



HANetf ETC Securities plc

(incorporated as a public company with limited liability under the laws of Ireland)

BASE PROSPECTUS FOR THE ISSUE OF CARBON SECURITIES

This base prospectus is dated 23 April 2025

HANetf ETC Securities plc accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of HANetf ETC Securities plc, the information contained in this document is in accordance with the facts and the document does not omit anything likely to affect the import of such information.

This document constitutes a base prospectus (the "**EU Prospectus**") for the purposes of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") and has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority thereunder.

The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Carbon Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of any investment in Carbon Securities.

The Central Bank's approval relates only to the Carbon Securities which are, as at the Prospectus Date, to be admitted to trading on a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU of the European Parliament and of the Council on Markets in Financial Instruments, as amended, ("**MiFID2**") and/or which are to be offered to the public in any member state of the European Economic Area.

This document also constitutes a base prospectus (the "**UK Prospectus**") and, together with the EU Prospectus, the "**Prospectus**") for the purposes of the UK version of Regulation (EU) No 2017/1129, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 of the UK (the "**UK Prospectus Regulation**") and has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority thereunder.

The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Carbon Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of any investment in Carbon Securities.

This Prospectus replaces the base prospectus for the issue of Carbon Securities approved by the Central Bank and the FCA on 29 April 2024 (the "**Previous Prospectus**"). In the event of any inconsistency between any statement in, or incorporated by reference into, this Prospectus and any

statement made in, or incorporated by reference into, the Previous Prospectus, this Prospectus shall prevail.

The Issuer has separately requested that the Central Bank notify the approval of the Prospectus in accordance with Article 25 of the Prospectus Regulation to the relevant competent authorities in Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain and Sweden by providing each of them with (amongst other things) certificates of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation. The Issuer may request that the Central Bank provide competent authorities in other EEA States with such certificates whether for the purposes of making a public offer in such EEA States or for admission to trading of all or some Carbon Securities issued under the Programme on a regulated market therein.

This Prospectus is valid for twelve months and may be supplemented or replaced from time to time to reflect any significant new factor, material mistake or inaccuracy relating to the information included in it. The obligation to supplement a base prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a base prospectus is no longer valid. A copy of this document, which comprises a base prospectus relating to the Carbon Securities of each type in compliance with Article 3 of the Prospectus Regulation and Article 3 of the UK Prospectus Regulation, in each case, as in force at the Prospectus Date, has been made available to the public at <https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc> in accordance with Article 21 of the Prospectus Regulation and Article 21 of the UK Prospectus Regulation.

The Issuer made an application to the FCA for the Carbon Securities issued under this Programme to be admitted to the official list of the FCA. The Issuer also made an application on 5 October 2021 to the London Stock Exchange plc (the "**London Stock Exchange**") for the Carbon Securities issued under this Programme to be admitted to trading on the Main Market of the London Stock Exchange. The Carbon Securities were admitted to the official list of the FCA with effect from 4 November 2021 and admitted to trading on the Main Market of the London Stock Exchange with effect from 4 November 2021. Admission to the official list of the FCA and to trading on the Main Market of the London Stock Exchange are offers made under, and admission to trading on a regulated market for the purposes of, the UK Prospectus Regulation. Investors should be aware that such admission to the official list of the FCA and trading on the Main Market are not offers made under the Prospectus Regulation, or admission to trading on a regulated market for the purposes of the Prospectus Regulation, as it applies in the European Union, but are such offers and admission to trading for the purposes of the UK Prospectus Regulation.

The Issuer made an application for the Carbon Securities issued under the Programme to the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Frankfurt Stock Exchange**") to be admitted to listing and trading on the Regulated Market of the Frankfurt Stock Exchange. The Carbon Securities were admitted to listing and trading on the Regulated Market of the Frankfurt Stock Exchange with effect from 07 June 2022.

The Issuer made an application to the Italian Stock Exchange (*Borsa Italiana*) (the "**Italian Stock Exchange**") for the Carbon Securities issued under the Programme to be admitted to the official list of the Italian Stock Exchange and to be admitted to listing and trading on the Italian Stock Exchange, ETF plus market. The Carbon Securities were admitted to the official list of the Italian Stock Exchange and admitted to listing and trading on the Italian Stock Exchange with effect from 07 June 2022.

References in this Prospectus to Carbon Securities being "**listed**" (and all related references) shall mean that such Carbon Securities have been admitted to trading on either of (i) the London Stock Exchange; (ii) the Frankfurt Stock Exchange; (iii) the Italian Stock Exchange; and/or (iv) an alternative

market, which (in the case of (i)) is a regulated market for the purposes of the UK Prospectus Regulation and (in the case of (ii) and (iii)) is a regulated market for the purposes of the Prospectus Regulation.

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SECTION 1 – GENERAL DESCRIPTION OF THE PROGRAMME

A. What is this document?

- 1.1 This Prospectus is issued in respect of the physical carbon securities programme (the "**Programme**") for the issue of Carbon Securities by HANett ETC Securities plc (the "**Issuer**").
- 1.2 This Prospectus describes the material risks of an investment in Carbon Securities. However, this Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer (or any other Programme Party) that any recipient of this Prospectus should purchase the Carbon Securities.

B. Introduction to the Programme

- 1.3 Carbon Securities are intended to offer investors a means of investing in the carbon dioxide emissions allowance market without the necessity of taking physical delivery of Allowances or having to trade futures or other derivatives to gain exposure. Carbon Securities grant the holder an effective notional entitlement to a type of Allowance (the "**Carbon Entitlement**").
- 1.4 **Through the Carbon Entitlement, Carbon Securities aim to provide an investor with the same return that the investor would have gained through investing directly in the underlying type of Allowance (less applicable fees).**
- 1.5 Carbon Securities are being made available by the Issuer for Subscription only to Authorised Participants. Prospective Non-AP Securityholders can buy and sell Carbon Securities through the trading of securities listed on a Relevant Stock Exchange or in the OTC Market (as defined in **Section 14 – Terms and Conditions of Carbon Securities** and **Section 5 – Definitions** respectively). Provided that certain conditions are met, Authorised Participants and Non-AP Securityholders are able to Redeem Carbon Securities directly with the Issuer.
- 1.6 Certain conditions apply in order for an Authorised Participant or a prospective Non-AP Securityholder to subscribe for Carbon Securities. Please refer to **Section 4– Description of the Programme** and **Section 10 – Description of Documents** for further details of the contract structure of the Programme, and the Relevant Programme Documents.

C. The Issuer and the Backing Issuer

- 1.7 The Issuer is a special purpose company incorporated in Ireland. The core business of the Issuer is to issue and redeem securities linked to different assets (including, without limitation, commodities or emissions allowances and precious metals) and to enable those securities to be traded on stock exchanges.
- 1.8 Spark Change Jersey Issuer Limited (the "**Backing Issuer**"), is a dedicated single-purpose company incorporated under the laws of Jersey. The Backing Issuer

supports the Programme by (among other things) holding the corresponding quantity of emission allowances that ultimately back the Carbon Securities in its own dedicated Holding Account, which is subject to certain security arrangements to protect the interest of the holders of the Carbon Securities.

D. The HANetf group and SparkChange

- 1.9 The main business of the HANetf group is to assist companies that have specific market experience to use that experience to develop exchange-traded products. It supports these companies by designing the relevant product features, providing connectivity to all necessary market participants via its range of operational agreements, deploying its sales and marketing teams and issuing exchange-traded securities via the Issuer.
- 1.10 The SparkChange Group ("**SparkChange**") is a US headquartered group, comprising several individuals with experience in the global carbon allowances market (see <https://sparkchange.io> for details of this experience), whose core business is to support the creation of investment products using carbon allowances.
- 1.11 SparkChange is providing operational support to the Backing Issuer, including the provision of technology and other services supporting the ongoing carbon-specific operational activities of the Backing Issuer.
- 1.12 In relation to this Programme, the HANetf group and SparkChange have combined their specific skills and knowledge, with SparkChange providing the access to specialist carbon allowance markets together with its overall carbon market experience, complemented by the HANetf group providing its experience in developing and launching securities similar to Carbon Securities.
- 1.13 **A key aspect in the design of the Programme and the Backing Issuer Programme has been to ensure that the only permitted activities of the Backing Issuer are to (a) issue the Backing Note, (b) hold property securing the Backing Note (including the underlying allowances and activities incidental to them), (c) ensure that the Issuer is the only holder of Backing Notes, and (d) to ensure that the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding (each capitalised term as defined in Section 4.9 and 4.10).**

E. Role of Other Relevant Parties to the Programme

- 1.14 The Trustee and the Security Trustee are each The Law Debenture Trust Corporation p.l.c., an independent entity whose role is to act as trustee and as security trustee on behalf of Securityholders.
- 1.15 The Backing Issuer Security Trustee is also The Law Debenture Trust Corporation p.l.c., and its role is to act as trustee on behalf of the Issuer as the holder of the Backing Note.

