notes are listed on the Interest Rate Market of the JSE, it will forthwith notify the JSE and the CSD thereof. Any failure by the Calculation/Issuer Agent to determine and/or calculate and/or publish any of the foregoing will not affect the Issuer's obligations to pay any amount due in respect of the Notes as and when due.

9. PAYMENTS

9.1. General

- 9.1.1. All payments of all amounts (whether in respect of principal, interest or otherwise) due and payable in respect of any Notes shall be made by the Settling Bank, on behalf of the Issuer, on the terms and conditions of the Applicable Agency Agreement and this Condition 9.
- 9.1.2. All references in this Condition 9 to "*Settling Bank*" shall be construed as references to the Settling Bank acting on behalf of the Issuer.
- 9.1.3. Payments will be subject in all cases to any Taxation or other laws, directives and regulations applicable to such payment in the place of payment.
- 9.1.4. Any reference in the Terms and Conditions to principal and/or interest in respect of the Notes shall be deemed to include any additional amounts which may be payable under Condition 9.

9.2. Method of payment

9.2.1. *Registered Noteholders*

- 9.2.1.1. Subject to Condition 9.2.2, only Noteholders named in the Register at 17h00 (South African time) on the relevant Last Day to Register will be entitled to payments of interest and/or dividend and/or principal in respect of the Notes.
- 9.2.1.2. Payments of all amounts due and payable in respect of Uncertificated Notes shall be made in accordance with the CSD Procedures and Condition 9.2.2.
- 9.2.1.3. Payments of all amounts due and payable in respect of Notes represented by Certificates shall be made, in accordance with Condition 9.2.3, to the person named as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the relevant Last Day to Register.

9.2.2. *Method of payment – Uncertificated Notes*

- 9.2.2.1. The Issuer has opened the Designated Bank Account with the Settling Bank. The Designated Bank Account will be used solely for purposes of depositing (and funding) the aggregate amount (whether in respect of principal, interest or otherwise) which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes. The Issuer will, in accordance with the CSD Procedures, furnish the CSD with full details of the Settling Bank and the Designated Bank Account.
- 9.2.2.2. The Settling Bank will, in accordance with the CSD Procedures and by no later than the time and day stipulated in the CSD Procedures, make an irrevocable deposit, into the Designated Bank Account, of the full aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes. Such amount will be deposited into the Designated Bank Account, in immediately available and freely transferable funds, in the Specified Currency.
- 9.2.2.3. The funds in the Designated Bank Account will be transferred to the relevant CSD Participants, by means of the South African Multiple Option Settlement ('SAMOS') system operated by the South African Reserve Bank. The CSD Participants will then make payment of the relevant amounts to the registered Noteholders of Uncertificated Notes, in accordance with the CSD Procedures.
- 9.2.2.4. Once the funds deposited into the Designated Bank Account have been cleared and credited to the Designated Bank Account, and transferred from the Designated Bank Account to the relevant CSD Participants, neither the Settling Bank nor the Issuer shall be responsible for the loss in transmission of any such funds. Accordingly, the irrevocable deposit of any amount into (and the clearance and crediting of such amount to) the Designated Bank Account, and the transfer of such amount from the Designated Bank Account to the relevant CSD Participants, all in accordance with the CSD Procedures and this Condition 9.2.2, will be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the relevant registered Noteholders under the relevant Uncertificated Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement.

9.2.2.5. Each of the persons reflected in the records of the relevant CSD Participant as the registered Noteholder of Uncertificated Notes shall look solely to the relevant CSD Participant for such person's share of the funds deposited into the Designated Bank Account.

9.2.2.6. Payments of amounts due and payable in respect of Uncertificated Notes will be recorded by the relevant CSD Participant, distinguishing between interest and principal, and such record of payments by the relevant CSD Participant will be *prima facie* proof of such payments.

9.2.3. *Method of payment - Notes represented by Certificates*

9.2.3.1. The Settling Bank will, in the case of Note/s which is/are represented by a Certificate, pay all amounts which are due and payable, on a Payment Date, to the registered Noteholder/s of such Note/s, in immediately available and freely transferable funds, in the Specified Currency, by electronic funds transfer, to the bank account of the person named as the registered Noteholder of such Notes in the Register or, in the case of joint registered Noteholders, the bank account of the first one of them named in the Register in respect of such Notes.

9.2.3.2. If several persons are entered into the Register as joint registered Noteholders of Notes Note/s which are represented by a Certificate then, without affecting the previous provisions of this Condition 9.2.3, payment to any one of them shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer and/or the Settling Bank may have of the right, title, interest or claim of any other person to or in any such Notes.

9.2.3.3. Neither the Settling Bank nor the Issuer shall be responsible for the loss in transmission of any funds referred to in Condition 9.2.3.1, and payment of any amount into the bank account referred to in Condition 9.2.3.1 in accordance with Condition 9.2.3.1, shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the Noteholders under the relevant Notes, the Applicable Terms and Conditions and the Applicable Agency Agreement.

9.3. **Payments by cheque**

9.3.1. If the Settling Bank is prevented or restricted directly or indirectly from making any payment in respect of any Notes by electronic funds transfer in accordance with the preceding provisions of this Condition 9 (whether by reason of strike, lockout, fire, explosion, flood, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbance, cessation of labour, government interference or control or any other cause or contingency beyond the control of the Issuer) such inability to make payment will not constitute an Event of Default and the Settling Bank shall be entitled (subject to Applicable Laws and banking practice) to make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice).

9.3.2. Payments by cheque shall, promptly after the Settling Bank is so prevented or restricted from making payment by electronic funds transfer (as contemplated in Condition 9.3.1), be sent by post, at the risk of the relevant Noteholder (unless otherwise requested by the relevant Noteholder by notice in writing to the Settling Bank), to the address of the relevant Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of such Notes.

9.3.3. Each cheque issued in respect of the Notes shall be made payable to or for the order of the Noteholder of such Notes or, in the case of joint Noteholders of Notes, the first one of them named in the Register in respect of such Notes. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Settling Bank shall be responsible for any loss, including without limitation any loss due to theft or fraud, in transmission and the postal authorities shall be deemed to be the agent of the relevant Noteholders for the purposes of all cheques posted in terms of this Condition 9.3.

9.3.4. Payment by cheque sent in terms of this Condition 9.3 shall be a complete discharge by the Issuer of its obligations in respect of the amount of the cheque. The relevant Noteholders shall not be entitled to any interest or other payment in respect of any delay in payment of any amount in respect of the relevant Notes resulting from a cheque mailed in accordance with this Condition 9.3 arriving after the due date for such payment or being lost in the mail.

9.4. **Surrender of Certificates**

9.4.1. Payments of principal in respect of any Note/s which is/are represented by Certificate/s shall be made to the Noteholder/s of such Note/s only if, prior to the Redemption Date, such Certificate/s shall have been surrendered to the Transfer Agent (at its Specified Office).

9.4.2. If the relevant Certificate is not surrendered to the Transfer Agent (at its Specified Office) in

accordance with Condition 9.4.1, the amount of principal payable to the Noteholder of the Notes represented by that Certificate shall be retained by the Settling Bank for such Noteholder, at the latter's risk, until that Certificate shall have been surrendered to the Transfer Agent (at its Specified Office), and such Noteholder will not be entitled to any interest and/or other payments in respect of any delay in payment occasioned as a result of such failure to surrender such Certificate.

9.5. **Payment Date**

Notwithstanding anything to the contrary contained in the Terms and Conditions, if the date for payment of any amount (whether in respect of principal, interest or otherwise) due and payable in respect of a Tranche of Notes is not a Business Day, then:

- 9.5.1. if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day;
- 9.5.2. if a Business Day Convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day Convention,

and the holders of such Notes will not be entitled to further interest or other payments in respect of any such delay.

10. **REDEMPTION AND PURCHASES**

10.1. **Redemption on the Maturity Date**

Unless previously redeemed, or purchased and cancelled, pursuant to this Condition 10 below, the Issuer will redeem a Tranche of Notes, at the Final Redemption Amount, on the Maturity Date.

10.2. **Redemption for tax reasons**

- 10.2.1. The Issuer may at its election, redeem a Tranche of Notes, on the Early Redemption Date, at the Early Redemption Amount, subject to the Issuer having given not less than 30 (thirty) nor more than 60 (sixty) days' notice of redemption (which notice of redemption shall be irrevocable) to the Transfer Agent, the Calculation/Issuer Agent, the Settling Bank and (in the manner set out in Condition 18) the Noteholders of the Notes in that Tranche if the Issuer, immediately prior to the giving of such notice of redemption, is of the reasonable opinion that:

- 10.2.1.1. as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11; and
- 10.2.1.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of that Tranche of Notes then due.

- 10.2.2. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 in whole or in part, as specified in the notice of redemption described in Condition 10.2.1. Redemption in part may be effected by the Issuer notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11.

10.3. **Redemption at the election of the Issuer**

If "*Redemption at the option of the Issuer*" is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes, the Issuer may, at its election, having given not less than 30 (thirty) nor more than 60 (sixty) days' notice of redemption (which notice of redemption shall be irrevocable) to the Settling Bank, the Transfer Agent and (in the manner set out in Condition 18) the Noteholders of that Tranche of Notes, redeem that Tranche of Notes, in whole or in part (as specified in such notice of redemption), on the Optional Redemption Date, at the Optional Redemption Amount.

10.4. **Redemption following a Change of Control Event**

- 10.4.1. If "*Redemption following a Change of Control Event*" is specified in the Applicable Pricing Supplement as being applicable to a Tranche of Notes ("**relevant Notes**") and, within the Change of Control Period (i) a Change of Control Event occurs and (ii) the Noteholders of the relevant Notes ("**relevant Noteholders**") resolve by way of an Extraordinary Resolution passed at a meeting of the relevant Noteholders to require the Issuer to redeem the relevant Notes, then the Issuer shall redeem the relevant Notes, subject to and in accordance with this Condition 10.4.
- 10.4.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer

shall give a notice (a "**Change of Control Notice**") to the relevant Noteholders in accordance with Condition 18 (a) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the right of the relevant Noteholders to exercise an election, by way of Extraordinary Resolution passed at a meeting of the relevant Noteholders, to require the Issuer to redeem the relevant Notes and (b) convening the meeting of the relevant Noteholders within 30 (thirty) days of the date on which the Issuer becomes aware of the Change of Control Event having occurred.

10.4.3. If the relevant Noteholders resolve, by way of an Extraordinary Resolution passed at the meeting of the relevant Noteholders, to require the Issuer to redeem the relevant Notes as a consequence of the occurrence of the Change of Control Event, the Issuer shall redeem all of the relevant Notes (in whole), at the Mandatory Redemption Amount, on the Mandatory Redemption Date.

10.4.4. For the purposes of this Condition 10.4:

10.4.4.1. "**Change of Control**" of the Issuer means any event which results in the Minister of Water and Sanitation (or any successor Minister) ceasing to have the power to appoint the chairperson and other members of the Board, as contemplated in section 35(1) of the Water Services Act (or the corresponding section of any successor legislation) and/or any event which results in the Minister of Water and Sanitation (or any successor Minister) ceasing to have the power to terminate the appointment of any or all the members of the Board, as contemplated in section 35(5) of the Water Services Act (or the corresponding section of any successor legislation);

10.4.4.2. "**Change of Control Event**" means an event where:

10.4.4.2.1. a Change of Control occurs; and

10.4.4.2.2. within the Change of Control Period and as a result of the Change of Control, a Rating Downgrade occurs in relation to the Issuer and/or any Tranche of Notes;

10.4.4.3. "**Change of Control Period**" means, in relation to a Change of Control of the Issuer, the period commencing on the Date of Announcement and ending on the 45th (forty-fifth) day following the Date of Announcement;

10.4.4.4. "**Date of Announcement**" means the date on which the Change of Control is announced by the Issuer or any other person connected therewith;

10.4.4.5. a "**Rating Downgrade**" shall, in relation to Issuer and/or any Tranche of Notes, be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the Rating previously assigned to the Issuer and/or that Tranche of Notes by any Rating Agency is:

10.4.4.5.1. withdrawn;

10.4.4.5.2. in the case of an Investment Grade Rating, changed from an Investment Grade Rating to a non-Investment Grade Rating by any Rating Agency; or

10.4.4.5.3. in the case of a non-Investment Grade Rating, downgraded by any Rating Agency, provided that no Rating Downgrade shall have occurred if the Rating assigned to the Issuer and/or that Tranche of Notes is substituted for an Investment Grade Rating by another Rating Agency.

10.5. **Early redemption of Zero Coupon Notes**

10.5.1. Unless otherwise specified in the Applicable Pricing Supplement, the amount of principal payable in respect of a Tranche of Zero Coupon Notes which has been redeemed prior to the Maturity Date shall be an amount equal to the sum of:

10.5.1.1. the Reference Price; and

10.5.1.2. the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the Redemption Date.

10.5.2. Where any calculation is to be made in terms of this Condition 10.5 for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 (three hundred and sixty five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

10.6. **Redemption of a portion of the Notes**

If only a portion of a Tranche of Notes (or only a portion of any Notes in that Tranche) are to be redeemed prior to the Maturity Date in terms of this Condition 10, the Redemption Amount of each such Note shall be the Redemption Amount of that Tranche of Notes (calculated as if that Tranche of Notes were to be redeemed in whole) multiplied by that portion (expressed as a percentage) divided by the total number

of Notes in that Tranche.

10.7. Redemption of some, but not all, of the Notes in a Tranche

Where only some, but not all, of the Notes in a Tranche of Notes are to be redeemed prior to the Maturity Date in terms of this Condition 10, the Redemption Amount of each such Note shall be the Redemption Amount of that Tranche of Notes divided by the total number of Notes in that Tranche.

10.8. Purchases

The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. In the event of the Issuer purchasing Notes, such Notes may (subject to the restrictions of any Applicable Law) be held, resold or, at the option of the Issuer, cancelled.

10.9. Cancellation

All Notes which are redeemed or purchased by the Issuer and, at the option of the Issuer, cancelled (as contemplated in Condition 10.8) will forthwith be cancelled and may not be re-issued or resold. Each Certificate (if any) representing any Notes which are cancelled or, following a partial redemption, partially cancelled, shall be forwarded to the Transfer Agent for cancellation. The Transfer Agent shall, in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE, notify the CSD and the JSE of any cancellation, partial cancellation, partial redemption or redemption of Notes so that such entities can record the reduction in the aggregate Outstanding Principal Amount of the Notes in issue. Where only a portion of the Notes represented by a Certificate is redeemed, the Transfer Agent shall deliver a new Certificate to the holder of such Notes representing the balance of such Notes, as contemplated in Condition 14.2.

10.10. Uncertificated Notes

The redemption of Uncertificated Notes shall take place in accordance with the Financial Markets Act and the Applicable Procedures.

11. TAXATION

11.1. All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for or on account of any Taxes, unless the withholding or deduction is required by Applicable Law.