- 1.16 Authorised Participants are experienced financial institutions who meet certain eligibility requirements and who have entered into an Authorised Participant Agreement with the Issuer. Authorised Participants are entitled to subscribe for new Carbon Securities directly with the Issuer, and redeem Carbon Securities directly with the Issuer by receiving the relevant Allowances from the Backing Issuer. Non-AP Securityholders are Securityholders which are not an Authorised Participant. Non-AP Securityholders may therefore include retail investors as well as institutional investors who are not Authorised Participants. Non-AP Securityholders' rights of redemption are subject to certain qualifications.
- 1.17 The Administrator is Apex Fund Services (Ireland) Limited and the Backing Issuer Administrator is Apex Financial Services (Corporate) Limited (together the "**Administrators**"). The Administrator and the Backing Issuer Administrator provide services including, *inter alia*, maintaining a register of the Carbon Securities, a register of the Backing Note, publishing the daily Carbon Entitlement and Carbon Entitlement per Security, and providing the authorised signatories needed to transfer Allowances from the Backing Issuer's Holding Account. The Administrators are part of the Apex Group, a global financial services organisation and one of the global top tier independent service providers, which retains a focus on high client service levels delivered locally and administers circa \$3.4 trn in assets.
- 1.18 The Issuer and the Backing Issuer intend to appoint a Disposal Counterparty in respect of each Class of Carbon Securities. The role of the Disposal Counterparty is to provide a mechanism for the disposal of the Allowances where the Redemption Mechanism is a Carbon Sale. This is because the Disposal Counterparty will commit to purchase Allowances from the Backing Issuer where the required Redemption Mechanism is a Carbon Sale.
- 1.19 The Issuing and Paying Agent and Registrar provide services including: (i) acting as the paying agent of the Issuer with respect to such payments on Redemption or any other payments in respect of the Carbon Securities notified to the Issuer; (ii) communicating information to the relevant International Central Securities Depository; (iii) issuing and authenticating new securities for transfer of securities as a result of a subscription; and (iv) maintaining the Register of Carbon Securities.

F. What securities are being issued pursuant to this Prospectus?

- 1.20 This Prospectus relates to the issue of Carbon Securities which are secured undated zero coupon limited recourse debt obligations of the Issuer. As at the Prospectus Date, the Issuer is making available for issue the following Class of Carbon Securities:
- (a) SparkChange Physical Carbon EUA ETC.
- 1.21 The aggregate number of Carbon Securities issued under the Programme will not at any time exceed 10,000,000,000, this being the "**Programme Maximum Number of Carbon Securities**".

G. Terms and Conditions of the Carbon Securities

- 1.22 The terms and conditions of a Class of Carbon Securities will be the terms and conditions as set out in **Section 14 – Terms and Conditions of Carbon Securities**, and as completed by the Final Terms (as defined below).

H. What do Carbon Securities offer prospective investors?

- 1.23 Carbon Securities are designed to track the price of allowances, credits, permits, rights or similar assets which represents a volume of carbon dioxide equivalent or other greenhouse gas, which is issued, allocated, created or recognised in accordance with the rules and regulations governing participation in a trading scheme for the transferring of such allowances, credits, permits, rights or similar assets ("**Allowance(s)**").
- 1.24 All Allowances that ultimately back the Carbon Securities are not delivered to or held by the Issuer but are instead held by the Backing Issuer. Consequently, the Issuer will maintain rights of the holders of Carbon Securities to receive Allowances by holding a security issued by the Backing Issuer (i.e. the Backing Note). As mentioned in Section 1.13 above, the Issuer will be the only noteholder of the Backing Notes issued by the Backing Issuer. As at the date of this Prospectus, the only Backing Note currently in issue is the EUA Backing Note which is the Backing Note for the SparkChange Physical Carbon EUA ETC Carbon Securities.
- 1.25 Carbon Securities are designed to provide investors with a return equivalent to the market value of the relevant underlying emissions allowances less the applicable fees.
- 1.26 Carbon Securities involve a significant degree of risk and are more complicated than many other investments. Carbon Securities may not be suitable or appropriate for all types of investor. Investors may lose some or all of their investment. It is advisable that persons wishing to invest seek appropriate financial, tax and other advice from independent financial advisors with appropriate regulatory authorisation and qualifications.
- 1.27 **IT IS IMPORTANT THAT AN INVESTOR CAREFULLY READS, CONSIDERS AND UNDERSTANDS THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT IN CARBON SECURITIES.** For a discussion of certain factors regarding the Issuer and the Carbon Securities that should be considered by potential investors considering an investment in Carbon Securities, see **Section 2 – Risk Factors**. A description of the Programme, in particular to the structure of Carbon Securities, is also summarised in **Section 4 – Description of the Programme**.

I. What information is contained in this document?

- 1.28 This Prospectus is intended to provide a prospective investor with the necessary information relating to the Issuer and the Carbon Securities required to enable them to make an informed assessment of the prospects of the Issuer (including its financial position) and the rights attaching to the Carbon Securities.

- 1.29 The rights attaching to the Carbon Securities are contained in the Conditions set out under **Section 14 – Terms and Conditions of Carbon Securities** and are completed by the Final Terms (defined below) specific to a particular issue of Carbon Securities which will be published and delivered to the Central Bank and/or the FCA (as applicable) before such Carbon Securities are issued. Worked examples of how an investor can calculate the value of its investment are set out in **Section 11 – Determining the Value of an Investment in Carbon Securities**.
- 1.30 Also set out in this Prospectus are details of:
- (a) the risks relating to an investment in Carbon Securities (Section 2);
 - (b) the structure of the Programme (Section 4);
 - (c) a description of the Issuer (Section 8); and
 - (d) the terms of any material contracts of the Issuer (Section 10).
- 1.31 A detailed breakdown of the contents of this Prospectus is set under the heading "**Contents**", above.
- 1.32 The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In case there is any discrepancy between the English text and text written in any other language (whether as a translation of this Prospectus or otherwise), the English text stands approved for the purposes of approval for the Prospectus Regulation and the UK Prospectus Regulation (as applicable).
- J. How do the Final Terms interact with this document?**
- 1.33 The Issuer issues Carbon Securities on the terms set out in this document, as completed by the final terms in respect of the relevant Carbon Securities (the "**Final Terms**"). The Final Terms set out information specific to the Carbon Securities to which they relate, including the underlying emissions allowance of the Carbon Securities, the price, class, number and applicable fees.
- K. What other information should a prospective investor consider?**
- 1.34 Prospective investors should ensure that they review the Prospectus, the Final Terms and the Backing Note Terms and Conditions. A copy of this Prospectus and any Final Terms issued are available at <https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc>. A copy of the Backing Note Terms and Conditions is included in this Prospectus at **Section 18 – Terms and Conditions of the Backing Notes**.
- 1.35 As at the Prospectus Date, no documents are incorporated by reference in the Prospectus other than those specified in **Section 7 – Documents Incorporated by Reference**.

- 1.36 Unless specifically stated otherwise, no documents form part of this Prospectus for purposes of the Prospectus Regulation and/or the UK Prospectus Regulation. Other than in relation to the documents which are deemed to be incorporated by reference, any website mentioned in this Prospectus does not form part of the Prospectus.

L. Where can a prospective investor obtain a copy of the Prospectus and any other documents incorporated by reference?

- 1.37 The Prospectus and the Final Terms are available from <https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc> and the memorandum and articles of association of the Issuer, the Trust Deed, and any documents incorporated by reference in the Prospectus are available from <https://etp.hanetf.com/spark>. To the extent that any documents are incorporated by reference in the Prospectus after the Prospectus Date, such documents will be made available at the Issuer's Website and/or on the website referenced above. To the extent that only a part of a document is incorporated in this Prospectus by reference, the non-incorporated parts of the document are either not relevant for investors or are covered elsewhere in the Prospectus.

M. Important Information Relating to the Programme

RESTRICTIONS

- 1.38 The circulation of the Prospectus and any Final Terms and the marketing, sale and delivery of Carbon Securities may be restricted by law in certain jurisdictions. The Issuer requires all persons who come into possession of this Prospectus or any Final Terms to inform themselves of and to observe any such applicable restrictions. For a description of certain restrictions on offers and sales of Carbon Securities and on the distribution of this Prospectus or any Final Terms, see **Section 17 – Selling Restrictions**.
- 1.39 The Carbon Securities have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**"), as amended, or under the securities laws of any states of the United States. Except in a transaction exempt from the registration requirements of the Securities Act and applicable United States securities laws, the Carbon Securities may not be directly or indirectly offered, sold, taken up, delivered or transferred in or into the United States. See **Section 17 – Selling Restrictions** for more information.

TRADING THE CARBON SECURITIES

- 1.40 The Central Bank's approval of this Prospectus relates only to the Carbon Securities which are to be admitted to trading on an EEA Member State stock exchange or which are to be offered to the public in an EEA Member State.
- 1.41 The FCA's approval of this Prospectus relates only to the Carbon Securities which are to be admitted to trading on the Main Market of the London Stock Exchange in the United Kingdom or which are to be offered to the public in the United Kingdom.

- 1.42 See "**Listing, Trading and Passporting**" in **Section 4 – Description of the Programme** below.