11.2. If any withholding or other deduction for or on account of any Taxes is required by Applicable Law, the Issuer shall, subject to the Issuer's rights to redeem that Tranche of Notes for tax reasons pursuant to Condition 10.2, pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been received by them in the absence of such withholding or deduction, provided that no such additional amounts shall be payable in respect of any Note:

11.2.1. to a Noteholder who is liable for such Taxes in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect of such Note; or

11.2.2. held by or on behalf of a Noteholder which would not be liable for or subject to such withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or

11.2.3. where such withholding or deduction is in respect of Taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the "*taxable income*" (as defined in section 1 of the Income Tax Act) or "*taxable capital gain*" (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of the relevant Noteholder; or

11.2.4. where (in the case of any payment of principal and/or interest which is conditional on surrender of the relevant Certificate in accordance with the Terms and Conditions), the relevant Certificate is surrendered more than 30 (thirty) days after the Payment Date, except to the extent that the relevant Noteholder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on such 30th (thirtieth) day; or

11.2.5. if such withholding or deduction arises through the exercise by the revenue authorities of special powers in respect of tax defaulters.

11.3. The payment of any Taxes by the Issuer as an agent or representative taxpayer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 11.

11.4. Any reference in the Terms and Conditions to any amounts in respect of the Notes shall be deemed also

to refer to any additional amounts which may be payable under the Terms and Conditions or under any undertakings given in addition to, or in substitution for, the Terms and Conditions.

12. EXCHANGE OF UNCERTIFICATED NOTES FOR NOTES REPRESENTED BY AN INDIVIDUAL CERTIFICATE AND REPLACEMENT OF CERTIFICATES

12.1. Exchange of Uncertificated Notes

12.1.1. A Noteholder of Uncertificated Notes may, in terms of the Applicable Procedures and subject to section 42 as read with section 35(2)(i) of the Financial Markets Act (or such other relevant section of any successive legislation), by written notice to the Noteholder's nominated CSD Participant (or, if such Noteholder is a CSD Participant, the CSD), request that such Uncertificated Notes be exchanged for Notes in definitive registered form represented by a Certificate ("**Exchange Notice**"). The Exchange Notice shall specify (i) the name, address and bank account details of the Noteholder of the Uncertificated Notes and (ii) the day on which such Uncertificated Notes are to be exchanged for a Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) days after the day on which such Exchange Notice is given.

12.1.2. The Noteholder's nominated CSD Participant will, within 7 (seven) days of receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange the Uncertificated Notes for Notes represented by a Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) days after receiving such notice, in accordance with the Applicable Procedures, procure that a Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period ("**Exchange Date**"), to the CSD Participant acting on behalf of the Noteholder of the Uncertificated Notes at the Specified Office of the Transfer Agent; provided that joint Noteholders of Uncertificated Notes shall be entitled to receive only one Certificate in respect of that joint holding, and delivery to one of those joint Noteholders shall be delivery to all of them.

12.1.3. In order to effect the exchange of Uncertificated Notes for Notes represented by a Certificate (a) such Uncertificated Notes will, prior to the Exchange Date, be surrendered (through the CSD) to the Transfer Agent at its Specified Office and (b) the Transfer Agent will obtain the release of such Uncertificated Notes from the CSD in accordance with the CSD Procedures.

12.1.4. A Certificate shall, in relation to any number of Uncertificated Notes of a particular aggregate Outstanding Principal Amount standing to the account of the Noteholder thereof, represent that number of Notes of that aggregate Outstanding Principal Amount and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Outstanding Principal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

12.2. Replacement of Certificates

If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith, and upon such terms as to evidence of title and the provision of such indemnity or security as the Issuer and the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

12.3. Death and sequestration or liquidation of Noteholder

Any person becoming entitled to Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer and the Transfer Agent that he holds the position in respect of which he proposes to act under this Condition 12.3 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 and Condition 14.2, may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant CSD Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

12.4. Costs

The costs and expenses of the delivery of each Certificate and all taxes or governmental charges that may be imposed in relation to such Certificate and/or the printing, issue and delivery of such Certificate and all related insurance charges (if any) shall, unless and to the extent otherwise provided by Chapter IV of the Financial Markets Act, be borne by the Noteholder of the Notes represented by that Certificate.

Separate costs and expenses relating to the provision of Certificates and/or the transfer of Notes represented by Certificates may be levied by other persons, such as a CSD Participant, under the

Applicable Procedures, and such costs and expenses shall not be borne by the Issuer.

13. REGISTER

- 13.1. The Register will be maintained by the Transfer Agent and will be kept at the Specified Office of the Transfer Agent. The Register will reflect the number of Notes issued and outstanding and the serial number of Certificates (if any) issued in respect of the Notes. The registered Noteholders of the Uncertificated Notes will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered Noteholders of such Uncertificated Notes.
- 13.2. The Register will contain the name, address and bank account details of the registered Noteholders of Notes represented by Certificates. The Register will set out the aggregate Principal Amount of Notes issued to a Noteholder or the aggregate Outstanding Principal Amount of Notes transferred to a Noteholder, as the case may be, the Issue Date or the date of transfer, as the case may be, and the date upon which the Noteholder became registered as such.
- 13.3. The Register will be open for inspection during the normal business hours of the Transfer Agent by any Noteholder of Notes (or any Representative of such Noteholder). The Register will, in relation to a Tranche of Notes, be closed during the Books Closed Period.
- 13.4. Neither the Issuer nor the Settling Bank nor the Transfer Agent will be bound to enter any trust into the Register or to take any notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.
- 13.5. The Transfer Agent will alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of Notes of which it is notified; provided that the Register will only be amended to reflect a transfer of Notes represented by a Certificate if such transfer is carried out in accordance with Condition 14.2.

14. TRANSFER OF NOTES

14.1. Transfer of Uncertificated Notes

- 14.1.1. Uncertificated Notes may be transferred only in accordance with the CSD Procedures.
- 14.1.2. Transfers of Uncertificated Notes to and from clients of CSD Participants shall occur by way of electronic book entry in the securities accounts maintained by the CSD Participants for their clients, in accordance with the CSD Procedures.

14.2. Transfer of Notes represented by Certificates

- 14.2.1. In order for any transfer of Notes represented by a Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
 - 14.2.1.1. the transfer of such Notes is embodied in the Transfer Form;
 - 14.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any Representative of that registered Noteholder and/or transferee;
 - 14.2.1.3. the Transfer Form is delivered to the Transfer Agent, at its Specified Office, together with the Certificate representing such Notes for cancellation.
- 14.2.2. Notes represented by a Certificate may be transferred, in whole or in part, in amounts of not less than the Specified Denomination or any multiple thereof.
- 14.2.3. Subject to the preceding provisions of this Condition 14.2, the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or the Applicable Procedures), record the transfer of Notes represented by a Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Specified Office of the Transfer Agent or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Certificate in respect of such Notes reflecting the same Outstanding Principal Amount as the Notes transferred.
- 14.2.4. Where a Noteholder has transferred part only of his holding of Notes represented by a Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Specified Office of the Transfer Agent or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, a new Certificate in respect of the balance of the Notes held by such Noteholder.
- 14.2.5. The transferor of any Notes represented by a Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.2.6. Before any transfer of any Notes represented by a Certificate is registered in the Register, all relevant

transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may require as to the identity and title of the transferor and the transferee.

- 14.2.7. No transfer of any Notes represented by a Certificate will be registered during the Books Closed Period.
- 14.2.8. If a transfer of any Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.

15. PRESCRIPTION

Any claim for payment of any amount (whether in respect of principal, interest or otherwise) in respect of any Notes will prescribe 3 (three) years after the date on which such amount first becomes due and payable under the Applicable Terms and Conditions.

16. EVENTS OF DEFAULT

16.1. Senior Notes

- 16.1.1. An Event of Default in respect of Senior Notes will occur if any one or more of the following events shall have occurred and be continuing:
 - 16.1.1.1. the Issuer fails to pay any principal or interest due under any Tranche of Senior Notes on the due date for payment thereof and any such failure continues for a period of 5 (five) Business Days after the Issuer has received written notice from any of the Senior Noteholders of that Tranche of Senior Notes demanding such payment; or
 - 16.1.1.2. the Issuer or any Material Subsidiary, as the case may be, fails to remedy a breach of Condition 7 within 30 (thirty) Business Days of receiving written notice from any of the Senior Noteholders demanding such remedy; or
 - 16.1.1.3. the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this Condition 16.1) under the Applicable Terms and Conditions of any Tranche of Senior Notes and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from any of the Senior Noteholders of that Tranche of Senior Notes specifying the failure and requesting the Issuer to remedy same; or
 - 16.1.1.4. the Issuer or any Material Subsidiary, as the case may be, defaults in the payment any amount due and payable under any Material Indebtedness of the Issuer or that Material Subsidiary, as the case may be, as and when the same shall become due and payable and, where notice has been given to the Issuer or that Material Subsidiary, as the case may be, of such default and such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such amount has not been effectively extended or if any such amount shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default thereunder; or
 - 16.1.1.5. any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Applicable Terms of Conditions of any Tranche of Senior Notes is not taken fulfilled or done or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other obligations under the Applicable Terms of Conditions of that Tranche of Senior Notes and the Issuer fails to take reasonable steps to remedy such circumstances within 5 (five) Business Days of receiving written notice from any of the Senior Noteholders of that Tranche of Senior Notes demanding such remedy; or
 - 16.1.1.6. the Minister of Water and Sanitation consults with the Issuer, in terms of section 28(2) of the Water Affairs Act, with a view to disestablishing the Issuer or the Minister of Water and Sanitation notifies the Issuer that he or she intends to disestablish the Issuer, as contemplated in section 46(1)(b) of the Water Services Act, or the Minister of Water and Sanitation, by notice in the *Government Gazette*, disestablishes the Issuer in terms of section 28(1) of the Water Services Act; provided that the occurrence of any such event shall not constitute an Event of Default if, prior to the occurrence of such event, such event is approved by an Extraordinary Resolution of the Senior Noteholders;
 - 16.1.1.7. an order by any court of competent jurisdiction or authority for the liquidation, winding-up, dissolution, or placement under supervision and commencement of business rescue proceedings of any Material Subsidiary is made, whether provisionally (and not dismissed or withdrawn within

21 (twenty one) days thereof) or finally, or any Material Subsidiary is placed under voluntary liquidation or curatorship, or a meeting is convened to consider the passing of a resolution, or a resolution is passed, to authorise the implementation of any business rescue proceedings in respect of any Material Subsidiary, provided that no liquidation, winding-up, dissolution or business rescue proceedings shall constitute an Event of Default if (i) the liquidation, winding-up, dissolution or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Rand Water Group with any third party; or (ii) the liquidation, winding-up, dissolution or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement and the terms of such liquidation, winding-up, dissolution or business rescue proceedings were approved by an Extraordinary Resolution of the Senior Noteholders before the date of such liquidation, winding-up, dissolution or business rescue proceedings; or

- 16.1.1.8. the Issuer or any Material Subsidiary, as the case may be, initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors or, in the case of any Material Subsidiary, liquidation, winding-up, business rescue or insolvency or other similar laws) or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any Material Subsidiary, as the case may be, to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to the Issuer or that Material Subsidiary, as the case may be, and is for the purposes of an internal reconstruction or reorganisation within the Rand Water Group or is effected in terms of the Water Services Act; or
- 16.1.1.9. a person validly attaches in execution the whole or a Material Part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, in both instances following a judgement against the Issuer or that Material Subsidiary, as the case may be, by a court of competent jurisdiction and such is not discharged within 21 (twenty one) days; or
- 16.1.1.10. any other Event of Default occurs in respect of that Tranche of Senior Notes, as specified in the Applicable Pricing Supplement.
- 16.1.2. The Issuer, upon becoming aware that an Event of Default contemplated in Condition 16.1.1 has occurred and is continuing, shall forthwith notify (i) the Senior Noteholders (in the manner set out in Condition 18) of that Event of Default and (ii) the Settling Bank, the Calculation/Issuer Agent, the CSD and, if any of the Senior Notes are listed on the Interest Rate Market of the JSE, the JSE, in writing of that Event of Default.
- 16.1.3. Any Senior Noteholder of Senior Notes in respect of which an Event of Default contemplated in Condition 16.1.1 has occurred may, by written notice to the Issuer effective upon the date of receipt thereof by the Issuer, declare those Senior Notes to be immediately due and payable, whereupon those Senior Notes ("**Accelerated Senior Notes**") (whether or not due for payment) shall become immediately due and payable at the Early Termination Amount.
- 16.1.4. The Issuer shall, forthwith following receipt of a notice contemplated in Condition 16.1.3, notify the Settling Bank, the Calculation/Issuer Agent, the CSD and, if any of the Accelerated Senior Notes are listed on the Interest Rate Market of the JSE, the JSE, that the Accelerated Senior Notes have become immediately due and payable.
- 16.1.5. For the purposes of Condition 16.1.4, any Material Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.

16.2. Subordinated Notes

- 16.2.1. An Event of Default in respect of Subordinated Notes will occur if, other than as a result of compliance with Applicable Laws, any one or more of the following events shall have occurred and be continuing:
- 16.2.1.1. subject to and without derogating from the provisions of Condition 6, the Issuer fails to pay any principal or interest due under any Tranche of Subordinated Notes on the due date for payment thereof and any such failure continues for a period of 7 (seven) Business Days after the Issuer has received written notice from any of the Subordinated Noteholders of that Tranche of

- Subordinated Notes demanding such payment; or
- 16.2.1.2. an Event of Default contemplated in Condition 16.1.1.6 or Condition 16.1.1.7 occurs.
- 16.2.2. The Issuer, upon becoming aware that an Event of Default contemplated in Condition 16.2.1 has occurred and is continuing, shall forthwith notify (i) all of the Noteholders (in the manner set out in Condition 18) of that Event of Default and (ii) the Settling Bank, the Calculation/Issuer Agent, the CSD and, if any of the Subordinated Notes are listed on the Interest Rate Market of the JSE, the JSE, in writing of that Event of Default.
- 16.2.3. Any Subordinated Noteholder of Subordinated Notes in respect of which an Event of Default contemplated in Condition 16.2.1.1 has occurred may, subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the relevant obligation to pay; provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on the Subordinated Notes sooner than the same would otherwise have been payable by it.
- 16.2.4. If an Event of Default contemplated in Condition 16.2.1.2 or Condition 16.1.1.7 has occurred, any Subordinated Noteholder of Subordinated Notes may, by written notice to the Issuer effective upon the date of receipt thereof by the Issuer, declare those Subordinated Notes to be immediately due and payable, whereupon those Subordinated Notes ("**Accelerated Subordinated Notes**") (whether or not due for payment) shall become immediately due and payable at the Early Termination Amount (subject to and without derogating from the provisions of Condition 6).
- 16.2.5. The Issuer shall, forthwith following receipt of a notice contemplated in Condition 16.2.4, notify the Settling Bank, the Calculation/Issuer Agent, the CSD and, if any of the Accelerated Subordinated Notes are listed on the Interest Rate Market of the JSE, the JSE, that the Accelerated Subordinated Notes have become immediately due and payable.

17. TRANSFER AGENT, CALCULATION/ISSUER AGENT AND SETTLING BANK

- 17.1. The Issuer is entitled to vary or terminate the appointment of any third party appointed by the Issuer as Calculation/Issuer Agent and/or Settling Bank and/or Transfer Agent in accordance with the terms and conditions of the Applicable Agency Agreement governing that appointment and/or to appoint additional or other agents.
- 17.2. If the Issuer elects to appoint another entity (not being the Issuer) as Calculation/Issuer Agent and/or Settling Bank and/or Transfer Agent, that other entity, on execution of an appropriate Applicable Agency Agreement or an appropriate accession letter to the Applicable Agency Agreement, as the case may be, shall serve in that capacity in respect of the Notes. The Issuer shall notify the Noteholders (in the manner set out in Condition 16.1) of any such appointment and, if any Notes are listed on the Interest Rate Market of the JSE, the Issuer shall notify the JSE of any such appointment.
- 17.3. There will at all times be a Calculation/Issuer Agent, a Settling Bank and a Transfer Agent with a Specified Office in such place as may be required by the Applicable Procedures.
- 17.4. The Calculation/Issuer Agent, the Settling Bank and the Transfer Agent act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 17.5. Subject to Applicable Laws, if and to the extent that the Issuer acts as Calculation/Issuer Agent and/or Transfer Agent:
- 17.5.1. all references in the Terms and Conditions to any action, conduct or function in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
- 17.5.2. any requirements in the Terms and Conditions for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and the Calculation/Issuer Agent and/or the Transfer Agent (as applicable) shall be disregarded to the extent that the Issuer performs such role.

18. NOTICES

18.1. Notice to Noteholders

- 18.1.1. All notices to Noteholders of Notes represented by Certificates shall be in writing and shall be sent by registered mail to the respective postal addresses of those Noteholders appearing in the Register or delivered by hand to the respective addresses of those Noteholders appearing in the Register. Each such notice shall be deemed to have been received by the relevant Noteholder on the date of delivery (if such notice is delivered by hand) or the tenth day after the date on which such notice is sent by

registered mail (if such notice is sent by registered mail).

- 18.1.2. For so long as any Notes represented by Certificates are listed on the Interest Rate Market of the JSE, there may be substituted for the notice contemplated in Condition 18.1.1, the publication of the relevant notice on SENS or on any other electronic news service of general distribution.
- 18.1.3. All notices to the Noteholders of Uncertificated Notes shall be in writing and shall be delivered by hand or transmitted by e-mail to the CSD, the JSE and the CSD Participants, for communication by the CSD and the CSD Participants to the Noteholders of Uncertificated Notes in accordance with the Applicable Procedures. Each such notice will be deemed to have been received by the holders of Beneficial Interests on the date of delivery (if such notice is delivered by hand) or the date on which such notice is transmitted by e-mail (if such notice is sent by e-mail).
- 18.1.4. Where any provision of the Terms and Conditions requires notice to be given to the Noteholders of any matter other than a meeting of Noteholders, such notice will be given *mutatis mutandis* as set out in this Condition 18.1, subject to compliance with any other time periods prescribed in the provision concerned.
- 18.1.5. In addition to the applicable notice requirements set out in this Condition 18.1 above, all notices of meetings of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) shall be published on SENS, as contemplated in Condition 20.3.8.

18.2. Notice by Noteholders

- 18.2.1. All notices to be given by any Noteholder of Note/s represented by a Certificate to the Issuer or the Transfer Agent, as the case may be, shall be in writing and given by delivering the notice, by hand or by registered post, together with a certified copy of that Certificate, to the Specified Office of the Issuer or the Specified Office of the Transfer Agent, as the case may be. Each such notice shall be deemed to have been received by the Issuer or the Transfer Agent, as the case may be, on the date of delivery (if such notice is delivered by hand) or the tenth day after the date on which such notice is sent by registered mail (if such notice is sent by registered mail).
- 18.2.2. All notices to be given by any Noteholder of Uncertificated Notes to the Issuer or the Transfer Agent, as the case may be, shall be in writing and given by such Noteholder through such Noteholder's CSD Participant subject to, and in accordance with, the CSD Procedures, and in such manner as the Issuer and the relevant CSD Participant may approve for this purpose.

19. AMENDMENT

- 19.1. The Issuer may effect, without the consent of any Noteholder or the approval of the JSE, any amendment to the Applicable Terms and Conditions (including any of the Terms and Conditions) which is of a technical nature or is made to correct a manifest error or is made to comply with mandatory provisions of any Applicable Laws. Such amendments shall be provided for in a new Programme Memorandum or a supplement to the Programme Memorandum ("**Supplement**"), as the case may be. The Issuer shall, immediately after such amendments have been made and provided for in a new Programme Memorandum or Supplement, as the case may be, provide such new Programme Memorandum or Supplement, as the case may be, to the JSE. The Issuer shall procure that a SENS announcement is released which provides a summary of such amendments and sets out where such new Programme Memorandum or Supplement, as the case may be, will be available for inspection. Any amendments effected in terms of this Condition 19.1 will be binding on all of the Noteholders.
- 19.2. If any amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) do not fall within the provisions of Condition 19.1 (such amendments being "**substantive amendments**") the following provisions of Conditions 19.2.1 to 19.2.14 inclusive below shall apply:
- 19.2.1. Where the proposed substantive amendments are amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) of a Tranche of Notes that has been Rated by a Rating Agency, the Issuer shall notify the Rating Agency of the proposed substantive amendments.
- 19.2.2. The substantive amendments shall be provided for in a draft new Programme Memorandum or a draft supplement to the Programme Memorandum ("**draft Supplement**"), as the case may be, and the Issuer shall first use its best endeavours to obtain the conditional formal approval of the JSE to such draft new Programme Memorandum or draft Supplement, as the case may be, in accordance with the applicable provisions of the JSE Debt Listings Requirements.
- 19.2.3. After having obtained the approval of the JSE pursuant to Condition 19.2.2, the Issuer shall send a notice to (i) all of the Noteholders (where the proposed substantive amendments are amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) which are applicable to all of the Notes) or (ii) the relevant Group/s of Noteholders (where the proposed

substantive amendments are amendments to any of the Applicable Terms and Conditions (including any of the Terms and Conditions) which are applicable only to *certain* Tranche/s of Notes), as applicable ("**relevant Noteholders**", the Notes held by the relevant Noteholders being the "**relevant Notes**") together with the draft new Programme Memorandum or draft Supplement, as the case may be, providing for the substantive amendments, requesting the approval of the substantive amendments from the relevant Noteholders by way of an Extraordinary Resolution or an Extraordinary Written Resolution.

- 19.2.4. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Resolution, a proxy form shall be sent, together with the notice convening the meeting at which the Extraordinary Resolution is proposed to be passed, to each person who is entitled to vote at such meeting and who has elected to receive such proxy form and notice of meetings.
- 19.2.5. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Written Resolution, the notice to the relevant Noteholders must include the proposed Extraordinary Written Resolution, any restrictions on voting under the Terms and Conditions, the last date on which a relevant Noteholder may submit its vote (in writing) on the proposed Extraordinary Written Resolution (provided that such date shall be no later than the 20th (twentieth) Business Day after the date on which the notice was sent to the relevant Noteholders) and the address to which the vote must be submitted.
- 19.2.6. For the purpose of the Extraordinary Resolution or the Extraordinary Written Resolution, as the case may be, where any votes are to be excluded from the passing of that Extraordinary Resolution or Extraordinary Written Resolution, as the case may be, any proxy appointed by a relevant Noteholder in respect of such an excluded vote shall be excluded from voting for the purposes of that Extraordinary Resolution or Extraordinary Written Resolution, as the case may be.
- 19.2.7. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Resolution, the Issuer shall, subject to Condition 19.2.9, procure that an announcement on SENS is released containing details of the date, time and venue of the meeting of the relevant Noteholders, within 24 (twenty four) hours after the notice of such meeting has been given to the relevant Noteholders.
- 19.2.8. If approval of the proposed substantive amendments is requested to be given by way of an Extraordinary Written Resolution, the Issuer shall, subject to Condition 19.2.9, procure that an announcement on SENS is released containing details of the proposed Extraordinary Written Resolution within 24 (twenty four) hours after notice of the proposed Extraordinary Written Resolution has been given to the relevant Noteholders.
- 19.2.9. If the required notice to the relevant Noteholders was given via a SENS announcement, the separate SENS announcement contemplated in Condition 19.2.7 or Condition 19.2.8, as applicable, shall not be required.
- 19.2.10. If approval of the proposed substantive amendments has been obtained from the relevant Noteholders, the Issuer shall procure that confirmation of such approval, as well as the executed final new Programme Memorandum or final Supplement, as the case may be, providing for the substantive amendments, is sent to the JSE.
- 19.2.11. The Issuer shall also provide a letter to the JSE which confirms that the executed final new Programme Memorandum or final Supplement, as the case may be, providing for the substantive amendments is identical, other than in minor respects, to the draft new Programme Memorandum or draft Supplement, as the case may be, conditionally formally approved by the JSE in terms of Condition 19.2.2.
- 19.2.12. Within 48 (forty eight) hours after the meeting to consider the proposed Extraordinary Resolution has been held or after the responses on the proposed Extraordinary Written Resolution have been obtained from the relevant Noteholders, as the case may be, the Issuer shall procure that a SENS announcement is released containing details of the voting results in respect of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable. The announcement shall include the following:
- 19.2.12.1. the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable;
- 19.2.12.2. the total number of votes exercised, in person or by proxy, by the relevant Noteholders who have elected to vote in respect of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to

- the aggregate Outstanding Principal Amount of all of the relevant Notes;
- 19.2.12.3. where any of the relevant Noteholders have elected not to vote in respect of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, the total number of abstained votes, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes;
- 19.2.12.4. where any of the relevant Noteholders have elected to vote in favour of the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, the total number of such votes, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes;
- 19.2.12.5. where any of the relevant Noteholders have elected to vote against the proposed Extraordinary Resolution or the proposed Extraordinary Written Resolution, as applicable, the total number of such votes, and the proportion (expressed as a percentage) which the aggregate Outstanding Principal Amount of the Notes held by such relevant Noteholders bears to the aggregate Outstanding Principal Amount of all of the relevant Notes.
- 19.2.13. The Issuer shall procure that the final new Programme Memorandum or final Supplement, as the case may be, providing for the substantive amendments is available for inspection for at least 2 (two) Business Day before the next listing of any Tranche of Notes on the Interest Rate Market of the JSE.
- 19.2.14. All substantive amendments to the Applicable Terms and Conditions (including any of the Terms and Conditions) effected in terms of this Condition 19.2 will be binding on all of the relevant Noteholders.

20. MEETINGS OF NOTEHOLDERS

20.1. Directions of Noteholders

- 20.1.1. The provisions with regard to meetings of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) are set out in this Condition 20. The provisions of this Condition 20 will apply, *mutatis mutandis*, to each separate meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) (each a "meeting").
- 20.1.2. Subject to the CSD Procedures in the case of the Noteholders of Uncertificated Notes, only Noteholders or the relevant Group/s of Noteholders (as applicable) named in the Register at 17h00 (South African time) on the Record Date will be entitled to receive notice of a meeting and to participate in and vote at a meeting.
- 20.1.3. "**Record Date**" means, in relation to a meeting, the date being 10 (ten) Business Days before the date scheduled for the holding of that meeting.
- 20.1.4. Every director or duly appointed representative of the Issuer and every other person authorised in writing by the Issuer, may attend and speak at a meeting, but will not be entitled to vote, other than (subject to Condition 20.4.5) as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 20.1.5. A meeting will have power, in addition to any powers specifically conferred elsewhere in the Terms and Conditions:
- 20.1.5.1. by Ordinary Resolution of all of the Noteholders, to give instructions to the Issuer in respect of any matter not covered by the Applicable Terms and Conditions (including any of Terms and Conditions) (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Applicable Terms and Conditions (including any of the Terms and Conditions) or imposing obligations on the Issuer not imposed or contemplated by the Applicable Terms and Conditions (including any of the Terms and Conditions) or otherwise conflicting with or inconsistent with the provisions of the Applicable Terms and Conditions (including any of the Terms and Conditions);
- 20.1.5.2. by Extraordinary Resolution of all of the Noteholders, to bind all of the Noteholders to any compromise or arrangement;
- 20.1.5.3. by Extraordinary Resolution of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), to approve any amendment to the Applicable Terms and Conditions (including any of the Terms and Conditions), subject to and in accordance with Condition 17.
- 20.1.6. Unless otherwise specified in the Terms and Conditions (and subject to Condition 20.1.5), resolutions of all of the Noteholders or the relevant Group/s of Noteholders (as applicable) shall be passed as

Ordinary Resolutions.

20.2. Convening of meetings

- 20.2.1. The Issuer may at any time convene a meeting.
- 20.2.2. Subject to Condition 20.2.3, the Issuer must convene a meeting if one or more written and signed demands for such a meeting are delivered to the Issuer, and:
- 20.2.2.1. each such demand describes the specific purpose for which the meeting is proposed; and
- 20.2.2.2. in aggregate, demands for substantially the same purpose are made and signed by Noteholders, as of the earliest time specified in any of those demands, of at least 10% (ten percent) of the voting rights entitled to be exercised in relation to the matter proposed to be considered at the meeting.
- 20.2.3. At any time before the start of a meeting contemplated in Condition 20.2.2:
- 20.2.3.1. a Noteholder who submitted a demand for that meeting may withdraw that demand; and
- 20.2.3.2. the Issuer must cancel the meeting if, as a result of one or more demands being withdrawn, the voting rights of any remaining Noteholder/s continuing to demand the meeting, in aggregate, fall below the minimum percentage of voting rights required to call a meeting.

20.3. Notice of meeting

- 20.3.1. Whenever the Issuer wishes (or is required) to convene a meeting, the Issuer must deliver a notice of that meeting, in the manner set out in Condition 18.1 and in the prescribed form set out in Condition 20.3.3, to all of the Noteholders or the relevant Group/s of Noteholders (as applicable) who are Noteholders as of the Record Date for that meeting, at least 15 (fifteen) Business Days before the date on which the meeting is to be held.
- 20.3.2. The Issuer may call a meeting with less notice than that required by Condition 20.3.1, but such meeting may proceed only if every person who is entitled to exercise voting rights in respect of any item on the meeting agenda:
- 20.3.2.1. is present at the meeting; and
- 20.3.2.2. votes to waive the required minimum notice of the meeting.
- 20.3.3. A notice of a meeting must be in writing, and must include:
- 20.3.3.1. the date, time and place for the meeting;
- 20.3.3.2. the Record Date for the meeting;
- 20.3.3.3. the general purpose of the meeting, and any specific purpose for which the meeting is proposed, as contemplated in Condition 20.2.2.1, if applicable;
- 20.3.3.4. a copy of any proposed resolution of which the Issuer has received notice, and which is to be considered at the meeting, and a notice of the percentage of voting rights that will be required for that resolution to be adopted;
- 20.3.3.5. a reasonably prominent statement that:
- 20.3.3.5.1. a Noteholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the Noteholder;
- 20.3.3.5.2. a proxy need not also be a Noteholder; and
- 20.3.3.5.3. a person participating in the meeting (including a proxy) must present reasonably satisfactory identification, as contemplated in Condition 20.4.1.1.
- 20.3.4. If there was a material defect in the giving of the notice of a meeting, the meeting may proceed, subject to Condition 20.3.5, only if every person who is entitled to exercise voting rights in respect of any item on the meeting agenda is present at the meeting and votes to approve the ratification of the defective notice.
- 20.3.5. If a material defect in the form or manner of giving notice of a meeting relates only to one or more particular matters on the agenda for the meeting:
- 20.3.5.1. any such matter may be severed from the agenda, and the notice remains valid with respect to any remaining matters on the agenda; and
- 20.3.5.2. the meeting may proceed to consider a severed matter, if the defective notice in respect of that matter has been ratified in terms of Condition 20.3.4.