RESPONSIBILITY FOR INFORMATION CONTAINED IN THIS PROSPECTUS

- 1.43 The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

NO INVESTMENT ADVICE

- 1.44 Nothing in this document or anything communicated to holders or potential holders of the Carbon Securities or other obligations by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of Carbon Securities or the exercise of any rights attached thereto.
- 1.45 None of the Issuer, Backing Issuer, any Authorised Participants, the Trustee, the Security Trustee, the Backing Issuer Security Trustee or any other Programme Party makes any representations as to:
- (a) the suitability of any Carbon Securities for any particular investor;
 - (b) the appropriate accounting treatment or possible tax consequences of an investment in any Carbon Securities; or
 - (c) the expected performance of any Carbon Securities, either in absolute terms or relative to competing investments.

INVESTORS MAY WISH TO OBTAIN INDEPENDENT ADVICE

- 1.46 Prospective investors may therefore wish to obtain their own independent accounting, tax and legal advice and may wish to consult their own professional investment advisers to ascertain the suitability, merits and risks of an investment in Carbon Securities.

USE OF PROCEEDS

- 1.47 The net proceeds from the issue of Carbon Securities will be used by the Issuer to subscribe for the Backing Note issued by the Backing Issuer under the Backing Issuer Programme. However, prospective investors should be aware that the issue of Carbon Securities does not involve any cash component – instead, an Authorised Participant will subscribe for Carbon Securities in kind by physically delivering the Underlying Allowance(s) to the Backing Issuer Secured Allowance Account (as defined in Section 4.17 below) in respect of such Carbon Securities. The Backing Issuer will then issue the relevant Backing Note to the Issuer, who in turn will issue the relevant number of Carbon Securities to the relevant Authorised Participants. The Underlying Allowance(s) of the relevant type that are delivered to the Backing Issuer Secured Allowance Account shall only be used to meet the Backing Issuer's obligations to the Issuer under the relevant Backing Note, and thus the Issuer's

obligations under the relevant Carbon Securities. Consequently, there is no requirement for the Issuer to purchase Underlying Allowance(s) to secure its obligations in respect of the relevant Carbon Securities.

INFORMATION CONTAINED IN THIS PROSPECTUS

- 1.48 The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied pursuant to the terms of the Programme or any of the Carbon Securities is correct as of any time subsequent to the date indicated in the document containing the same.

NO GUARANTEE

- 1.49 The Carbon Securities are solely obligations of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. Similarly, the Backing Notes are solely obligations of the Backing Issuer and will not be guaranteed by, or be the responsibility of, any other entity.

N. Supplementary Prospectus

- 1.50 If at any time the Issuer is required to prepare a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation, Article 23 of the UK Prospectus Regulation and/or section 87G of FSMA, the Issuer shall prepare and make available appropriate amendment(s) or supplement(s) to this Prospectus.

SECTION 2 – RISK FACTORS

An investment in Carbon Securities involves a significant degree of risk. Prior to making an investment decision, prospective investors should carefully read the entire Prospectus, including the risk factors set out below, as well as conducting their own independent analysis, in order to reach their own views prior to making any investment decision.

Factors which the Issuer believes are material for the purpose of assessing the risks associated with Carbon Securities are described below. However, the Issuer does not represent that the risk factors set out below are exhaustive and a Securityholder may lose some or the entire value of its investment for reasons other than those set out in the risk factors below, (for example reasons not currently considered by the Issuer to be material or based on circumstances or facts of which the Issuer is not currently aware).

Capitalised terms used but not defined in this Section 2 shall have the same meaning as they are defined in **Section 4 – Description of the Programme**. A description of the Programme, in particular to the structure of Carbon Securities, is also summarised in **Section 4 – Description of the Programme**.

The below risk factors are split into the following categories depending on their nature with the most important risk factors under each category being presented first:

- A. Risks Relating to the Underlying Allowances**
- B. Value of Investment in Carbon Securities**
- C. Operational Risks**
- D. Risks Relating to Security of the Secured Property and the Backing Issuer Assets**
- E. Risks Relating to the Issuer and its Legal Structure**
- F. Risks Relating to the Backing Issuer and its Legal Structure**
- G. Legal Risks**

A. Risk Relating to the Underlying Allowances

2.1 Risks Relating to Price of Underlying Allowances

The Carbon Securities are linked (through the Backing Note) to emissions allowances. Prospective investors should note that the value of a Class of Carbon Securities will be affected by movements in the price of the underlying type of Allowance. Adverse movements in the price of Allowances may negatively affect the return to Securityholders. For example, if a Securityholder sells their Carbon Securities on a date when the price of the relevant type of Allowance has fallen below the price when the Securityholder purchased their Carbon Securities, the Securityholder could lose some or all of the value of their investment in the Carbon Securities.

The price of Allowances which back the Carbon Securities may fluctuate widely and is affected by numerous factors beyond the Issuer's control, including the following:

- (a) Global or regional political, economic, environmental or financial events and situations (including pandemics, such as "COVID-19"): events and situations which depress economic activity may weaken demand for Allowances, and thus cause their price to fall. Very mild winters or very cool summers can decrease demand for electricity and therefore cause utilities to purchase fewer Allowances thus causing their price to fall.
- (b) Investors' expectations with respect to the future rates of inflation and movements in world equity, financial, environmental, commodity and property markets: the extent to which investors allocate capital to investments in Allowances will be affected by their expectations as to the returns available in other investment markets.
- (c) The activities and emissions of energy-intensive sectors such as those that are subject to the respective compliance schemes (including manufacturing facilities, oil refineries, power stations and, aviation): weaker activity in such sectors may reduce the demand for Allowances and thus cause their price to fall.
- (d) The relevant rules of compliance schemes (including how allowances are made available to operators or market participants, such as free allocations or auctions) and links put in place between compliance schemes or between compliance schemes and voluntary schemes (enabling Allowances of one compliance or voluntary scheme to be used for the purposes of another compliance or voluntary scheme): Allowance prices may fall if the supply of Allowances is increased, or if entities subject to compliance schemes are able to obtain Allowances more cheaply or easily.
- (e) The rate of progress in the innovation, introduction and expansion of technologies and techniques in the reduction of emissions of greenhouse gases (or the capture and storage thereof): advances in technologies for the reduction of greenhouse gases may result in companies being able to reduce

their greenhouse gas emissions more quickly and cheaply, thus needing to purchase fewer Allowances which may cause the price of Allowances to fall.

- (f) The use by governments of different policies to encourage or require the reduction of emissions of greenhouse gases (or the capture and storage thereof) or for other environmental goals: the use of other policies may reduce the incentive for companies to purchase Allowances (as against taking other actions), thus causing the price of Allowances to fall.
- (g) Lobbyist, political or governmental goals or policies with respect to climate change and the imposition of environmental plans or climate goals such as achieving carbon neutrality: if government environmental or climate goals or policies are perceived to be weaker or less credible this may reduce the demand for Allowances and may cause their price to fall.
- (h) The cost and implications of non-compliance with the relevant compliance schemes (including both monetary and non-monetary penalties on operators subject to such compliance scheme for failure to surrender sufficient Allowances): operators may be unwilling to pay more for Allowances than the penalties and costs they would incur if they failed to do so. As a result these penalties (and any costs associated with them) may impose an implicit price ceiling on such Allowances. Lower penalties and costs may result in lower Allowances prices.
- (i) Investment and trading activities of hedge funds, commodity funds and other speculators: lower demand for Allowances from speculators may cause the demand for Allowances to be lower than otherwise and thus may cause their price to fall.
- (j) Interest rates and currency exchange rates, particularly the strength of and confidence in a Relevant Currency: any reduction in the strength of or confidence in the Relevant Currency may reduce demand for assets denominated in that currency and thus may cause the price of those assets, including Allowances, to fall.

Further details regarding the EU Emissions Trading Scheme and Emissions Allowances are set out in **Section 6 – Emissions Allowance Market Overview**.

2.2 **Legal or Regulatory Risks Relating to Changes to a Trading Scheme**

Emissions allowances can only be traded in accordance with the relevant Trading Scheme and other applicable laws, including, financial regulatory laws. For example, EU emissions allowances can only be traded in accordance with the EU Scheme which is established pursuant to the EU ETS Directive and Registries Regulation. Changes in these and other laws and regulations (or prospective changes to any of them) may affect the market value and liquidity of the Underlying Allowances, the market value and liquidity of the Carbon Securities, and the ability of the Issuer to continue to offer the product.

The laws and regulations governing the operation of and access to a Trading Scheme may be amended and this may affect, without limitation:

- (a) the ability of the Issuer, Backing Issuer, Disposal Counterparty, Authorised Participant, Securityholder or other relevant Programme Party to carry on their roles or functions or discharge their obligations under the relevant Programme Document, or to buy, sell, transfer or hold Allowances of the Relevant Allowance Type, which could result in that person being unable to participate in the Programme in relation to the affected Carbon Securities;
- (b) the cap or allocation of the number of Allowances available: a higher cap or allocation of Allowances of the Relevant Allowance Type would increase the supply of Allowances, and may also reduce demand for those Allowances, and thereby cause the price of those Allowances and the value of the Carbon Securities to fall; and
- (c) the timings or procedures surrounding the effective transfer of Allowances of the Relevant Allowance Type, and therefore timings and procedures relating to the redemption of Carbon Securities: changes to those timings and procedures could slow settlement of redemptions of Carbon Securities exposing redeeming Securityholders to possible falls in price for a longer time

2.3 **Abandonment of a Trading Scheme**

There is no assurance that any particular Trading Scheme will continue to exist. Cap and trade schemes generally (or a Trading Scheme in particular) may not prove to be an effective method of reduction in greenhouse gas emissions. As a result or due to other factors, a Trading Scheme may be terminated or may not be renewed upon its expiry.

If it was announced that a Trading Scheme was to terminate or not be renewed then this could result in reduced demand for Allowances of the Relevant Allowance Type and in the Compulsory Redemption of Carbon Securities. The announcement and other steps taken in relation to the termination or non-renewal of a Trading Scheme could also reduce the demand for Allowances issued under other Trading Schemes, thereby causing the price of those Allowances and the value of related Carbon Securities to fall (potentially to zero). This, in turn, could cause investors in the Carbon Securities to suffer a loss of some or all of their investment in the Carbon Securities.

B. Value of Investment in Carbon Securities

2.4 Secondary Market and Liquidity Risk

At any time, the price at which Carbon Securities trade on a Relevant Stock Exchange (or any other exchange or market on which they may be quoted or traded) may not reflect accurately the value of the Underlying Allowances that backs such Carbon Securities (through the Backing Note).

The market price of Carbon Securities will be a function of supply and demand amongst investors wishing to buy and sell Carbon Securities and the bid-offer spread that market-makers are willing to quote for Carbon Securities, as well as a function of the price of the Underlying Allowances.

Carbon Securities may trade at a premium to the value of the Underlying Allowances. Investors who pay a premium risk losing the premium if demand for Carbon Securities abates. For example, Authorised Participants have the right to request that the Issuer issue further tranches of Carbon Securities. If this request is accepted by the Issuer, this will increase supply and could reduce any such premium.

Investors are dependent on there being Authorised Participants making a market in Carbon Securities to minimise the difference between the secondary market price and the value of the Carbon Securities, and to provide investors with liquidity. There can be no assurance as to the depth of the secondary market (if any) in Carbon Securities, which could affect their liquidity and market price.

While the ability of Authorised Participants to subscribe and redeem Carbon Securities supports their ability to make a market in Carbon Securities, an Authorised Participant is under no contractual obligation to make a market in Carbon Securities and it is impossible to guarantee that one or more Authorised Participants would purchase Carbon Securities on a given day and/or at a particular price, which may result in a lack of liquidity at any given time.

If there is limited secondary market liquidity, the price at which a Securityholder may be able to sell its Carbon Securities at any time in the secondary market may be substantially less than the price paid by that Securityholder for the same Carbon Securities.

2.5 Risks Relating to the Application of the Total Expense Ratio

The Carbon Entitlement per Security in respect of a Class will decrease over time as a portion of the Total Expense Ratio (a rate per annum specified in the Final Terms in respect of a Class) is applied to the Carbon Entitlement on a daily basis, which reduces the Carbon Entitlement per Security.

There is no guarantee that the value of the Underlying Allowances (and thus the Backing Note) in respect of a Class will outperform the Total Expense Ratio, meaning that the value of a Securityholder's investment could decrease over time.

C. Operational Risks

2.6 Early Redemption of Carbon Securities

An investment in Carbon Securities could be redeemed earlier than desired by a Securityholder and at short notice (i.e. by way of a Compulsory Redemption). In these circumstances, the Securityholder may not get back all of their original investment.

A Compulsory Redemption is effected by Carbon Sale. Pursuant to the terms of the Disposal Counterparty Agreement, the Disposal Counterparty would be entitled to deduct certain costs properly incurred by it, in connection with the relevant sale of Underlying Allowances, from the agreed proceeds of such sale, which an Optional Redemption by way of Carbon Delivery would otherwise not be subject to. In addition, if the early Redemption takes place at a time when the value of the Carbon Securities redeemed is lower than when they were purchased by the Securityholder, the Securityholder could suffer a loss. Early Redemption may occur in the following circumstances:

(a) ***Early Redemption on Default***

In certain circumstances following the occurrence of an Event of Default in respect of the Issuer (including the Issuer's failure to make payments, failure to perform obligations in respect of the Carbon Securities or certain insolvency events in respect of the Issuer), the Issuer will be required to redeem all or some of the Carbon Securities in respect of a Class upon receiving notice from the Trustee, if the Trustee has been instructed by a specified portion of the Securityholders and indemnified, secured and/or pre-funded to its satisfaction. This may occur in circumstances where:

- (i) the Issuer has failed to comply with certain payment obligations in respect of the Redemption of any Carbon Securities (subject to certain remedies);
- (ii) the Issuer fails to comply with one or more of its obligations under a Programme Document; or
- (iii) the Issuer is subject to an insolvency event.

(b) ***Early Redemption for Cause***

The Issuer may redeem any Carbon Securities at any time by not less than 7 and no more than 14 Business Days' written notice, which it considers, in its absolute discretion:

- (i) are held in breach of law; or
- (ii) that the ownership of such Carbon Securities would, in its reasonable opinion cause a pecuniary or tax disadvantage to the Issuer or any other Securityholders.

The early redemption of the Carbon Securities in these circumstances could, in turn, result in a Securityholder suffering a loss of some or all of their investment in the Carbon Securities if the value of the Carbon Securities is lower than it would otherwise have been if the investment had been redeemed on a day chosen by the Securityholder, rather than on the date of the early redemption or if the value of the Underlying Allowances have fallen since the date on which the Securityholder first invested in Carbon Securities.

(c) ***Early Redemption Following a Disruption Event***

If, in respect of a class of Carbon Securities, a disruption event occurs (for example disruption relating to the trading of the type of the Underlying Allowances or futures, forward or options relating thereto, disruption relating to trading of the Carbon Securities On-Exchange or in the OTC Market, the termination of a relevant Programme Party without replacement and disruption relating to the Backing Issuer Secured Allowance Account or the inaccessibility or loss of Underlying Allowances, disruption relating to establishment or continuing function of the relevant Registry or, in the case of EU emissions allowances, the European Transaction Log), the Issuer may suspend Subscription and/or Redemption of the relevant Carbon Securities for so long as the disruption event continues, and ultimately exercise its right to redeem some or all of the affected Carbon Securities. In these circumstances, a Securityholder could suffer a loss of some or all of their investment in the Carbon Securities and, in certain cases (particularly where the disruption relates to the valuation of the Underlying Allowances), it may be difficult for a Securityholder to quantify or determine the value of their investment in the Carbon Securities.

(d) ***Early Redemption of Backing Notes***

The Issuer's investment in Backing Notes may be subject to a compulsory redemption by the Backing Issuer. The occurrence of a compulsory redemption of the Backing Notes themselves may cause the Issuer to exercise its right to compulsorily redeem the Carbon Securities or otherwise result in a Compulsory Redemption. As a result, an investment in Carbon Securities could be redeemed earlier than desired by a Securityholder and at short notice (i.e. by way of a Compulsory Redemption) and the Securityholder may not get back all of their original investment.

Compulsory redemption of the Backing Notes may occur in the following circumstances:

(i) ***Compulsory Redemption on Default***

In certain circumstances following the occurrence of an event of default in respect of the Backing Issuer, the Backing Issuer will be required to redeem the Backing Note of a class upon receiving notice from the Backing Issuer Security Trustee, but only if the Backing Issuer Security Trustee has been instructed by an

Extraordinary Resolution of the class of Backing Note and indemnified, secured and/or pre-funded to its satisfaction. These circumstances include where:

- (1) the Backing Issuer has failed to comply with certain payment obligations in respect of the Backing Notes (subject to certain remedies);
- (2) the Backing Issuer fails to comply with one or more of its obligations under a Backing Issuer Programme Document;
- (3) the Backing Issuer is subject to an insolvency event; or
- (4) the Backing Issuer fails to hold in the Backing Issuer Secured Allowance Account sufficient Allowances to match the entitlement to Allowances with respect to the Backing Note (subject to a cure period).

2.7 **Risks Relating to the Performance of the Disposal Counterparty**

The Issuer and the Backing Issuer intend to enter into a Disposal Counterparty Agreement and the Backing Issuer intends to enter into an ISDA Master Agreement, in each case, with the Disposal Counterparty as soon as practicable following the date of this Prospectus relating to the SparkChange Physical Carbon EUA ETCs. The Disposal Counterparty Agreement would provide for the Disposal Counterparty to purchase as principal Allowances from the Backing Issuer in connection with a Redemption by way of Carbon Sale (the Disposal Counterparty plays no role in a Redemption by way of Carbon Delivery), and the ISDA Master Agreement would govern the terms of any such transactions that are entered into. The Backing Issuer (and Issuer) may enter into further such agreements (a) in relation to the SparkChange Physical Carbon EUA ETC if the Disposal Counterparty Agreement were to be terminated; or (b) in relation to other Classes.