- 20.3.6. An immaterial defect in the form or manner of giving notice of a meeting, or an accidental or inadvertent failure in the delivery of the notice to any particular Noteholder to whom it was addressed, does not invalidate any action taken at the meeting.
- 20.3.7. A Noteholder who is present at a meeting, either in person or by proxy:
- 20.3.7.1. is regarded as having received or waived notice of the meeting, if at least the required minimum notice was given; and
- 20.3.7.2. has a right to:
- 20.3.7.2.1. allege a material defect in the form of notice for a particular item on the agenda for the meeting; and
- 20.3.7.2.2. participate in the determination whether to waive the requirements for notice if less than the required minimum notice was given, or to ratify a defective notice; and
- 20.3.7.3. except to the extent set out in Condition 20.3.7.2, is regarded as having waived any right based on an actual or alleged defect in the notice of the meeting.
- 20.3.8. In addition to the applicable notice requirements set out in Condition 20.3 above, a meeting must be announced on SENS. The announcement must state the Record Date (that is, the date the Issuer has selected to determine which Noteholders recorded in the Register will receive notice of the meeting) and the last date by which proxy forms must be submitted.

20.4. Conduct of meetings

- 20.4.1. Before any person may attend or participate in a meeting:
- 20.4.1.1. that person must present reasonably satisfactory identification; and
- 20.4.1.2. the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a Noteholder, or as a proxy for a Noteholder, has been reasonably verified.
- 20.4.2. The Issuer may provide for:
- 20.4.2.1. a meeting to be conducted entirely by electronic communication; or
- 20.4.2.2. one or more Noteholders, or proxies for Noteholders, to participate by electronic communication in all or part of a meeting that is being held in person,
- as long as the electronic communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the meeting.
- 20.4.3. If the Issuer provides for participation in a meeting by electronic communication, as contemplated in Condition 20.4.2:
- 20.4.3.1. the notice of that meeting must inform all of the Noteholders or the relevant Group/s of Noteholders (as applicable) of that form of participation, and provide any necessary information to enable all of the Noteholders or the relevant Group/s of Noteholders (as applicable) or their proxies to access the available medium or means of electronic communication; and
- 20.4.3.2. access to the medium or means of electronic communication is at the expense of the relevant Noteholder or proxy, except to the extent that the Issuer determines otherwise.
- 20.4.4. Registered Noteholders of Uncertificated Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes must exercise their respective rights to vote through their respective CSD Participants. Subject to the CSD Procedures, the respective CSD Participants will vote in accordance with the respective instructions conveyed to them by the respective registered Noteholders of Uncertificated Notes.
- 20.4.5. Neither the Issuer nor any other Group Company will have any voting rights in respect of any Notes held by it.
- 20.4.6. At a meeting of Noteholders, voting may either be by show of hands, or by polling.
- 20.4.7. If voting is by show of hands, any person who is present at the meeting, whether as a Noteholder or as proxy for a Noteholder and entitled to exercise voting rights has 1 (one) vote, irrespective of the number of voting rights that person would otherwise be entitled to exercise.
- 20.4.8. If voting on a particular matter is by polling, any person who is present at the meeting, whether as a Noteholder or as proxy for a Noteholder, has 1 (one) vote for each ZAR1,000,000 (one million rand)

in Principal Amount of the aggregate Outstanding Principal Amount of all of the Notes held by such Noteholder or all of the Notes in the relevant Tranche/s of Notes held by such Noteholder (as applicable).

- 20.4.9. A polled vote must be held on any particular matter to be voted on at a meeting if a demand for such a vote is made by:
- 20.4.9.1. at least 5 (five) persons having the right to vote on that matter, either as a Noteholder or a proxy representing a Noteholder; or
- 20.4.9.2. a person who is, or persons who together are, entitled, as a Noteholder or proxy representing a Noteholder, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter.

20.5. Meeting quorum and adjournment

- 20.5.1. Subject to Conditions 20.5.2 to 20.5.6 inclusive below:
- 20.5.1.1. a meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
- 20.5.1.2. a matter to be decided at the meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.
- 20.5.2. Despite the percentage figures set out in Condition 20.5.1, if all of the Noteholders or the relevant Group/s of Noteholders (as applicable) comprise more than 2 (two) Noteholders, a meeting may not begin, or a matter begin to be debated, unless:
- 20.5.2.1. at least 3 (three) Noteholders are present at the meeting; and
- 20.5.2.2. the requirements of Condition 20.5.1 are satisfied.
- 20.5.3. If, within one hour after the appointed time for a meeting to begin, the requirements of Condition 20.5.1, or Condition 20.5.2 if applicable,
- 20.5.3.1. for that meeting to begin have not been satisfied, the meeting is postponed without motion, vote or further notice, for one week;
- 20.5.3.2. for consideration of a particular matter to begin have not been satisfied:
- 20.5.3.2.1. if there is other business on the agenda of the meeting, consideration of that matter may be postponed to a later time in the meeting without motion or vote; or
- 20.5.3.2.2. if there is no other business on the agenda of the meeting, the meeting is adjourned for 1 (one) week, without motion or vote.
- 20.5.4. The person intended to preside at a meeting that cannot begin due to the operation of Condition 20.5.1.1, or Condition 20.5.2 if applicable, may extend the one-hour limit allowed in Condition 20.5.3 for a reasonable period on the grounds that:
- 20.5.4.1. exceptional circumstances affecting weather, transportation or electronic communication have generally impeded or are generally impeding the ability of Noteholders to be present at the meeting; or
- 20.5.4.2. one or more particular Noteholders, having been delayed, have communicated an intention to attend the meeting, and those Noteholders, together with others in attendance, would satisfy the requirements of Condition 20.5.1, or Condition 20.5.2 if applicable.
- 20.5.5. The Issuer is not required to give further notice of a meeting that is postponed or adjourned in terms of Condition 20.5.3, unless the location for the meeting is different from:
- 20.5.5.1. the location of the postponed or adjourned meeting; or
- 20.5.5.2. a location announced at the time of adjournment, in the case of an adjourned meeting.
- 20.5.6. If, at the time appointed in terms of this Condition 20.5 for a postponed meeting to begin, or for an adjourned meeting to resume, the requirements of Condition 20.5.1, or Condition 20.5.2 if applicable, have not been satisfied, the Noteholders present in person or by proxy will be deemed to constitute a quorum.
- 20.5.7. After a quorum has been established for a meeting, or for a matter to be considered at a meeting, the

meeting may continue, or the matter may be considered, so long as at least 1 (one) Noteholder with voting rights entitled to be exercised at the meeting, or on that matter, is present at the meeting.

20.5.8. A meeting, or the consideration of any matter being debated at the meeting, may be adjourned from time to time without further notice, subject to Condition 20.5.9, on a motion supported by persons entitled to exercise, in aggregate, a majority of the voting rights:

20.5.8.1. held by all of the persons who are present at the meeting at the time; and

20.5.8.2. that are entitled to be exercised on at least 1 (one) matter remaining on the agenda of the meeting, or on the matter under debate, as the case may be.

20.5.9. An adjournment of a meeting, or of consideration of a matter being debated at the meeting, in terms of Condition 20.5.8:

20.5.9.1. may be either:

20.5.9.1.1. to a fixed time and place; or

20.5.9.1.2. until further notice,

as agreed at the meeting; and

20.5.9.2. requires that a further notice be given to all of the Noteholders or the relevant Group/s of Noteholders (as applicable) only if the meeting determined that the adjournment was "until further notice", as contemplated in Condition 20.5.9.1.2.

20.5.10. A meeting may not be adjourned beyond the earlier of:

20.5.10.1. the date that is 120 (one hundred and twenty) Business Days after the Record Date; or

20.5.10.2. the date that is 60 (sixty) Business Days after the date on which the adjournment occurred.

20.6. **Chairman**

The Issuer or its representative will preside as chairman at a meeting. If the aforesaid person is not present within 15 (fifteen) minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman at the meeting. Subject to this Condition 20, the procedures to be followed at the meeting will be as determined by the chairman. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

20.7. **Noteholder right to be represented by proxy**

20.7.1. At any time, a Noteholder may appoint any individual, including an individual who is not a Noteholder, as a proxy to:

20.7.1.1. participate in, and speak and vote at, a meeting on behalf of the Noteholder; or

20.7.1.2. give or withhold written consent on behalf of the Noteholder to a decision contemplated in Condition 20.9.

20.7.2. A proxy appointment:

20.7.2.1. must be in writing, dated and signed by the Noteholder; and

20.7.2.2. remains valid for:

20.7.2.2.1. 1 (one) year after the date on which it was signed; or

20.7.2.2.2. any longer or shorter period expressly set out in the appointment,

unless it is revoked in a manner contemplated in Condition 20.7.6.3, or expires earlier as contemplated in Condition 20.7.10.4.

20.7.3. A Noteholder may appoint 2 (two) or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to Notes in different Tranche/s and/or Series of Notes held by the Noteholder.

20.7.4. A proxy may delegate the proxy's authority to act on behalf of the Noteholder to another person, subject to any restriction set out in the instrument appointing the proxy.

20.7.5. A copy of the instrument appointing a proxy must be delivered to the Issuer, or to any other person on behalf of the Issuer, before the proxy exercises any rights of the Noteholder at a meeting.

20.7.6. Irrespective of the form of instrument used to appoint a proxy:

20.7.6.1. the appointment is suspended at any time and to the extent that the Noteholder chooses to act

- directly and in person in the exercise of any rights as a Noteholder;
- 20.7.6.2. the appointment is revocable unless the proxy appointment expressly states otherwise; and
- 20.7.6.3. if the appointment is revocable, a Noteholder may revoke the proxy appointment by:
 - 20.7.6.3.1. cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - 20.7.6.3.2. delivering a copy of the revocation instrument to the proxy, and to the company.
- 20.7.7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Noteholder as of the later of:
 - 20.7.7.1. the date stated in the revocation instrument, if any; or
 - 20.7.7.2. the date on which the revocation instrument was delivered as required in Condition 20.7.6.3.2.
- 20.7.8. If the instrument appointing a proxy or proxies has been delivered to the Issuer, as long as that appointment remains in effect, any notice that is required by the Terms and Conditions to be delivered by the Issuer to the Noteholder must be delivered by the Issuer to:
 - 20.7.8.1. the Noteholder; or
 - 20.7.8.2. the proxy or proxies, if the Noteholder has:
 - 20.7.8.2.1. directed the Issuer to do so, in writing; and
 - 20.7.8.2.2. paid any reasonable fee charged by the Issuer for doing so.
- 20.7.9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the Noteholder without direction, except to the extent that the instrument appointing the proxy provides otherwise.
- 20.7.10. If the Issuer issues an invitation to Noteholders to appoint one or more persons named by the Issuer as a proxy, or supplies a form of instrument for appointing a proxy:
 - 20.7.10.1. the invitation must be sent to every Noteholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - 20.7.10.2. the invitation, or form of instrument supplied by the Issuer for the purpose of appointing a proxy, must:
 - 20.7.10.2.1. bear a reasonably prominent summary of the rights established by this Condition 20.7;
 - 20.7.10.2.2. contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a Noteholder to write in the name and, if so desired, an alternative name of a proxy chosen by the Noteholder; and
 - 20.7.10.2.3. provide adequate space for the Noteholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - 20.7.10.3. the Issuer must not require that the proxy appointment be made irrevocable; and
 - 20.7.10.4. the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to Condition 20.7.7.
- 20.7.11. Conditions 20.7.10.2 and 20.7.10.4 do not apply if the Issuer merely supplies a generally available standard form of proxy appointment on request by a Noteholder.

20.8. **Binding effect of resolutions**

A resolution passed at a meeting of all of the Noteholders or the relevant Group/s of Noteholders (as applicable), duly convened and held in accordance with the provisions of this Condition 20 is binding on all of the Noteholders or the relevant Group/s of Noteholders (as applicable), whether present or not present at any such meeting, and each of such Noteholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence (unless the contrary is proved) that the circumstances of such resolution justify the passing of it.

20.9. **Ordinary Written Resolution and Extraordinary Written Resolution**

- 20.9.1. An Ordinary Resolution or an Extraordinary Resolution, as the case may be, that could be voted on at a meeting may instead be:
 - 20.9.1.1. submitted for consideration as an Ordinary Written Resolution or an Extraordinary Written Resolution, as the case may be, to the Noteholders entitled to exercise voting rights in relation thereto; and

20.9.1.2. voted on in writing by Noteholders entitled to exercise voting rights in relation thereto within 20 (twenty) Business Days after the proposed Ordinary Written Resolution or the proposed Extraordinary Written Resolution, as the case may be, was submitted to them.

20.9.2. An Ordinary Written Resolution or an Extraordinary Written Resolution, as the case may be, shall be as valid and effectual as an Ordinary Resolution or an Extraordinary Resolution, as the case may be, passed at a meeting duly convened and held in accordance with the provisions of this Condition 20.

20.10. Minutes

The Issuer will cause minutes of all resolutions and proceedings at meetings to be duly taken. Any such minutes, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

20.11. Companies Act

20.11.1. Section 7.27 of the JSE Debt Listings Requirements ("**Section 7.27**") prescribes the requirements for, among other things, meetings of Noteholders and purports to apply certain provisions of the Companies Act to the Issuer. The Issuer is a state-owned entity which is deemed to have been established by, and is regulated by, the Water Services Act. The Companies Act does not apply to the Issuer and cannot be rendered applicable to the Issuer by the JSE Debt Listings Requirements.

20.11.2. Accordingly, without directly applying any of the provisions of the Companies Act to the Issuer, but otherwise as contemplated in Section 7.27, the provisions of this Condition 20 provide, in relation to a meeting of Noteholders, (i) for a replication of the sections in the Companies Act that relate to "*notice of meetings*", "*conduct of meetings*" and "*meeting quorums and adjournment*" as if the references in such sections to "*shareholders*" and "*company*", respectively, were references to "*Noteholders*" and "*Issuer*" respectively, (ii) for such meeting to be announced on SENS and for the announcement to state the date that the Issuer has selected to determine which Noteholders recorded in the Register will receive the notice of meeting and the last date by which proxy forms must be submitted, (iii) for voting by proxy and (iv) for a replication of the sections in the Companies Act that provide for the form of proxy form; except to the extent (if any) that any of such provisions conflict with any of the provisions of the Water Services Act and/or the Regulations under the Water Services Act.