The Disposal Counterparty would be obliged under the Disposal Counterparty Agreement to pay the Backing Issuer the purchase price of the Underlying Allowances. This means that in the case of a Redemption by Carbon Sale, the Backing Issuer may be exposed to the default or insolvency of the Disposal Counterparty to the extent that it has agreed a sale on FOP terms whereby the Backing Issuer is required to transfer a proportion of the Allowances to the Disposal Counterparty before receiving the purchase price for them. As at the date of the Prospectus, it is intended that there should be only one Disposal Counterparty per Class. This risk could not be mitigated by using several Disposal Counterparties to effect a Carbon Sale.

If the Disposal Counterparty defaults in making a payment owed to the Backing Issuer with respect to the purchase of Allowances, the liability of the Backing Issuer to meet its obligations owed to the Issuer under the Backing Note and the Issuer's ability to meet its obligations to Securityholders would each be reduced by the amount of the

deficiency. Furthermore, if as a result of its default the Disposal Counterparty Agreement was terminated, a replacement Disposal Counterparty would need to be found. The terms of a Disposal Counterparty Agreement may also entitle the Disposal Counterparty to terminate such agreement upon notice and, if that termination right were to be exercised, a replacement Disposal Counterparty would need to be appointed.

If, following a default by the Disposal Counterparty or any other termination of the Disposal Counterparty Agreement, a replacement Disposal Counterparty Agreement was not put in place by the time that such termination took effect in accordance with the terms of the Disposal Counterparty Agreement, Securityholders could suffer delays in receiving the net proceeds should a Carbon Sale occur in relation to an Optional Redemption or Compulsory Redemption, and also losses if the price of the Underlying Allowance falls prior to the start (or re-start) of any Carbon Sale. In addition, in such a situation, this could potentially lead to the Compulsory Redemption of affected Carbon Securities not already subject to a Carbon Sale, which would lead to a Securityholder realising its investment earlier than desired and, if the value of the Carbon Securities at such time is less than that at the time of purchase, this would lead to a loss for a Securityholder of some or all of its investment in the Carbon Securities.

There is no guarantee that a replacement Disposal Counterparty would agree to purchase Allowances on the same terms and for the same fees as the original Disposal Counterparty. If a new Disposal Counterparty negotiates more favourable terms including higher fees, then the net proceeds of a Redemption by way of Carbon Sale may be less than what would otherwise be achieved with the original Disposal Counterparty. Any delay in the Redemption by way of Carbon Sale could result in the Allowances being sold at a different price compared to a sale which was not delayed and thus these net proceeds may be less than what might have been achieved had the original Disposal Counterparty been able to act. As it is intended that there will only be one Disposal Counterparty appointed in respect of each Class of Carbon Securities, it will not be possible to mitigate this risk by obtaining several competitive quotes from different Disposal Counterparties.

Further details regarding the Disposal Counterparty are set out in **Section 10 – Description of Documents**.

2.8 **Delays in entering into Disposal Counterparty Agreement and ISDA Master Agreement**

While it is the intention of the Issuer and Backing Issuer at the date of this Prospectus to have entered into a Disposal Counterparty Agreement, and, in the case of the Backing Issuer, to have entered into an ISDA Master Agreement, with the Disposal Counterparty before the date when a disposal of Allowances would be required, no assurance can be given that such agreements will have been entered into prior to such date. If one or both agreements has not been entered into by the time that a disposal of Allowances is required (i.e. to effect a Redemption by way of Carbon Sale) then this could delay the execution of such a disposal and any fall in Allowance prices

during such delay could result in the redemption amounts payable to Securityholders being lower than they would have been otherwise. If the Issuer and Backing Issuer fail to enter into one or both of these agreements with the Disposal Counterparty, then the Issuer and Backing Issuer would need to find an alternative Disposal Counterparty in order to effect Redemptions by way of Carbon Sale and this could cause further delay, and reductions in redemption amounts as described above, which would expose Securityholders to movements in the price of Underlying Allowances during this period. If a Compulsory Redemption Event were to occur at a time when documentation with a Disposal Counterparty had not been completed the risks described above relating to delays, changes in Allowance prices and Disposal Counterparty fees would apply to the Compulsory Redemption as they would to any other Redemption by way of Carbon Sale. The security structure provides the Trustee and Security Trustee with additional powers to direct the sale of the Allowances without the use of a Disposal Counterparty in circumstances where security supporting the Programme has become enforceable.

2.9 Reliance on Authorised Participants

Only Authorised Participants may deal with the Issuer in applying for Carbon Securities to be issued. There can be no assurance that there will at all times be an Authorised Participant to deal with the Issuer in applying for Carbon Securities.

If there is no Authorised Participant, the Issuer may (but is not obliged to) trigger a Compulsory Redemption Event in respect of the Carbon Securities. If the Issuer elects to trigger a Compulsory Redemption Event, it will notify Securityholders that there are no Authorised Participants, a Compulsory Redemption Event will occur in respect of the Carbon Securities and the Carbon Securities will be redeemed on the date falling ten (10) Business Days thereafter. If a Compulsory Redemption Event were to occur, the Carbon Securities will be redeemed by way of Carbon Sale. The occurrence of a Compulsory Redemption Event could result in a Securityholder suffering a loss of some or all of their investment in the Carbon Securities if, for example, the price of the Underlying Allowances has fallen in value since the Securityholder first invested in the Carbon Securities and may result in the amount received by the Securityholder being less than it would have been had the Carbon Securities been redeemed on a date chosen by that Securityholder.

In the event that there is no Authorised Participant and the Issuer has not exercised its right to trigger a Compulsory Redemption Event, it may be difficult or impossible for a Securityholder to sell Carbon Securities on the Relevant Stock Exchanges at a price close to the market value of the Allowances or within a reasonable time period. In such a case, a Securityholder may only Redeem by way of Carbon Delivery directly with the Issuer, which is a more complex process and may take longer and be more costly (due to payment of the Redemption Fee) than a sale of the Carbon Securities On-Exchange, which may cause a Securityholder to suffer a loss of some or all of their initial investment in the Carbon Securities. Any delay in Redemption in these circumstances would expose Securityholders to movements in the value of the Underlying Allowances during such period, meaning that a Securityholder could

receive less on Redemption than they would otherwise have received had an Authorised Participant been available.

2.10 **Insufficient Assets to Cover Principal Amount**

A Securityholder may elect to receive an amount in cash equal to the Principal Amount instead of the amount otherwise specified on a redemption. Such Principal Amount operates as a minimum repayment amount which is payable at the election of the Securityholder. Due to the limited recourse nature of the Carbon Securities, in the event that the value of the Carbon Entitlement of the relevant Class is insufficient to pay the Principal Amount to all Securityholders who have elected to receive the Principal Amount, such Securityholders may not receive payment of the Principal Amount in full and may receive substantially less.

2.11 **Cyber Security Risks**

Any of the Programme Parties, as well as the Union Registry or the Luxembourg section of the Union Registry, and any of their respective service providers, may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviours, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorised release of confidential information or various other forms of cyber security breaches. Cyber-attacks could result in market disruption or adversely affect the Underlying Allowances or access to the Underlying Allowances (including if they are stolen or lost).

Security vulnerabilities have previously been exploited in the EU ETS. For example, on 19 January 2011, EU emissions allowances were allegedly stolen or "phished" from the national registries of several European countries and from the carbon trading accounts of market participants, which caused severe market disruption in the European carbon trading market with delivery of EU emissions allowances suspended. Such cyber security breaches could result in, amongst other things, the theft of Underlying Allowances and early Redemption of the Carbon Securities. If some or all of the Underlying Allowances were to be stolen, this would have a material adverse effect on the ability of the Issuer to perform its obligations in respect of the Carbon Securities which may, in turn, result in a Securityholder losing some or all of the value of its investment in the Carbon Securities.

2.12 **Authorised representative risk**

Instructions on the Backing Issuer Secured Allowance Account will be given to the Registry by authorised representatives employed by the Backing Issuer Administrator. There is a risk that these authorised representatives could transfer Allowances to the wrong account either by mistake or intentionally as part of a theft or fraud, thereby resulting in Allowances being lost or stolen. If any Allowances were to be lost or stolen (whether fraudulently or by mistake), this would adversely affect the ability of the Issuer to perform its obligations in respect of the Carbon Securities and Securityholders may suffer a loss in respect of some or all of the value of their investment in the Carbon Securities.

D. Risks Relating to Security of the Secured Property and the Backing Issuer Assets

A description of the security structure including in relation to each of the Secured Property and the Backing Issuer Assets is summarised in **Section 4 – Description of the Programme** and **Section 12 – Security Arrangements**.

2.13 Risks Relating to the Subordination of Securityholders' Claims on Enforcement of the Secured Property

Any claims made against the Issuer will be satisfied in order of the priority waterfall set out in the section entitled ***Application Of Proceeds On Enforcement Of Security*** in Condition 6.3 (as set out in Section 14– **Terms and Conditions of Carbon Securities**), meaning that the claims of the Securityholders rank behind applicable payments to the Security Trustee, the Trustee and HANetf, as described below.

Following the priority of payments, the security may be insufficient and the Issuer may not be able to return the full amounts due to Securityholders who may suffer a loss as a result.

2.14 Risks Relating to suspension of the Backing Issuer Secured Allowance Account

The Backing Issuer Secured Allowance Account is held in the name of the Backing Issuer in the Luxembourg section of the Union Registry, and has been pledged to the Backing Issuer Security Trustee pursuant to the Allowance Security Document. The National Administrator for Luxembourg has been notified of the entry into the Allowance Security Document and the pledge created thereunder, however there is no obligation on the National Administrator for Luxembourg to confirm its acknowledgement of this. If the Backing Issuer became subject to an insolvency proceeding the National Administrator for Luxembourg would have the right to suspend the Backing Issuer Secured Allowance Account, which would prevent Redemptions from that account. The National Administrator could maintain this suspension until the National Administrator receives official information about who has the rights to represent the Backing Issuer as the account holder and the authorised representatives as at that time are either confirmed or new authorised representatives are nominated in accordance with the Registries Regulation. This could delay when the Backing Issuer Security Trustee is able to take enforcement action with respect to the Underlying Allowances. During this period of delay or suspension, the Carbon Sale of the relevant Underlying Allowances would be delayed and the value of such Allowances may fall. Securityholders would not be able to receive the proceeds of enforcement until such Carbon Sale is effected and therefore could be exposed to a change in value of such Allowances during such period of delay or suspension. This could result in a Securityholder receiving less than it would have received upon enforcement had no such delay or suspension occurred.

2.15 **Limited Enforcement Rights**

The Security Trustee may enforce the Security at its discretion but is only required to enforce the Security on behalf of a Securityholder if it is directed to do so by the Trustee and provided the Trustee has been instructed by a specified portion of the Securityholders and indemnified, secured and/or pre-funded to its satisfaction.

In circumstances where the Security Trustee is not directed to enforce the Security, a Securityholder will have no right to proceed directly against the Issuer and may therefore not be able to realise the value of its investment.

2.16 **Recognition of Security in other Jurisdictions**

The laws of certain jurisdictions may affect some or all of the assets comprising the Secured Property in respect of any Security Deed or any Security Document. In the event that the laws of a jurisdiction do not recognise the security granted by such Security Deed or other Security Document, such security may not be effective in relation to assets deemed located in that jurisdiction and/or such assets may be subject to claims which would otherwise rank after claims secured by the Security Deed or other Security Document. In the event that it becomes necessary to enforce the security granted by a Security Deed or other Security Document in a jurisdiction that does not recognise such security (or in which it has not been perfected) there may be delays in enforcing the security or it may not be possible to enforce such Security which could result in losses to Securityholders.

E. Risks Relating to the Issuer and its Legal Structure

2.17 The Issuer

The Issuer expects that it should fall within the Irish regime for the taxation of qualifying companies as set out in Section 110 of the Taxes Consolidation Act 1997 (as amended) ("**Section 110**"), and as such should be taxed only on the amount of its retained profit after deducting all amounts of interest and other revenue expenses due to be paid by the Issuer subject to the Issuer meeting all relevant conditions of Section 110. If, for any reason, the Issuer is not or ceases to be entitled to the benefits of Section 110, or any of its expenses are not deductible for tax purposes, then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows connected with the Carbon Securities and as such could adversely affect the tax treatment of the Issuer and consequently the payments on the Carbon Securities.

The Issuer has, and will have, no assets available to meet claims in respect of Carbon Securities other than:

- (a) the Underlying Allowances held (through the Backing Note) in respect of the Carbon Securities (to the extent not applied in discharge of certain establishment expenses of the Issuer);
- (b) a small amount of profit received by the Issuer in connection with the issue of the Carbon Securities; and
- (c) in respect of the Carbon Securities, any rights, property, sums or other assets on which such Carbon Securities issued under the Programme are secured.

The Issuer is not required to be licensed or authorised under any current securities, commodities, insurance or banking laws of its jurisdiction of incorporation. In particular, the Issuer is not and will not be regulated by the Central Bank as a result of issuing the Carbon Securities.

There can be no assurance, however, that regulatory authorities in one or more other jurisdictions will not determine that the Issuer is required to be licensed, registered or authorised under the prevailing securities, banking or commodities laws of that jurisdiction or that legal or regulatory requirements in this respect will not change so as to bring the Issuer's activity relating to the Carbon Securities within the scope of such laws. Any such requirement or change could have an adverse impact on the Issuer or the Securityholders.

2.18 Limited Recourse and Non-Petition

The Issuer is a special purpose company but it is not a segregated cell company (i.e. under which the company is divided into separate cells which each have separate assets and liabilities). Accordingly, the Issuer uses contractual limited recourse clauses and non-petition limitations to prevent assets held in relation to any particular

Class of Carbon Securities being made available to satisfy the claims of holders of a different Class of Carbon Securities or of other creditors of the Issuer.

Through the use of contractual limited recourse but subject always to the Security Deed in respect of a Class, this means that, the Securityholders of a particular Class will have recourse only to the Secured Property in respect of a Class, and not to any other assets of the Issuer. If, following realisation in full of the Secured Property relating to the relevant Class and application of available assets, any outstanding claim against the Issuer relating to such Class remains unsatisfied, then such outstanding claim will be extinguished and no obligation will be owed by the Issuer in respect of such claim.

Neither the Securityholders nor any other person acting on their behalf (or on behalf of any of them) will be entitled to take any further steps against the Issuer, the Backing Issuer or any of their directors, shareholders, corporate service providers or agents to recover any further sum in respect of such claim and no obligation will be owed to any such persons by the Issuer in respect of such outstanding sum. There are also contractual restrictions on the Securityholders and Programme Parties bringing insolvency proceedings against the Issuer. If such provisions are upheld, it would be unlikely that the Issuer could become insolvent.

However, it is possible that there may be situations where the Issuer becomes subject to a claim which is not subject to limited recourse or non-petition limitations. If this were to happen, it could increase the likelihood of the Issuer entering insolvency proceedings.

Notwithstanding the limited recourse and non-petition provisions, should the Issuer have outstanding liabilities to third parties which it is unable to discharge or should the limited recourse or non-petition provisions be found to be non-enforceable in a particular jurisdiction and as a result the Issuer becomes or is declared insolvent according to the law of any country having jurisdiction over it or any of its assets, the insolvency laws of that country may determine the validity of the claims of Securityholders and may prevent Securityholders from enforcing their rights with respect to any Carbon Securities held by it or delay such enforcement. In particular, depending on the jurisdiction concerned and the nature of the assets and security, the Security created in favour of the Security Trustee in respect of such Class of Carbon Securities may be set aside or ranked behind certain other creditors and the assets subject to such Security may be transferred to another person free of such Security.

In addition, certain jurisdictions have procedures designed to facilitate the survival of companies in financial difficulties. In such jurisdictions, the rights of the Security Trustee to enforce the Security created pursuant to any Security Document may be limited or delayed by such procedures.

2.19 **Preferred Creditors under Irish Law and Floating Charges**

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Securityholders and other Secured Parties, the Securityholders (and other Secured Parties) may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular, under Irish law, upon an insolvency of an Irish company, such as the Issuer, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the relevant Irish courts.

The holder of a fixed security over the book debts of an Irish tax resident company (which would include the Issuer) may be required by the Irish Revenue Commissioners, by notice in writing from the Irish Revenue Commissioners, to pay to them sums equivalent to those which the holder received in payment of debts due to it by the company.

Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 calendar days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of the Irish Revenue Commissioners' notice to the holder of fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

The essence of a fixed charge is that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to the Issuer any charge constituted by the Security Deed may operate as a floating, rather than a fixed charge.

In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the chargor to pay the proceeds of collection of

the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the monies standing to the credit of such account without the consent of the chargee.

Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security over the relevant charged assets would be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- (a) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- (b) as discussed above, they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up even if crystallised prior to the commencement of winding-up;
- (c) they rank after certain insolvency remuneration expenses and liabilities;
- (d) the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- (e) they rank after fixed charges.

2.20 **Examinership**

Examinership is a court procedure available under the Companies Act 2014 to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its centre of main interests in Ireland is, or is likely to be unable to pay its debts, an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014.

The Issuer, its directors or its shareholders holding not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets, the subject of a fixed charge. However, if such power is exercised the examiner must account to the holders of the fixed charge for the amount realised and discharge the amount due to the holders of the fixed charge out of the proceeds of the sale.

Since the commencement of the European Union (Preventive Restructuring) Regulations 2022 (S.I. No. 380/2022) (the **Preventive Restructuring Regulations**) and the inclusion of the new Section 520A(1) of the Companies Act 2014, creditors of companies that are under the protection of the court are not permitted to “*withhold performance of*”, “*terminate*”, “*accelerate*” or “*in any other way modify*”, any

executory contract to the “*detriment of the company, notwithstanding any contractual clause to the contrary*”, solely by reason of:

- (a) the making of an application by petition to appoint an examiner to the company,
- (b) the appointment of an interim examiner to the company;
- (c) the appointment of an examiner to a related company of the company; or
- (d) the company being placed under the protection of the court.

Executory contracts are defined as contracts between a debtor and one or more creditors under which the parties still have obligations to perform at the time the stay of individual enforcement actions is granted or applied.