20.11.3. If any of the provisions of Section 7.27 are amended/supplemented and/or replaced, this Condition 20 shall be amended/supplemented and/or replaced accordingly, subject *mutatis mutandis* to the provisions of Condition 20.11.2.

21. SEVERABILITY

Should any of the Applicable Terms and Conditions be, or become, invalid, the validity of the remaining Applicable Terms and Conditions shall not be affected in any way.

22. GOVERNING LAW

The Programme Memorandum, the Notes and the Applicable Terms and Conditions are governed by, and shall be construed in accordance with, the laws of South Africa.

23. FURTHER ISSUES

The Issuer shall be at liberty from time to time, without the consent of any Noteholder, to create and issue a Tranche of Notes ("**Additional Notes**") having terms and conditions which are identical to any other Tranche of Notes already in issue under the Programme ("**Existing Notes**") (save for their respective Issue Dates, First Interest Payment Dates, Issue Prices and aggregate Principal Amounts), so that the Additional Notes (i) are consolidated with the Existing Notes and form part of the same Tranche of Existing Notes and (ii) rank *pari passu* in all respects with the Existing Notes.

USE OF PROCEEDS

The proceeds from the issue of each Tranche of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

GENERAL DESCRIPTION OF THE ISSUER

DOCUMENTS INCORPORATED BY REFERENCE

A more detailed description of the Issuer and its business is set out in the the "Rand Water Annual Report" for the financial year ended 30 June 2018 ("**2018 Annual Report**"). The 2018 Annual Report is incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"), and is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer. In addition, the 2018 Annual Report is available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

The description of the Issuer and its business may be updated from time to time in the respective "Rand Water Annual Reports" for all financial years of the Issuer after the Programme Date ("**Annual Reports**"). These Annual Reports are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). These Annual Reports will (as and when such Annual Reports are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these Annual Reports will (as and when such Annual Reports are approved and become available) be available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

The Issuer has prepared the document entitled "King IV Application Register" which assesses compliance of the Issuer with the King IV Code on Corporate Governance ("**Register**"). The Register, and any amendments and/or updates to the Register, is incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*").

The Register is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, the Register is available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Governance-Compliance/KING%20IV%20REGISTER.pdf>.

Any amendments and/or updates to the Register will (as and when such amendments and/or updates to the Register are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, any amendments and/or updates to the Register will (as and when such amendments and/or updates to the Register are approved and become available) be available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Governance-Compliance/KING%20IV%20REGISTER.pdf>.

REGISTERED OFFICE AND COMPANY SECRETARY OF THE ISSUER

The Issuer is a "*water board*" deemed to have been established in terms of section 84 of the Water Services Act, 1997 ("**Water Services Act**"). The Issuer is a body corporate in terms of the Water Services Act (see "*Regulation of the Issuer*" below).

The registered office of the Issuer is situated at 522 Impala Road, Glenvista 2058, Gauteng, South Africa.

The Group Company Secretary is Ms Makwena Pertunia Mohlabi. Her office is situated at 522 Impala Road, Glenvista 2058, Gauteng, South Africa.

DESCRIPTION OF THE BUSINESS OF THE ISSUER

In terms of the Water Services Act, the "*primary activity*" of the Issuer is "*to provide water services to other water services institutions within its service area*". The primary focus area of the Issuer is Gauteng Province.

The Water Services Act provides that the Issuer "*may perform an activity other than its primary activity only if – (a) it is not likely to limit the [Issuer's] capacity to perform its primary activity; (b) it is not likely to be to the financial prejudice of [the Issuer], any water services institution, existing consumers and other users serviced by it within its service area; (c) it is in accordance with the board's policy statement; and (d) it is provided for in a business plan*" (see "*Regulation*" below).

REGULATION OF THE ISSUER

Water Services Act, 1997

Nature of the Issuer

The Issuer is a "*water board*" deemed to have been established in terms of section 84 of the Water Services Act,

1997 ("**Water Services Act**"), and is regulated by the Water Services Act.

The Water Services Act defines "water board" as "an organ of state established or regarded as having been established in terms of [the Water Services] Act to perform, as its primary activity, a public function".

The relevant Minister under the Water Services Act is the Minister of Water and Sanitation ("**Minister**").

In terms of the Water Services Act the Issuer "is a body corporate, and has the powers of a natural person of full capacity, except those powers - (a) which by nature can only attach to natural persons; and (b) which are inconsistent with [the Water Services] Act".

The Issuer "consists of" a chairperson and such other members as the Minister may appoint from time to time.

Board members

Schedule 1 of the Water Services Act regulates "the terms of office of board members, the procedure for the recommendation of persons for appointment as chairperson or board members and the termination of office of board members". The term "board members" is not defined in the Water Services Act, but would appear to refer to the members of the "water board" (that is, the Issuer) itself ("**Board**").

The Issuer must (a) appoint a suitable person as chief executive of the Issuer, for a renewable period and (b) determine the duties, conditions of service and remuneration of the chief executive.

The Water Services Act provides that the Issuer may delegate any operational power to (a) a committee of the Board, (b) its chief executive or (c) any of its employees.

Policy statement and business plan

The Issuer must "prepare and adopt a policy statement". A "policy statement" may be amended from time to time, and must be revised at least every five years.

The Water Services Act requires that the Issuer must, no later than one month before the start of each financial year, "prepare and adopt a business plan relating to the following five financial years". The "business plan" must at least contain information regarding, among other things, "each specific primary and other activity to be undertaken and the performance targets for each" and "forecasts of capital expenditure for the primary and other activities for the next five years".

Neither the term "policy statement" nor the term "business plan" is defined in the Water Services Act. Every "policy statement", every amendment thereof and every "business plan" must be submitted to the Minister.

Disestablishment of the Issuer

Neither the Companies Act, 2008 nor the Insolvency Act, 1936 apply to the Issuer.

The Issuer can only be disestablished in terms of section 28(1), as read with section 46, of the Water Services Act.

The effect of the applicable provisions of the Water Services Act is that, if the Minister, after consultation in terms of section 28 of the Water Services Act, has notified the Issuer that he or she intends to disestablish the Issuer, the Minister may direct that the Issuer transfer some or all of its assets and liabilities to another "water board" or "water services authority". The Issuer must do everything within its power to give effect to that direction.

If the Issuer is disestablished and its assets and liabilities are not transferred to another "water board" or "water services authority", (a) the Issuer's assets and liabilities vest in the Minister, (b) the Minister must wind up the Issuer's affairs; and (c) the Minister must assume the functions of the Issuer for the period of winding up.

There is nothing in the Water Services Act (or the Regulations under the Water Services Act) that prescribes (or gives further details in regard to) the process and/or the effects of the transfer of the Issuer's assets and liabilities to another water board or a water services authority or, where this is not directed by the Minister, the winding up the Issuer's affairs by the Minister.

Litigation against the Issuer

In terms of the Water Services Act, no court may grant an order or judgment against the Issuer unless the papers on which that order or judgment is sought, have also been served on the Minister.

Public Finance Management Act, 1999

Nature of the Issuer

The Issuer is a "public entity", specifically a "national public entity", as defined in the Public Finance Management Act, 1999 ("**Public Finance Management Act**") and is listed as a "national government business enterprise" in Part B (National Government Business Enterprises) of Schedule 3 to the Public Finance Management Act. The Issuer is an institution to which the Public Finance Management Act applies.

Neither the Companies Act, 2008 nor the Insolvency Act, 1936 apply to the Issuer.

Accounting authority

In terms of the Public Finance Management Act, every "*public entity*" must have an authority which must be accountable for the purposes of the Public Finance Management Act.

The Board is the "*board or other controlling body*" of the Issuer and, accordingly, the Board is the "*accounting authority*" for the Issuer for purposes of the Public Finance Management Act.

Issuer borrowings

In terms of the Public Finance Management Act, the Issuer, as an institution to which the Public Finance Management Act applies, may not "*borrow money*" or "*enter into any other transaction that binds or may bind [the Issuer] ... to any future financial commitment*" ("**Borrowings**"), unless such Borrowings (a) are authorised by the Public Finance Management Act and (b) are authorised by the Water Services Act.

In addition, "[*p*]ublic entities may only through the following persons", among other things, "*borrow money*" or "*enter into any other transaction that binds or may bind that public entity to any future financial commitment*": "*(b) [a] national government business enterprise listed in Schedule 3 and authorised by notice in the national Government Gazette by the Minister [of Finance]: The accounting authority for that government business enterprise, subject to any conditions the Minister [of Finance] may impose*".

The Issuer is a "*national government business enterprise listed in Schedule 3*". Accordingly, the Issuer must, in relation to the Borrowings, be expressly authorised by notice in the national *Government Gazette* issued by the Minister of Finance ("**PFMA Notice**"). In addition, the entering into of the Borrowings transaction must be effected "*through*" the "*accounting authority*" for the Issuer. The "*accounting authority*" for the Issuer is the Board. The Board must therefore approve the Borrowings and the entering into and performance of the Borrowings transaction.

The Borrowings and the terms of the Borrowings transaction are subject to (and must comply with) "*any conditions the Minister [of Finance] may impose*". Such conditions would ordinarily be specified in the PFMA Notice.

Borrowing programme

In terms of the Public Finance Management Act, "*[a] public entity authorised to borrow money*" "*must annually submit to the Minister [of Finance] a borrowing [p]rogramme for the year*".

The term "*borrowing programme*" is not defined in the Public Finance Management Act. The submission of a "*borrowing programme*" to the Minister of Finance is an administrative requirement that applies to a "*public entity*" which is already "*authorised to borrow money*".

Effect of non-compliance

The Public Finance Management Act provides that "*[i]f a person, otherwise than in accordance with section 66, ... enters into any other transaction which purports to bind such an institution to any future financial commitment, the state and that institution is not bound by the ... other transaction*".

GROUP STRUCTURE

Shareholder

The Government is the sole shareholder of the Issuer ("**Shareholder**"). The Shareholder is represented by the Minister of Water and Sanitation ("**Shareholder Minister**").

The Issuer enters into an annual shareholder's agreement with the Shareholder Minister ("**Shareholder Compact**"). The Shareholder Compact regulates the relationship between the Issuer and the Shareholder. In addition, the Shareholder Compact sets out the key performance measures and indicators to be attained by the Issuer.

Subsidiaries

The Issuer is the sole shareholder of Rand Water Services Proprietary Limited and Rand Water Foundation.

Rand Water Services Proprietary Limited ("**Rand Water Services**") was established in 2000 in terms of the then Companies Act, 1973, as a wholly owned subsidiary of the Issuer with the object of enabling the Issuer to comply with the requirements of section 30 of the Water Services Act. Rand Water Services engaged in other business activities that were ring-fenced and managed at arm's length to develop and pursue the commercial aspects of the Issuer's business in the water services industry. The Water Services Act requires the Issuer to ring fence other business activities from the regulated water services. Rand Water Services was therefore established in order to tap into the potential of the water industry by allowing business partnerships and joint ventures with private and public companies in developing water infrastructure with a national and pan-African focus. In November 2010,

the Board resolved to integrate the operations of Rand Water Services into the Issuer. As at the Programme Date, Rand Water Services is dormant and not actively trading.

Rand Water Foundation was established in 2001 as a section 21 company in terms of the then Companies Act, 1973 to carry out the corporate social investment ('CSI') programmes of the Issuer. Rand Water Foundation is a 'Non-Profit Company' and has been operational since 2003. The mandate of Rand Water Foundation is to promote and support the delivery of water services to communities within and outside of the Issuer's area of supply, and to coordinate, administer, and manage the Issuer's corporate social investment resources by undertaking community development projects in partnership with various donors and relevant stakeholders, advancing the quality of life of communities by making them self-sufficient and enhancing their physical surroundings.

Further information on Rand Water Foundation is set out in the section of the 2018 Annual Report (see "*Documents Incorporated by Reference*" above) headed "*RAND WATER FOUNDATION*" on pages 148 to 150 inclusive.

BOARD MEMBERS

Schedule 1 of the Water Services Act regulates "*the terms of office of board members, the procedure for the recommendation of persons for appointment as chairperson or board members and the termination of office of board members*". The term "*board members*" is not defined in the Water Services Act, but would appear to refer to the members of the Issuer itself (see "*Water Services Act, 1997*" – "*Board members*" above).

The board members as at the Programme Date ("**Board**") are:

Adv Faith Hashatse (Chairperson)

Ms Sophie Molokoane-Machika

Ms Mahlatse Martha Kabi

Mr Lefadi Lucas Makibinyane

Ms Nonhlanhla Savannah Maziya

Ms Phindile Sweetness Mbanjwa

Ms Nomsa Georgina Judy Mbileni

Ms Khulekelwe Glynnis Mbonambi

Mr Ramateu Monyokolo

Mr Siphon Abednigo Mosai (Acting Chief Executive)

Ms Mankone Mabataung Ntsaba

Mr Ahmed Pandor

Mr Protas Phili

Further information on certain members of the Board is set out in the section of the 2018 Annual Report (see "*Documents Incorporated by Reference*" above) headed "*BOARD MEMBER PROFILES*" on pages 16 to 21 inclusive. See, in addition "*The Board and Board Committees*" below.

THE BOARD AND BOARD COMMITTEES

Further information on the Board and Board Committees is set out in the section of the 2018 Annual Report (see "*Documents Incorporated by Reference*" above) headed "*CORPORATE GOVERNANCE REPORT*" – "*The Board*", "*Composition of the Board*", "*Chairperson and Chief Executive*", "*Ethics, Values and Leadership Commitment*", "*Statement of Compliance*" and "*Policy Governance Framework*" on pages 40 to 49 inclusive.

COMPLIANCE WITH KING IV

The Board has acknowledged that corporate governance is essential for the efficient functioning of the Board and the overall business of the Issuer. Corporate governance is embedded in the operation, processes and culture of the Issuer. The principles of good governance are applied taking into consideration their significance to the growth and sustainability of the business as well as the achievement of the strategic objectives.

The Board has self-assessed the impact of the King IV Code on Corporate Governance ("**King IV**") on business processes and protocols within the Issuer. The Board has adopted the principles of King IV, the adoption of these principles is indicative of a commitment to good corporate governance by the Board.

Further information on the Issuer's corporate governance regime is set out in the section of the 2018 Annual Report (see "*Documents Incorporated by Reference*" above) headed "*CORPORATE GOVERNANCE REPORT*" on pages 40 to 51 inclusive (see, in particular, paragraph 8 "*Corporate Governance Report*") and the section of the

2018 Annual Report (see "*Documents Incorporated by Reference*" above) headed "*GROUP GOVERNANCE PORTFOLIO*" on pages 54 to 59 inclusive (see, in particular, paragraph 10 "*Group Governance Portfolio*").

Further detailed information on the Issuer's compliance with the King IV Code is set out in the Register (see the sub-section headed "*Documents Incorporated by Reference*" above).

FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The respective audited consolidated annual financial statements of the Issuer for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018, which include the independent auditor's reports in respect of such financial statements, are incorporated by reference into the Programme Memorandum (see the section of the Programme Memorandum headed "*Documents Incorporated by Reference*"). These consolidated annual financial statements are available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these consolidated annual financial statements are available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

The respective audited consolidated annual financial statements of the Issuer for all financial years after the Programme Date, which will include the independent auditor's reports in respect of such financial statements, and the respective audited interim financial statements of the Issuer for each six-month period falling in all financial years after the Programme Date, are incorporated by reference into the Programme Memorandum (see the section of the Programme Memorandum headed "*Documents Incorporated by Reference*"). These consolidated annual financial statements and interim financial statements will (as and when such consolidated annual financial statements and interim financial statements are approved and become available) be available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these consolidated annual financial statements and interim financial statements will (as and when such consolidated annual financial statements and interim financial statements are approved and become available) be available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

REPORT OF THE INDEPENDENT AUDITORS

The reports of the independent auditor of the Issuer are (or will be) included with the respective audited consolidated annual financial statements of the Issuer (see "*Financial Statements*" above).

AUDITORS

The auditor of the Issuer as at the Programme Date is the Auditor-General of South Africa, as described in section 188 of the Constitution of the Republic of South Africa, 1996 and the Public Audit Act, 2004 ("**Auditor-General of South Africa**"). The Auditor-General of South Africa has acted as the auditors of the Issuer's latest audited financial statements.

RISK FACTORS

The Issuer believes that the following investment considerations may affect its ability to fulfil its obligations under the Notes. All of these investment considerations 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.

The Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. The information set out below is not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes.

Investment considerations which the Issuer believes may be material for the purpose of assessing the risks associated with the Notes and the market for the Notes generally are also described below.

The Issuer believes that the investment considerations described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts payable in respect of the Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should, prior to investing in the Notes, carefully consider the following investment considerations, in addition to the information set out elsewhere in this Programme Memorandum (including all documents incorporated by reference into this Programme Memorandum), the Applicable Pricing Supplement relating to a Tranche of Notes and consult their own financial, tax and legal advisers as to the risks and investment considerations arising from an investment in the Notes, the appropriate tools to analyse such an investment, and the suitability of such an investment in the context of the particular circumstances of each investor.

The information set out in the following summary is intended as a general guide to certain investment considerations and risk factors which may be relevant to a prospective subscriber for or purchaser of any Notes or any person contemplating making an investment in the Notes.

RISKS RELATING TO THE ISSUER

General

The factors described below represent the inherent risks relating to the Issuer. The Issuer does not represent that the statements below regarding the risks relating to it are exhaustive. A potential investor should carefully consider the risks below and the other information in this Programme Memorandum.

The value of the Notes depends upon, amongst other things, the ability of the Issuer to fulfil its obligations under the Notes.

The financial prospects of any entity are sensitive to the underlying characteristics of its business and the nature and extent of the commercial risks to which the entity is exposed. There are a number of risks faced by the Issuer, including those that encompass a broad range of economic and commercial risks, many of which are not within its control. The performance of the Issuer's business can be influenced by external market and regulatory conditions. If the Issuer's business is affected by adverse circumstances in the same period, overall earnings would suffer significantly. These risks create the potential for the Issuer to suffer loss.

Documents incorporated by reference

A description of the Issuer and its business is set out in the the "Rand Water Annual Report" for the financial year ended 30 June 2018 ("**2018 Annual Report**").

Further information on Issuer-specific risks, and the Issuer's management thereof, is set out in the section of the 2018 Annual Report headed "GROUP GOVERNANCE PORTFOLIO" under "Fraud Risk Register", "Risk Management and Mitigation" and "Measures to Eliminate Unacceptable Risks" on pages 57 to 59 inclusive and the section of the 2018 Annual Report headed "GROUP SHARES SERVICES PORTFOLIO" under "Risk Advisory Services" on pages 118 to 124 inclusive (see, in particular, paragraph 12.3.7 "Enterprise-Wide Risk Management").

The 2018 Annual Report is incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "Documents Incorporated by Reference") and is available for inspection, upon request, during normal office hours, at the Specified Office of the Issuer. In addition, the 2018 Annual Report is available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

The description of Issuer-specific risks, and the Issuer's management thereof, may be updated from time to time in the respective "Rand Water Annual Reports" for all financial years of the Issuer after the Programme Date ("**Annual Reports**"). These Annual Reports are incorporated by reference into this Programme Memorandum (see the section of this Programme Memorandum headed "Documents Incorporated by Reference"). These Annual Reports will (as and when such Annual Reports are approved and become available) be available for inspection,

upon request, during normal office hours, at the Specified Office of the Issuer (for as long as this Programme Memorandum remains registered with the JSE). In addition, for as long as this Programme Memorandum remains registered with the JSE, these Annual Reports will (as and when such Annual Reports are approved and become available) be available on the following website link: <http://www.randwater.co.za/Annual%20Reports/Forms/AllItems.aspx>.

Credit risk

The Issuer is exposed to the risk of financial loss as a result of failure by a client or other counterparty to meet its contractual obligations. The Issuer assumes counterparty risk in connection with its lending, derivatives and other businesses where it relies on the ability of a third party to satisfy its financial obligations to the Issuer on a timely basis. The resultant credit exposure will depend on a number of factors, including the financial condition of the counterparty, the value of property the Issuer holds as collateral and the market value of the counterparty instruments and obligations the Issuer holds.

Liquidity risk

Liquidity risk is the risk that the Issuer is unable to meet its payment obligations, the consequences of which may be the failure to meet the Issuer's obligations to repay commitments to funders.

The Issuer is exposed to the risk that it is unable to meet its financial commitments when they fall due, which could arise due to mismatches in cashflows.

Regulatory environment

The Issuer is subject to government regulation in South Africa. The Issuer is a highly regulated state-owned entity. A description of certain of the applicable statutes including, among others, the Water Services Act, 1997 and the Public Finance Management Act, 1999, is set out in the section of this Programme Memorandum headed "*General Description of the Issuer*" under "*Regulation of the Issuer*". Changes in government policy, legislation or regulatory interpretation may adversely affect the Issuer's business and, consequently, reported results and financing requirements. No assurance can be given as to the impact of any possible judicial decision or change to such governmental regulation or related administrative practice after the Programme Date. See the section of this Programme Memorandum headed "*General Description of the Issuer*" under "*Regulation of the Issuer*" for a description of the regulation of the Issuer.

Legal, regulatory, compliance and tax risk

Compliance risk is the risk (among other things) that regulatory requirements which are applicable to the Issuer are not complied with (see "*Regulatory environment*" above).

Failure to comply with legal and regulatory requirements which are applicable to the Issuer, including tax laws and regulations, or government policies, may have an adverse effect on the Issuer and its reputation among customers and regulators in the market.

The Issuer may also be adversely affected by future changes in government policy, legal, regulatory and compliance requirements. Future tax developments or changes to tax laws in South Africa may also have a material adverse effect on the Issuer and on its business.

It is not possible to predict what further future regulatory or related changes may have on the Issuer and its business.

The Issuer is also exposed to the risk of inappropriate or inadequate documentation of contractual relationships.

Shareholder support

As at the Programme Date, the Government of the Republic of South Africa ("**Government**") is the sole shareholder of the Issuer. The Government, while it is believed to remain supportive of the Issuer's long-term strategic objectives, does not in any manner whatsoever guarantee or underwrite the Issuer's obligations under the Notes.

Disestablishment of the Issuer

Neither the Companies Act, 2008 nor the Insolvency Act, 1936 apply to the Issuer.

The Issuer can only be disestablished in terms of section 28(1), as read with section 46, of the Water Services Act, 1997 ("**Water Services Act**").

The effect of the applicable provisions of the Water Services Act is that, if the Minister of Water and Sanitation ("**Minister**"), after consultation in terms of section 28 of the Water Services Act, has notified the Issuer that he or she intends to disestablish the Issuer, the Minister may direct that the Issuer transfer some or all of its assets and liabilities to another "*water board*" or "*water services authority*". The Issuer must do everything within its power to give effect to that direction (see the section of this Programme Memorandum headed "*General Description of*

the Issuer" under "*Regulation of the Issuer*").

Litigation against the Issuer

In terms of the Water Services Act, no court may grant an order or judgment against the Issuer unless the papers on which that order or judgment is sought, have also been served on the Minister (see the section of this Programme Memorandum headed "*General Description of the Issuer*" under "*Regulation of the Issuer*").

GENERAL RISKS RELATING TO THE MARKET AND SOUTH AFRICA

Exchange control

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the Government may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation, or abolition of exchange controls, may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Issuer's business and it could have an adverse effect on the financial condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this could result in a rapid depreciation of the Rand exchange rate which could serve to stem the flight and could also result in an increase in interest rates due to the depreciation of the Rand.

Market conditions, including funding

Global market conditions are subject to periods of volatility and change which can negatively impact market liquidity, increase credit spreads and reduce funding availability. Since 2008, global equity and debt markets have experienced some difficult conditions. These challenging market conditions have resulted in periods of reduced liquidity, extreme volatility and declining asset prices.

Market conditions also led to the failure of a number of financial institutions and the intervention of government authorities and central banks around the world. Global economic conditions remain uncertain. If the economic climate worsens in the future, the Issuer's financial performance, business or strategy may be adversely affected.

Further instability in equity and debt markets may affect the Issuer's ability to access the funding necessary to grow its business.

Changes in investment markets, including changes in interest rates, exchange rates and returns from any equity, listed and unlisted investment assets, property and other investments, as well as adverse economic conditions, may affect the financial performance of the Issuer.

Terrorist acts

Terrorist acts, and other acts of war or hostility and responses to those acts, may create economic and political uncertainties, which could have a negative impact on South Africa, and international economic conditions generally, and more specifically on the business and results of operations of the Issuer in ways that cannot be predicted.

RISKS RELATING TO THE NOTES GENERALLY

Investment suitability

Investors should have (either alone or with the help of a financial adviser) sufficient knowledge and experience in financial and business matters to meaningfully evaluate the merits and risks of investing in a particular issue of Notes and the information contained in or incorporated by reference into this Programme Memorandum, or any Applicable Pricing Supplement, as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their particular circumstances.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- 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 into this Programme Memorandum;
- 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 such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for

principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be 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.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Exchange rate risks and exchange controls

All payments (whether in respect of principal, interest or otherwise) in respect of a Tranche of Notes will be made in the Specified Currency. If a Tranche of Notes is denominated in a Specified Currency other than ZAR, certain risks may arise relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit ("**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency will decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the principal payable on the Notes and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders of the Notes may receive less interest or principal in respect of the Notes than expected, or no interest or principal.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor in the Notes should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Meetings of Noteholders

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who do not attend and vote at the relevant meeting and Noteholders who vote in a manner contrary to the majority.

Change of law

The Programme Memorandum, the Notes and the Applicable Terms and Conditions will be governed by, and construed in accordance with, the laws of South Africa. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the Programme Date.

Rating

As at the Programme Date, the Programme is not rated. The Issuer is rated. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer as well as the Rating Agency/ies which assigned such Rating.

A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating/s, if any, assigned to the Programme and/or a Tranche of Notes, as well as the Rating Agency/ies which assigned such Rating/s.

The Issuer will procure that any change to the Rating of the Issuer and/or a Tranche of Notes that occurs after the Programme Date is announced on SENS.

A Rating of the Issuer and/or a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any

Notes, inasmuch as, among other things, a Rating does not comment on the market price or suitability of the Notes for a particular investor. A Rating of a Tranche of Notes only addresses the likelihood that the aggregate Outstanding Principal Amount of Notes in that Tranche will be fully repaid by the Maturity Date and that the interest (if any) payable in respect of such Notes will be paid on a timely basis. A Rating of a Tranche of Notes does not address the likelihood of repayment of the aggregate Outstanding Principal Amount of such Notes before the Maturity Date. In addition, there can be no assurance that a Rating of a Tranche of Notes will remain for any given period of time or that the Rating will not be lowered or withdrawn entirely by the Rating Agency if, in its judgment, circumstances in the future warrant such action. There can be no assurance of any connection between a Rating on a national scale basis and a Rating on an international scale basis. A Rating assigned to a Tranche of Notes by a rating agency that has not been requested by the Issuer to do so, may be lower than the equivalent Rating of that Tranche of Notes assigned by the Rating Agency, or such rating agency may rate a Tranche of Notes on an international scale basis which may be lower than the Rating on a national basis assigned to that Tranche of Notes by the Rating Agency.

Any adverse change in the Rating of the Issuer and/or a Tranche of Notes could adversely affect the trading price of all or any of the Notes.

Listing and limited liquidity of the Notes

The Issuer may issue listed or unlisted Notes.

The continued listing of any Tranche of Notes listed on the Interest Rate Market of the JSE and/or on any other Exchange/s is subject to the rules of the relevant Exchange/s in force from time to time. There can accordingly be no assurance that the listing of any Tranche of Notes will continue until the Maturity Date.

There may be a limited secondary market for the Notes. There can be no assurance that any secondary market for any of the Notes will continue until the Maturity Date. Generally, Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. Consequently, a subscriber or purchaser must be prepared to hold its Notes until the Maturity Date.

In addition, Noteholders should be aware that global credit market conditions may lead to a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary re-sales even if there is no decline in the performance of the assets of the Issuer.

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.

Noteholders that trade in interest-bearing Notes during the period that the Register is closed prior to each Interest Payment Date, will need to reconcile any amounts payable on the following Interest Payment Date pursuant to a partial redemption of the Notes. As a result, secondary market liquidity of the Notes may reduce during this period.

Uncertificated Notes

Each Tranche of Uncertificated Notes will be issued in registered uncertificated form and will be held in the CSD.

Subject to the Applicable Procedures and unless the context clearly otherwise indicates, references to "Uncertificated Notes" include Beneficial Interests in Uncertificated Notes, and *vice versa*, and references to "registered Noteholders of Uncertificated Notes" include the holders of Beneficial Interests in Uncertificated Notes, and *vice versa*.

The CSD Procedures will determine the procedures for transfer, payment and communication between registered Noteholders of Uncertificated Notes and the Issuer.

The CSD Participants will maintain records of Uncertificated Notes held by their clients.

Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes will be able to trade their Uncertificated Notes only through the CSD. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes may only exercise their rights in respect of such Uncertificated Notes through their CSD Participants.

The Issuer has opened the Designated Bank Account with the Settling Bank. The Designated Bank Account will be used solely for purposes of depositing (and funding) the aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes.

The Issuer will, in accordance with the CSD Procedures, make an irrevocable deposit, into the Designated Bank

Account, of the full aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes.

The funds in the Designated Bank Account will be transferred to the relevant CSD Participants, by means of the South African Multiple Option Settlement ('SAMOS') system operated by the South African Reserve Bank. The CSD Participants will then make payment of the relevant amounts to the registered Noteholders of Uncertificated Notes, in accordance with the CSD Procedures, as contemplated in Condition 9.2.2.

Once the funds deposited into the Designated Bank Account have been cleared and credited to the Designated Bank Account, and transferred from the Designated Bank Account to the relevant CSD Participants, neither the Settling Bank nor the Issuer will be responsible for the loss in transmission of any such funds.

A registered Noteholder of Uncertificated Notes must therefore rely on the CSD Procedures to receive payments under such Uncertificated Notes.