During the period of protection (which is for an initial period of 70 days and may be extended to 100 days), the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. However, in no circumstances can the period of protection extend for more than 12 months from the date of the presentation of the petition. A scheme of arrangement may be approved by either the Irish Circuit Court or the Irish High Court (as applicable, and each, a “**relevant Irish Court**”) when at least one class of creditors has voted in favour of the proposals and the relevant Irish Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unduly prejudicial to the interests of any interested party. The relevant Irish Court shall not confirm proposals for a scheme of arrangement unless, amongst other things, (a) a majority in number and value of impaired creditors have voted to accept the proposals, or (b) a majority of creditor classes, including at least one class of secured or senior creditors, have voted to accept them, or (c) at least one class of impaired creditors, other than those receiving nothing in liquidation, has voted to accept them, and (d) if the above requirements are not satisfied, no dissenting creditor would be worse off than in liquidation or the next-best-alternative scenario.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee or Security Trustee represented the majority in number and value of claims within the secured creditor class, the Trustee or Security Trustee would be in a position to reject any proposal not in favour of the Securityholders. The Trustee or Security Trustee would also be entitled to argue at the relevant Irish Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Securityholders, especially if such proposals included a writing down or reduction to the value of amounts due by the Issuer to the Securityholders.

Once confirmed by the relevant Irish Court, the scheme of arrangement becomes binding on the company and all creditors whose rights are impaired by the scheme of arrangement and who received notice of the meetings convened for the purposes of voting on the proposals.

The fact that the Issuer is a special purpose vehicle and that all of its liabilities should be of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

However, if, for any reason, an examiner was appointed while any amounts due by the Issuer under the Carbon Securities were unpaid, the primary risks to the Securityholders are as follows:

- (a) the potential for a compromise or scheme of arrangement being approved involving the writing down of the debt (by reducing the principal amount owed, and potentially even eliminating the debt entirely) or rescheduling of the debt due (by amending or postponing the date(s) on which the debt is due) by the Issuer to the Securityholders as secured by the Trust Deeds, Security Deeds and/or Security Documents;
- (b) the Trustee and/or the Security Trustee acting for and on behalf of the Securityholders and the other Secured Parties, would not be able to enforce rights against the Issuer during the period of examinership;
- (c) the potential for the examiner to seek to set aside any negative pledge in the Carbon Securities prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (d) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the relevant Irish Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Securityholders and the other Secured Parties under the Carbon Securities or the Programme Documents.

F. Risks Relating to the Backing Issuer and its Legal Structure

2.21 The Backing Issuer

The Backing Issuer has, and will have, no assets available to meet claims in respect of the Backing Notes other than:

- (a) the Underlying Allowances held in respect of the Backing Notes (to the extent not applied in discharge of certain establishment expenses of the Backing Issuer);
- (b) a small amount of profit received by the Backing Issuer in connection with the issue of the Backing Notes; and
- (c) in respect of the Backing Notes, any rights, property, sums or other assets on which such Backing Notes issued under the Backing Issuer Programme are secured.

The Backing Issuer is not required to be licensed or authorised under any current securities, commodities, insurance or banking laws of its jurisdiction of incorporation. In particular, the Backing Issuer is not and will not be regulated by the Jersey Financial Services Commission as a result of issuing the Backing Notes.

There can be no assurance, however, that regulatory authorities in one or more other jurisdictions will not determine that the Backing Issuer is required to be licensed, registered or authorised under the prevailing securities, banking or commodities laws of that jurisdiction or that legal or regulatory requirements in this respect will not change so as to bring the Backing Issuer's activity relating to the Backing Notes within the scope of such laws. Any such requirement or change could have an adverse impact on the Backing Issuer or the Noteholder.

2.22 Insolvency

As mentioned in Section 1.13 above, the only permitted business activities of the Backing Issuer are to (a) issue the Backing Notes (as defined in Section 4.9), (b) hold property securing the Backing Notes (including the underlying allowances and activities incidental to them), (c) ensure that the Issuer is the only holder of Backing Notes, and (d) ensure that the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding. The Issuer is the only person with whom the Backing Issuer has arrangements to subscribe for Backing Notes and the Issuer is not permitted to transfer the Backing Notes without Trustee consent. In addition, there are restrictions on the Noteholder(s) and the Backing Issuer Security Trustee bringing insolvency proceedings against the Backing Issuer. If such provisions are upheld, it would be unlikely that the Backing Issuer could become insolvent.

However, notwithstanding the limited recourse and non-petition provisions, should the Backing Issuer have outstanding liabilities to third parties which it is unable to discharge or should the limited recourse or non-petition provisions be found to be

non-enforceable in a particular jurisdiction and as a result the Backing Issuer becomes or is declared insolvent according to the law of any country having jurisdiction over it or any of its assets, the insolvency laws of that country may determine the validity of the claims of Noteholder(s) and may prevent Noteholder(s) from enforcing their rights with respect to any Backing Note held by it or delay such enforcement. In particular, depending on the jurisdiction concerned and the nature of the assets and security, the Security created in favour of the Backing Issuer Security Trustee in respect of such class of Backing Notes may be set aside or ranked behind certain other creditors and the assets subject to such Security may be transferred to another person free of such Security.

In addition, certain jurisdictions have procedures designed to facilitate the survival of companies in financial difficulties. In such jurisdictions, the rights of the Backing Issuer Security Trustee to enforce the Security created pursuant to any Backing Issuer Security Document may be limited or delayed by such procedures.

2.23 **Risk of Liabilities of the Backing Issuer not subject to Limited Recourse**

The Backing Issuer is a special purpose company but it is not a segregated cell company under which the company is divided into separate cells which each have separate assets and liabilities. Accordingly, the Backing Issuer uses contractual limited recourse clauses and non-petition limitations to prevent assets held in relation to any particular class of Backing Note being made available to satisfy the claims of holders of a different class of Backing Note. However, it is possible there may be situations where the Backing Issuer might become subject to claims which are not themselves subject to limited recourse or non-petition limitations. If this were to happen it could increase the likelihood of the Backing Issuer entering insolvency proceedings potentially leading to the early redemption of the Backing Notes and in turn the Carbon Securities.

2.24 **Preferred Creditors under Jersey Law**

If the Backing Issuer becomes subject to bankruptcy procedures and the Backing Issuer has obligations to creditors that are treated under Jersey law as creditors that are senior relative to the Issuer, the Issuer may suffer losses as a result of its subordinated status during such bankruptcy proceedings. Claims that may rank ahead of that of the Issuer include:

- (a) the fees and emoluments and all costs, charges, allowances and expenses properly incurred by or payable by the Viscount or a liquidator in connection with the bankruptcy;
- (b) certain preferred payments to employees, though it is not expected that the Backing Issuer will have any employees;
- (c) certain tax arrears as described in the Income Tax (Jersey) Law 1961 and the Goods and Services Tax (Jersey) Law 2007; and
- (d) parochial rates due to any parish in Jersey for a period not exceeding 2 years.

G. Legal Risks

2.25 Regulatory Risk

Government or regulatory intervention in the financial markets could result in: (i) the Issuer or any other Programme Party being unable to perform its obligations in relation to the Carbon Securities; and/or a Securityholders being unable to hold Carbon Securities. If, due to a change in any applicable law or regulation, it becomes illegal for the Issuer, a Programme Party or a Securityholder to perform its obligations in relation to the Carbon Securities, the Carbon Securities of the relevant Class may be subject to Compulsory Redemption.

The Issuer is not required to be licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation and will operate without supervision by any authority in any jurisdiction. However, the regulatory requirements as to licensing, registration or authorisation in Ireland could change thereby requiring the Issuer to obtain such a status. Regulatory authorities in one or more other jurisdictions may regard such laws as applicable to the Issuer and may require the Issuer to be licensed, registered or authorised. Any such requirement or change could have an adverse impact on the Issuer or the holders of the securities.

Owing to the special purpose nature of the Issuer, the Issuer may be unable to comply with the requirements imposed by the regulatory authorities of any such jurisdiction. The taking of an alternative view by such regulatory authority could therefore have an adverse impact on the Issuer and/or the holders of Carbon Securities including, without limitation, the Issuer consequently determining that a Compulsory Redemption Event has occurred in respect of any affected Carbon Securities. The Carbon Securities may therefore be redeemed early, which may result in Securityholders receiving less, or substantially less, than their initial investment or less than a Securityholder would have received had the Carbon Securities been redeemed on a date of their choosing.

2.26 Change of Law

The Conditions and the Backing Note Terms and Conditions are governed by English law in effect as at the date of issue of the relevant Carbon Securities and Backing Notes (as the case may be). It is possible that a judicial decision or change to English law or administrative practice after the date of issue of the relevant Carbon Securities will occur which may affect such Carbon Securities or the Backing Notes.

It is not possible to predict the consequences of any such changes; it could have a significant adverse effect on the price and liquidity of the Carbon Securities and/or the Issuer may, as a result of such change, determine that a Compulsory Redemption Event has occurred and the Carbon Securities may be redeemed early. As a result of such Redemption, Securityholders may receive less, or substantially less, than their initial investment or less than a Securityholder would have received had the Carbon Securities been redeemed on a date of their choosing.