Registered Noteholders of Uncertificated Notes must vote in accordance with the Applicable Procedures. Subject to the CSD Procedures, the registered Noteholders of Uncertificated Notes must exercise their respective rights to vote through their respective CSD Participants. Subject to the CSD Procedures, the respective CSD Participants will vote in accordance with the respective instructions conveyed to them by the respective registered Noteholders of Uncertificated Notes.

Subject to the Financial Markets Act, the registered Noteholder of Uncertificated Notes will only be entitled to exchange such Uncertificated Notes for Notes represented by a Certificate in accordance with Condition 13.1.

Notes represented by Certificates where the denominations involve integral multiples

If the aggregate Principal Amount of Notes held by a Noteholder is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, the Certificate representing such Notes will be issued in accordance with, and be governed by, the Applicable Procedures.

A Noteholder which holds Notes in an aggregate Outstanding Principal Amount which is less than the minimum Specified Denomination may not receive a Certificate in respect of such holding and may need to purchase an additional Principal Amount of Notes such that its total holding of such Notes amounts to the minimum Specified Denomination.

Holders of Notes which are represented by a Certificate should be aware that, where such Notes have a denomination which is a fraction of the Specified Denomination or a fraction of any multiple thereof, such Notes may be illiquid and difficult to trade.

No recourse against the JSE where Notes are not listed on the Interest Rate Market of the JSE

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.

RISKS RELATING 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. The risks of a particular Tranche of Notes will depend on the Applicable Terms and Conditions of that Tranche of Notes, but may include, without limitation, the possibility of significant changes in the values of the applicable interest rates or other indices or formula. Prospective investors could lose all or a substantial portion of their investment.

Such risks generally depend on factors over which the Issuer has no control and which cannot readily be foreseen, such as economic and political events and the supply of and demand for the relevant securities, assets or other property. Neither the current nor the historical price, value or performance of (a) the relevant interest rates or other indices or formulae, (b) the relevant classes of securities, assets or other property, or (c) the relevant entities should be taken as an indication of future price, value or performance during the term of any Tranche of Notes.

In addition, certain issues of Notes may not be an appropriate investment for investors who are inexperienced with respect to:

- the applicable interest rate indices, currencies, other indices or formulas, or redemption or other rights or options; or
- investments where the amount of principal and/or interest payable (if any) is based on the price, value, performance or some other factor and/or the creditworthiness of one or more entities.

Unsecured Notes

The Notes will be obligations solely of the Issuer, and will not be obligations of, or the responsibility of, or guaranteed by, any other Person.

Notes subject to optional redemption by the Issuer

The Issuer may, in terms of and subject to the applicable provisions of Condition 10, at its option, redeem a Tranche of Notes prior to the Maturity Date, as more fully described in Condition 10. These optional early redemption features of the Notes may 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 may also be true prior to any such redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the Interest Rate applicable to the Notes. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that applicable to the relevant Notes. Potential investors in the Notes should consider reinvestment risk in light of other investments available at that time.

Index-Linked Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**") or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one, or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Fixed Rate Notes.

Investment in Notes that bear interest at a rate that converts from a Fixed Interest Rate to a Floating Interest Rate (or *vice versa*) may affect the market value of the Notes. If the interest on the Notes is converted from a Fixed Interest Rate to a Floating Interest Rate, the spread on the Notes may be less favourable than then prevailing spreads on comparable Notes tied to the same reference rate. In addition, the new Floating Interest Rate at any time may be lower than the rates on other Notes. If the interest on the Notes is converted from a Floating Interest Rate to a Fixed Interest Rate, the new Fixed Interest Rate may be lower than then prevailing rates on other Notes.

Mixed Rate Notes

Mixed Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of Mixed Rate Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Mixed 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 may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Fixed Rate Notes.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable Interest Rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include these features.

Notes issued at a substantial discount or premium

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

RISKS RELATING TO OTHER NOTES

The risks (if any) of investing in particular types of Notes which are not set out in, or covered by, this section of the Programme Memorandum headed "*Risk Factors*" will be set out in an annexure to the Applicable Pricing Supplement relating to the relevant Tranche of Notes and/or in a supplement to this Programme Memorandum prior to the Issue Date of the first Tranche of such Notes to be issued under the Programme.

SETTLEMENT, CLEARING AND TRANSFERS OF NOTES

UNCERTIFICATED NOTES WHICH ARE HELD IN THE CSD

Each Tranche of Uncertificated Notes will be held in the CSD.

Clearing systems

The CSD is the operator of an electronic clearing system which matches, clears and facilitates the settlement of all transactions carried out on the Interest Rate Market of the JSE.

Each Tranche of Uncertificated Notes will be issued, cleared and transferred in accordance with the Applicable Procedures through the electronic settlement system of the CSD, and the settlement of trades in Uncertificated Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD. Tranches of Uncertificated Notes will be settled through CSD Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Issuer will adhere to the recognised and standardised electronic clearing and settlement procedures of the JSE and the CSD. Uncertificated Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the relevant Dealer/s.

CSD Participants

The CSD maintains central securities accounts only for CSD Participants. As at the Programme Date, the CSD Participants are the South African Reserve Bank, Standard Chartered Bank Johannesburg Branch, Société Générale, Citibank N.A., South Africa Branch, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear and Clearstream, among others, may settle offshore transfers of Uncertificated Notes through their nominated CSD Participant.

CSD Participants are responsible for the settlement of scrip and payment transfers through the CSD, the Interest Rate Market of the JSE and the South African Reserve Bank.

Payments

Payments of all amounts due and payable in respect of Uncertificated Notes will be made in accordance with the CSD Procedures and Condition 9.2.2.

The Issuer will, in accordance with the CSD Procedures, make an irrevocable deposit, into the Designated Bank Account, of the full aggregate amount which is due and payable, on the relevant Payment Date, in respect of a Tranche of Uncertificated Notes.

The funds in the Designated Bank Account will be transferred to the relevant CSD Participants, by means of the South African Multiple Option Settlement ('SAMOS') system operated by the South African Reserve Bank. The CSD Participants will then make payment of the relevant amounts to the registered Noteholders of Uncertificated Notes, in accordance with the CSD Procedures, as contemplated in Condition 9.2.2.

Once the funds deposited into the Designated Bank Account have been cleared and credited to the Designated Bank Account, and transferred from the Designated Bank Account to the relevant CSD Participants, neither the Settling Bank nor the Issuer will be responsible for the loss in transmission of any such funds.

Each of the persons reflected in the records of the relevant CSD Participant as the registered Noteholders of Uncertificated Notes shall look solely to the relevant CSD Participant for such person's share of the funds deposited into the Designated Bank Account.

Transfer and exchange of Uncertificated Notes

The CSD Participants will maintain records of Uncertificated Notes held by their clients.

Title to Uncertificated Notes will pass on transfer thereof by electronic book entry in the securities accounts maintained by the relevant CSD Participants for the registered Noteholders of such Uncertificated Notes.

Uncertificated Notes may be transferred only in accordance with the Applicable Procedures.

Subject to the Financial Markets Act, Uncertificated Notes may be exchanged for Notes represented by Certificates in accordance with Condition 12.1.

No recourse against the JSE where Notes are not listed on the Interest Rate Market of the JSE

Unlisted Notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.

NOTES LISTED ON ANY EXCHANGE OTHER THAN (OR IN ADDITION TO) THE INTEREST RATE MARKET OF THE JSE

Each Tranche of Notes which is listed on any Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures of that Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Exchange other than (or in addition to) the Interest Rate Market of the JSE) will be specified in the Applicable Pricing Supplement.

If a Tranche of Notes which is listed on any Exchange (other than the Interest Rate Market of the JSE) may, in terms of the rules of that Exchange and Applicable Laws, be lodged in a central securities depository and/or issued in uncertificated form, the relevant procedures (including those relating to beneficial ownership interests in that Tranche of Notes) will be set out in the Applicable Pricing Supplement.

SUBSCRIPTION AND SALE

CO-ARRANGERS, DEBT SPONSOR, DEALER AND PLACING ARRANGEMENTS

Co-Arrangers

The Issuer has appointed Nedbank Limited, acting through its Corporate and Investment Banking division, and Quartile Capital (Proprietary) Limited as Co-Arrangers of the Programme in terms of, and subject to, the Programme Agreement.

Debt Sponsor

In terms of a written mandate agreement entered into between the Issuer and The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division ("**Debt Sponsor Mandate**"), The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division ("**Standard Bank**") has been appointed by the Issuer as the ongoing Debt Sponsor of the Programme (as required by the JSE Debt Listings Requirements), subject to the applicable provisions of Section 2 of the JSE Debt Listings Requirements (as read with the terms as to termination of such appointment set out in the Debt Sponsor Mandate).

In terms of the Debt Sponsor Mandate, Standard Bank has been appointed by the Issuer as the Debt Sponsor for purposes of procuring the approval of the Programme Memorandum by the JSE and the listing of Tranche/s of Notes on the Interest Rate Market of the JSE, subject to the applicable provisions of Section 2 of the JSE Debt Listings Requirements (as read with the terms and conditions of the Debt Sponsor Mandate).

Section 2 of the JSE Debt Listings Requirements sets out certain requirements in relation to the appointment, and termination of appointment, of a Debt Sponsor. Among other things, if the appointment of the Debt Sponsor is terminated by the Issuer for whatever reason, such termination must be approved by the Board. Once the termination of the Debt Sponsor has been approved by the Board, the Issuer and the Debt Sponsor must submit a report to the JSE stipulating the reasons for the termination, within 48 hours of such termination.

Dealer and placing arrangements

A Tranche of Notes may be offered by way of public auction or private placement or any other means permitted by Applicable Law, as determined by the Issuer and the relevant Dealer/s.

In terms of (and subject to) the Programme Agreement, Absa Corporate and Investment Bank, a division of Absa Bank Limited, Basis Points Capital Proprietary Limited, FirstRand Bank Limited, acting through its Rand Merchant Bank division, Investec Bank Limited, acting through its division, Investec Corporate and Institutional Banking, Nedbank Limited, acting through its Corporate and Investment Banking division, Quartile Capital Proprietary Limited and Standard Bank have been appointed by the Issuer as Dealers for the duration of the Programme (subject to the Issuer's right to terminate the appointment of any Dealer).

The Issuer may, in terms of (and subject to) the Programme Agreement, appoint one or more additional Dealers for the duration of the Programme or to place one or more particular Tranches of Notes (subject to the Issuer's right to terminate the appointment of any Dealer).

Subject to the Programme Agreement, the Issuer may from time to time agree with any Dealer/s to issue, and any Dealer/s may agree to place, one or more Tranches of Notes by entering into a Placement Agreement. Each Placement Agreement will be concluded in accordance with, and be supplemental to, the Programme Agreement.

A Placement Agreement will, among other things, provide for the relevant Dealer/s, subject to certain conditions set out in the Placement Agreement (as read with the Programme Agreement), to place the Notes in the relevant Tranche/s of Notes, and may also provide for the Dealer/s to underwrite the subscription and payment for such Notes.

On the Issue Date, delivery of the Notes in a Tranche of Notes which is held in the CSD to the subscribers of such Notes will, in accordance with the relevant Placement Agreement (as read with the Programme Agreement), be effected by the Issuer's CSD Participant, against payment of the Issue Price, in accordance with the Applicable Procedures. The relevant Dealer/s may procure sale and purchase transactions in respect of the relevant Tranche/s of Notes before the Issue Date. Such transactions will be for settlement on the Issue Date and will be subject to the condition that the relevant Placement Agreement is not terminated before the time on which such transactions are to be settled on the Issue Date.

The relevant Dealer/s may, under certain circumstances (before the issue of or payment for the relevant Tranche/s of Notes) terminate their obligations to place the relevant Tranche/s of Notes under the relevant Placement Agreement. The relevant Placement Agreement may, under certain circumstances (before the issue of or payment for the relevant Tranche/s of Notes), automatically terminate. If the relevant Placement Agreement is terminated

before the Issue Date, the transactions in the relevant Tranche/s of Notes shall also terminate and no party thereto shall have any claim against any other party as a result of such termination.

The Issuer has no right to cancel the relevant Placement Agreement before the issue of or payment for the relevant Tranche/s of Notes.

SELLING RESTRICTIONS

South Africa

Each Dealer will be required to represent and agree that it will not solicit any offers for subscription for or sale of any Notes and will not itself sell any Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time.

In particular, the Programme Memorandum does not, nor is it intended to, constitute a "*prospectus*" (as contemplated in the Companies Act) and each Dealer will be required to agree that it will not make an "*offer to the public*" (as such expression is defined in the Companies Act) any Notes (whether for subscription, purchase or sale).

Notes will not be offered for subscription to any single addressee for an amount of less than ZAR1,000,000 (or such other amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act).

United States of America

Regulation S Category 2

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 ("**U.S. Securities Act**"). The Notes may not be offered or sold in the United States of America or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the U.S. Securities Act or in a transaction exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Each Dealer will be required to represent and agree that it has not offered, sold, resold or delivered any Notes and will not offer, sell, resell or deliver any Notes:

- a) as part of its distribution at any time; and
- b) otherwise until 40 (forty) days after completion of the distribution of all of the Notes in the relevant Tranche/s of Notes, as determined and certified by the Dealer or, in the case of an issue of the relevant Tranche/s of Notes on a syndicated basis, the relevant Lead Manager/s, of all Notes of the Series of which the relevant Tranche/s of Notes is/are a part,

within the United States of America or to, or for the account or benefit of, U.S. persons only in accordance with Regulation S and it will send to each distributor to which it sells any Notes a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States of America or to, or for the account or benefit of, U.S. persons.

In addition, an offer or sale of the Notes within the United States of America by any Dealer or other distributor (whether or not participating in the offering of such Notes during the distribution compliance period described in the preceding paragraph) may violate the registration requirements of the U.S. Securities Act.

Each Dealer (and in the case of the issue of the relevant Tranche/s of Notes on a syndicated basis, the relevant Lead Manager/s) shall determine and certify to the Issuer when it has completed the distribution of the Notes in the relevant Tranche/s of Notes.

Each Dealer will be required to further represent and agree that neither it, its affiliates nor any person acting on its or their behalf has engaged or will engage in any "*directed selling efforts*" (as that term is defined in Regulation S under the U.S. Securities Act) with respect to any Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State ("**Relevant Implementation Date**") it has not made and will not make an offer of any Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- a) if the Applicable Pricing Supplement relating to a Tranche of Notes specifies that an offer of such Notes may be made other than pursuant to Article 3.2 of the Prospectus Directive in that Relevant Member State

(a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Applicable Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Dealer or Dealers nominated by the Issuer for any such offer; or
- d) at any time in any other circumstances falling within Article 3.2 of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require 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.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and including any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer will be required to represent and agree that:

- a) in relation to any of Notes which have 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 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 where the issue of Notes would otherwise constitute a contravention of Section 19 of the United Kingdom Financial Services and Markets Act, 2000 ("FSMA") by the Issuer;
- b) 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 would not, if the Issuer was not an authorised person, apply to the Issuer;
- c) it has complied with 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.

Changes to the above selling restrictions

The selling restrictions set out above may in relation to any Tranche of Notes, be changed by the Issuer and the relevant Dealer/s, including following a change in, or clarification of, a relevant law, regulation, directive, request or guideline having the force of law or compliance with which is in accordance with the practice of responsible financial institutions in the country or jurisdiction concerned or any change in or introduction of any of them or in their interpretation or administration. Any such change will be set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

Other selling restrictions

Each Dealer will be required to represent and agree that:

- a) it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures subscriptions for, offers or sells any Notes or has in its possession or distributes the Programme Memorandum and/or the Applicable Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any Notes under the laws and regulations in force in each jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales; and

- b) it will comply with such other or additional restrictions as the Issuer and the Dealer agree and as are set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

Neither the Issuer nor the Debt Sponsor nor the Co-Arrangers nor the Dealer/s represent that this Programme Memorandum and/or any Applicable Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, subscribed for or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution, offering, subscription or sale.

Persons into whose possession this Programme Memorandum and/or any Applicable Pricing Supplement comes are required by the Issuer, the Debt Sponsor, the Co-Arrangers and the Dealer/s to comply with all Applicable Laws and regulations in each country or jurisdiction in which they subscribe for, purchase, offer, sell, transfer or deliver Notes or have in their possession or distribute this Programme Memorandum and/or any Applicable Pricing Supplement and to obtain any consent, approval or permission required by them for the subscription, purchase, offer, sale, transfer or delivery by them of any Notes under the law and regulations in force in any country or jurisdiction to which they are subject or in which they make such subscriptions, purchases, offers, sales, transfers or deliveries, in all cases at their own expense, and none of the Issuer, the Debt Sponsor, the Co-Arrangers or the Dealer/s shall have responsibility therefor.

In accordance with the above, any Notes purchased or subscribed for by any Person which it wishes to offer for sale or resale may not be offered in any country or jurisdiction in circumstances which would result in the Issuer being obliged to register this Programme Memorandum or any further prospectus or corresponding document relating to the Notes in such country or jurisdiction.

TAXATION

The summary in this section headed "Taxation" below is intended to deal with the more important fiscal provisions that could be relevant to the treatment of the Notes from a general fiscal perspective as at the Programme Date. The contents of this section headed "Taxation" are not intended to and do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or holder of or purchaser of any Notes. Prospective Noteholders of Notes should consult their own professional advisers in this regard.

INCOME TAX - TREATMENT OF PREMIUM AND/OR DISCOUNT AS WELL AS INTEREST ON THE NOTES

General

The taxation of "interest" is regulated by section 24J of the Income Tax Act on the basis that interest must be accounted for in the hands of a Noteholder on a yield-to-maturity basis. For tax purposes "interest" as defined in section 24J of the Income Tax Act ("**Interest**") has a wide meaning and includes, among other things, not just interest and similar finance charges, but also any discount or premium payable or receivable in terms of or in respect of a financial arrangement.

However, to the extent that a Noteholder is a "*covered person*" as defined in section 24JB of the Income Tax Act such as a South African bank, and it accounts for the Notes as profit or loss in its statement of comprehensive income in respect of financial assets and liabilities that are measured at fair value, the Noteholder should apply the provisions of section 24JB of the Income Tax Act instead.

The references to Interest mean "interest" as understood in South African tax law. These references do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Applicable Terms and Conditions of a Tranche of Notes or any related documentation.

Original issue discount or premium

Any discount that arises pursuant to the original issue of the Notes will be treated as Interest for tax purposes, and the amount of the discount will be deemed to accrue to the Noteholder on a yield to maturity as if such Noteholder were to hold the Notes until the Maturity Date.

Any premium that arises pursuant to the original issue of the Notes over the Principal Amount thereof will also be treated as Interest for tax purposes and will be taken into account in calculating the return to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until the Maturity Date.

Appropriate adjustments are made to the extent that the Notes are disposed of by the Noteholder prior to the Maturity Date.

Interest on the Notes

A "*resident*" of South Africa (as defined in section 1 of the Income Tax Act) ("**Resident**") will, subject to any available exemptions, be taxed on its worldwide income. Accordingly, a Resident Noteholder will be liable for income tax, subject to available exemptions, on any income received or accrued in respect of the Notes held by that Resident Noteholder in the relevant year of assessment of that Resident Noteholder.

A person who or which is not a Resident ("**Non-Resident**") is taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be sourced within South Africa.

Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder is regarded as being from a South African source as the Issuer is a South African tax resident.

However, Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder will (subject to "*Withholding Tax*" below) be exempt from income tax under section 10(1)(h) of the Income Tax Act, unless that Non-Resident Noteholder:

- a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the 12th month period preceding the date on which the interest is received or accrues by or to that person; or
- b) the debt from which the interest arises is effectively connected to a permanent establishment of that Non-Resident Noteholder in South Africa.

If a Non-Resident Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from or reduction of tax liability under the Income Tax Act may nevertheless be available under an

applicable convention concluded between the Government and the relevant other contracting state for the avoidance of double taxation ("DTA") of which the Noteholder is a resident. In addition, certain entities may be exempt from income tax.

Prospective Non-Resident Noteholders must consult their own professional advisers as to whether the Interest income earned on Notes to be held by them will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable DTA.

As regards the Withholding Tax on Interest paid to Non-Resident Noteholders, see "*Withholding tax*" below.

Withholding tax

A withholding tax on Interest paid to Non-Residents (at a rate of 15% of the amount of the Interest) ("**Withholding Tax**") applies in terms of Part IVB of the Income Tax Act.

Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder is regarded as being from a South African source given the fact that the debtor (being the Issuer) is a tax resident of South Africa.

The Issuer is entitled to request a Noteholder to confirm its tax residency and whether any withholding or deduction is in fact required in terms of any applicable DTA.

Subject to any Withholding Tax relief provided for in the Income Tax Act (see the paragraph below) or an applicable DTA, the Withholding Tax will be imposed in respect of payments of Interest from a South African source to Non-Residents unless a Non-Resident is liable to the payment of South African income tax on such Interest.

However, payments of Interest under Notes held by Non-Resident Noteholders will be exempt from Withholding Tax if (among other exemptions) such Notes are listed on a "*recognised exchange*". The JSE is a "*recognised exchange*". Accordingly, payments of Interest under Notes held by Non-Resident Noteholders will be exempt from Withholding Tax if such Notes are listed on the Interest Rate Market of the JSE (or on any other Exchange which qualifies as a "*recognised exchange*").

Payments of Interest under Notes held by a Non-Resident will also be exempt from the Withholding Tax if:

- a) that Non-Resident is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the Interest is paid; or
- b) the debt claim in respect of which that Interest is paid is effectively connected with a permanent establishment of that Non-Resident in South Africa, if that Non-Resident is registered as taxpayer in South Africa.

Disposal of the Notes

If a Noteholder sells or otherwise disposes of a Note, taxes (whether income tax or capital gains tax) may be levied on such sale or disposal.

Taxes (whether income tax or capital gains tax) may be levied on the disposal or deemed disposal of any Notes held by a Resident Noteholder. In general, income tax will be leviable to the extent that a Resident Noteholder is a trader or has acquired the Notes for speculative purposes. In general, capital gains tax will be leviable to the extent that the Notes have been acquired by a Resident Noteholder for investment purposes and the disposal is not part of a business in carrying out a profit making scheme.

Any discount or premium on acquisition of the Notes which has already been treated as Interest for income tax purposes under section 24J of the Income Tax Act (see "*Original issue discount or premium*" above) will not again be taken into account when determining any capital/revenue gain or loss.

Taxes (whether income tax or capital gains tax) will not be levied on the disposal or deemed disposal of Notes held by a Non-Resident Noteholder unless the profits made on the disposal or deemed disposal of such Notes are from a South African source or are attributable to a permanent establishment of that Non-Resident Noteholder in South Africa during the relevant year of assessment of that Non-Resident Noteholder. An applicable DTA may provide such Non-Resident Noteholder with relief from such taxes.

SECURITIES TRANSFER TAX

The issue, transfer and redemption of Notes will not attract securities transfer tax under the Securities Transfer Tax Act as the Notes are not "*securities*" as envisaged by the Securities Transfer Tax Act. Any future transfer duties and/or taxes that may be introduced in respect of (or be applicable to) the transfer of Notes will be for the account of Noteholders.

VALUE-ADDED TAX

In terms of the Value-Added Tax Act, no VAT is payable on the issue or transfer of the Notes. The issue, allotment

or transfer of ownership of the Notes constitutes a "*financial service*", the supply of which is exempt from VAT in terms of section 12(a) of the Value-Added Tax Act. However, commissions or other charges that are payable on the facilitation of this "*financial service*" are, in principle, subject to VAT at the current standard rate of 15%, depending on the circumstances and the identity of the relevant service provider.

US TAXATION – FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 introduced a new reporting regime, being the Foreign Account Tax Compliance Act ("**FACTA**"). FACTA imposes withholding tax of 30% on any US sourced income or US sourced gross proceeds paid to a foreign financial institution ("**FFI**") or to a "*direct reporting non-financial foreign entity*" ("**NFFE**") unless the FFI or direct reporting NFFE meets certain requirements. To meet these requirements, the FFI or direct reporting NFFE must enter into an agreement with the US Internal Revenue Service ("**IRS**") either via their respective country's government, being an Intergovernmental Agreement; or independently via the IRS directly.

The South African Government and the U.S. Government signed an IGA ("**South African IGA**") in respect of FATCA on 9 June 2014. Under the South African IGA, South African FFIs will generally be able to be treated as "deemed compliant" with FATCA perspective.

FATCA is a particularly complex piece of legislation. The above description is based in part on U.S. Treasury regulations official guidance and the South African IGA, all of which are subject to change or may be implemented in materially different form.

Potential investors in the Notes should consult their own tax advisers to determine how these rules may apply to payments they will receive under the Notes and the potential impact of the implementation of the South African IGA and implementing legislation on them.

EXCHANGE CONTROL

The comments below are intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The contents of this section headed "Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

PROGRAMME MEMORANDUM

The Programme Memorandum does not require the prior approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

ISSUE OF NOTES

In general, the issue of a Tranche of Notes will not require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

However, under certain circumstances and if so indicated in the Applicable Pricing Supplement, the issue of a particular Tranche of Notes will require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations. Dealings in such Notes and the performance by the Issuer of its obligations under such Notes and the Applicable Terms and Conditions will be subject to the Exchange Control Regulations.

BLOCKED RAND

Blocked Rand may be used for the subscription for or purchase of Notes. Any principal and/or other redemption amount which is payable by the Issuer in respect of such Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into a bank account which is outside South Africa.

EMIGRANTS FROM THE COMMON MONETARY AREA

Any Certificates issued to a Noteholder who is an emigrant from the Common Monetary Area ("**Emigrant Noteholder**") will be restrictively endorsed "emigrant" and must be deposited with the nominated authorised dealer in foreign exchange controlling such Emigrant Noteholder's blocked assets.

Where an Uncertificated Note is held by an Emigrant Noteholder through the CSD, the securities account maintained for such Emigrant Noteholder by the relevant CSD Participant will be designated as an "emigrant" account.

All payments of principal and/or other redemption amount payable to an Emigrant Noteholder will be deposited into such Emigrant Noteholder's Emigrant Blocked Rand account, as maintained by the nominated authorised dealer in foreign exchange controlling such Emigrant Noteholder's blocked assets. Such amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations. Payments of interest due and payable in respect of such Notes to such Emigrant Noteholder need not be deposited into such Emigrant Noteholder's Emigrant Blocked Rand account, and such amounts of interest are freely transferable from the Common Monetary Area.

NON-RESIDENTS OF THE COMMON MONETARY AREA

Any Certificates issued to a Noteholder who is not resident in the Common Monetary Area ("**Non-Resident Noteholder**") will be restrictively endorsed "non-resident".

Where an Uncertificated Note is held by a Non-Resident Noteholder through the CSD, the securities account maintained for such Non-Resident Noteholder by the relevant CSD Participant will be designated as a "non-resident" account.

It will be incumbent on a Non-Resident Noteholder to instruct its nominated authorised dealer in foreign exchange as to how payments of amounts (whether in respect of principal, interest or otherwise) payable in respect of the Notes held by such Non-Resident Noteholder are to be dealt with. Such amounts may, in terms of the Exchange Control Regulations, be remitted abroad only if such Notes were acquired with foreign currency introduced into South Africa and provided that the relevant Certificate has been restrictively endorsed "non-resident" or the relevant securities account has been designated as a "non-resident" securities account, as the case may be.

GENERAL INFORMATION

AUTHORISATION

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the Programme Date have been given for the establishment of the Programme and the execution of this Programme Memorandum, and for the Issuer to enter into and perform its obligations under each Applicable Agency Agreement and the Programme Agreement.

All corporate authorities, and all consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer will be given, prior to the Issue Date of a Tranche of Notes for (among other things) the Issuer to issue that Tranche of Notes, to execute the Applicable Pricing Supplement relating to that Tranche of Notes, to enter into and perform its obligations under the Applicable Terms and Conditions of that Tranche of Notes, and to enter into and perform its obligations under the Placement Agreement relating to the issue and placing of that Tranche of Notes.

APPROVAL AND LISTING

The Programme Memorandum, dated 25 February 2019, was registered and approved by the JSE on 14 February 2019.

A Tranche of Notes may, subject to all Applicable Laws, be listed on the Interest Rate Market of the JSE. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE.

A Tranche of Notes may be listed on such other Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to all Applicable Laws and the Rules of such Exchange/s.

The Applicable Pricing Supplement relating to a Tranche of Notes will specify whether or not the Notes in that Tranche will be listed and, if so, on which Exchange.

COMMERCIAL PAPER REGULATIONS

If applicable, see Annexure "A" to the *pro forma* Applicable Pricing Supplement set out in the section of this Programme Memorandum headed "*Form of the Applicable Pricing Supplement*".

LITIGATION

The Issuer is not aware of any legal or arbitration proceedings in which the Issuer is involved, including any proceedings that are pending or threatened, that may have or have had in the 12 (twelve) months preceding the Programme Date, a material effect on the Issuer's financial position.

MATERIAL CHANGE

The Issuer confirms that, as at the Programme Date, no material change in the financial or trading condition of the Issuer or any "*subsidiary*" (as defined in the Companies Act) of the Issuer has occurred since 30 June 2018 (being the end of the last financial period for which audited annual financial statements of the Issuer have been published). This statement has not been confirmed or verified or reviewed and reported on by the auditors of the Issuer.

AUDITORS

The auditor of the Issuer as at the Programme Date is the Auditor-General of South Africa, as described in section 188 of the Constitution of the Republic of South Africa, 1996 and the Public Audit Act, 2004 ("**Auditor-General of South Africa**"). The Auditor-General of South Africa has acted as the auditors of the Issuer's latest audited financial statements.

For: RAND WATER

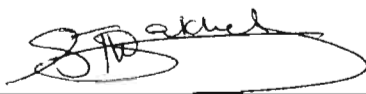
By:  _____

Name: Siphon Abednigo Mosai

Capacity: (Acting Chief Executive)

Duly authorised

Date: 25 February 2019

By:  _____

Name: Matshidiso Nyembe

Capacity: Chief Financial Officer

Duly authorised

Date: 25 February 2019

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CALCULATION/ISSUER AGENT

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