SECTION 3 COMMONLY ASKED QUESTIONS

| Item | Question | Answer |
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| General | | |
| 1. | What are Carbon Securities? | <p>Carbon Securities are secured, undated zero coupon debt securities, which are designed to track the price of physical carbon emission allowances (excluding fees).</p> <p>These allowances permit the holder to emit a specific volume of carbon dioxide equivalent or other greenhouse gas in accordance with the rules of the relevant Trading Scheme ("Allowances").</p> <p>The Carbon Securities are issued by HANetf ETC Securities plc, in the form of exchange-traded securities. The Carbon Securities are backed by a security (the "Backing Note") which is backed by the relevant physical Allowances.</p> <p>As such, the Carbon Securities offer investors a means acquiring corresponding exposure to the relevant Allowances without being required to take physical delivery of that Allowance nor opening a Holding Account.</p> |
| 2. | What are SparkChange Physical Carbon EUA ETC? | <p>This is a class of Carbon Securities that is designed to give investors exposure to physical EU Carbon Emission Allowances (excluding fees). They are backed by the EUA Backing Note which is backed by physical EU Carbon Emission Allowances.</p> <p>SparkChange Physical Carbon EUA ETC is the only class of Carbon Security currently being issued by the Issuer.</p> |
| 3. | What are EU Carbon Emission Allowances ("EUAs") ? | <p>EUAs are a type of Allowance. They are issued via the European Union Emission Trading System ("ETS") and permit the holder to emit one tonne of carbon dioxide equivalent or other greenhouse gas. The ETS requires each entity covered by the scheme to surrender each year sufficient EUAs to cover all its emissions in the previous year.</p> |

| Item | Question | Answer |
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| 4. | What is the Backing Note? | <p>This is a specific undated security, issued by the Backing Issuer to the Issuer, which gives the Issuer an entitlement to those Underlying Allowances.</p> <p>The Backing Note secures the Issuer's obligations to Securityholders by creating matching obligations owed by the Backing Issuer (which holds the physical Allowances) to the Issuer.</p> <p>The Carbon Securities are backed by the relevant Backing Note, which is itself backed by the relevant physical Allowances. Accordingly, the Backing Note that secures each Class of Carbon Securities has characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Carbon Securities.</p> <p>The EUA Backing Note is the Backing Note that secures the SparkChange Physical Carbon EUA ETC. The EUA Backing Note is the only Backing Note currently in issue.</p> |
| 5. | How do the Carbon Securities give investors their exposure to physical carbon emission allowances? | <p>The Carbon Securities are backed by the Backing Note which is itself backed by the relevant physical Allowances. The physical Allowances are not held directly by the Issuer but are instead held by the Backing Issuer in its Holding Account ("Underlying Allowances"). (see Qs 19 and 21 below).</p> <p>Each Carbon Security has a "Carbon Entitlement per Security" which specifies the amount of those Allowances to which a Securityholder is entitled (see Q 6 below).</p> <p>Upon subscription, an amount of Allowances equal to or greater than the Carbon Entitlement must be delivered to the Backing Issuer's Holding Account. In turn, the Backing Issuer will issue (or increase) the amount of the Backing Note held by the Issuer and the Issuer will then issue additional Carbon Securities. The reverse will happen on redemption.</p> |
| 6. | What is the Carbon Entitlement? | <p>Each Carbon Security has a "Carbon Entitlement per Security" which specifies the amount of Allowances to which a Securityholder is entitled. The Carbon Entitlement of all outstanding Carbon Securities will be</p> |

| Item | Question | Answer |
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| | | <p>equal to the Carbon Entitlement per Security multiplied by the total number of Carbon Securities issued.</p> <p>The carbon entitlement of the Backing Note is identical to the Carbon Entitlement of all Carbon Securities outstanding.</p> |
| 7. | How are Carbon Securities created? | <p>Only Authorised Participants (see Q 13 below) may apply for Carbon Securities directly with the Issuer (non-Authorised Participants cannot apply for Carbon Securities directly from the Issuer, instead they need to buy Carbon Securities in the secondary market either On-Exchange or in the OTC Market). The subscription price for Carbon Securities is expressed "in kind", and is equal to the Carbon Entitlement per Security on the relevant date.</p> <p>In order to receive Carbon Securities, Authorised Participants must deliver an amount of Underlying Allowances by way of a FOP transfer to the Backing Issuer's Holding Account equal to (or greater) than the Carbon Entitlement of the Carbon Securities to be issued.</p> <p>Once receipt of the Underlying Allowances is confirmed, the Backing Issuer will issue the Issuer with a Backing Note (or increase the Carbon Entitlement of the Backing Note if the note has already been issued) and the Issuer will issue the corresponding number of Carbon Securities.</p> <p>Once an Authorised Participant has received Carbon Securities from the Issuer, that Authorised Participant may:</p> <ul style="list-style-type: none"> • choose to hold the Carbon Securities itself; • sell those Carbon Securities on a Relevant Stock Exchange or in the OTC Market; or • redeem the Carbon Securities directly with the Issuer. <p>See Q 13 for further information.</p> |
| 8. | Are the Carbon Securities guaranteed? | <p>No. The Carbon Securities issued under the Programme will not be guaranteed by, or be the responsibility of, any entity other than the Issuer. Aside from the Issuer, no</p> |

| Item | Question | Answer |
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| | | <p>other person is required to make payments on Carbon Securities of any Class.</p> <p>Specifically, the Carbon Securities:</p> <p>(a) will not have the status of a bank deposit and will not be within the scope of any deposit protection scheme, including but not limited to the deposit protection scheme operated by the Central Bank and/or the FCA (as applicable) or any client money protection scheme; and</p> <p>(b) are not insured or guaranteed by any government, government agency or other body.</p> |
| 9. | Are the Backing Notes guaranteed? | <p>No. The Backing Notes issued under the Backing Issuer Programme will not be guaranteed by, or be the responsibility of, any entity other than the Backing Issuer. Aside from the Backing Issuer, no other person is required to make payments on Backing Notes of any class. Specifically, the Backing Notes:</p> <p>(a) will not have the status of a bank deposit and will not be within the scope of any deposit protection scheme, including but not limited to the deposit protection scheme operated by the Jersey Financial Services Commission or any client money protection scheme; and</p> <p>(b) are not insured or guaranteed by any government, government agency or other body.</p> |
| Roles of the Relevant Parties | | |
| 10. | Who is the Backing Issuer and what does it do? | <p>Spark Change Jersey Issuer Limited, a company incorporated under the laws of Jersey solely to support the Programme.</p> <p>The Backing Issuer supports the Programme by holding the Underlying Allowances that ultimately back the Carbon Securities in its Holding Account, and ensuring that the Backing Note it issues to the Issuer is kept in line with its physical holdings of Allowances.</p> <p>The only permitted activity of Backing Issuer is to hold Allowances in the Backing Issuer's Holding Account and issue the Backing Notes to the Issuer.</p> |

| Item | Question | Answer |
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| 11. | Who are the Trustee and the Security Trustee, and what do they do? | <p>The Trustee and the Security Trustee are each The Law Debenture Trust Corporation p.l.c. ("Law Debenture"), an independent entity whose role is to act as trustee on behalf of Securityholders in accordance with the Trust Deed and to act as security trustee on behalf of Securityholders and the other Secured Parties in accordance with the Security Deed. The Trustee holds its rights on behalf of Securityholders and the Security Trustee holds its right on behalf of Secured Parties. In exercising any discretion or making any determination required to be made by the Trustee or the Security Trustee, it will take into account the interest of the Securityholders of each Class of Carbon Securities as a whole, but it is not required to take into account the interests of any individual Securityholder.</p> |
| 12. | Who is the Backing Issuer Security Trustee | <p>The Backing Issuer Security Trustee is also Law Debenture, and its role is to act as trustee on behalf of the Issuer as the holder of the Backing Note in accordance with the Backing Issuer Security Deed and the Allowance Security Document.</p> <p>The Backing Issuer Security Trustee assigns all its rights in and to the EUA Pledge to the Security Trustee on behalf of the Securityholders.</p> |
| 13. | Who are the Authorised Participants? | <p>Authorised Participants are experienced financial institutions who meet certain eligibility requirements and who have entered into an Authorised Participant Agreement with the Issuer.</p> <p>The Authorised Participants and/or their respective affiliates may be active traders in the physical and financial emission allowance markets. These trading activities may present a conflict between: (i) the interests of the Securityholders; and (ii) the interests of the Authorised Participants in facilitating transactions (including options and other derivatives transactions) relating to Allowances, both in their proprietary accounts and for their customers in accounts under their management.</p> <p>These trading activities could give rise to conflicts of interest which are adverse to the interests of the Securityholders and could adversely affect the market</p> |

| Item | Question | Answer |
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| | | value of the Carbon Securities. With respect to any of the activities described above, none of the Authorised Participants or any of their respective affiliates has any obligation to the Issuer to take the needs of any buyers, sellers or holders of the Carbon Securities into consideration at any time. |
| 14. | What is the role of an Authorised Participant? | <p>Authorised Participants play a crucial role in intermediating between end investors and the Issuer by making Carbon Securities available On-Exchange and in the OTC Market, which enables end investors to buy and sell Carbon Securities using their ordinary brokerage accounts, without having to handle the physical Allowances. To facilitate these transactions, the Authorised Participants are entitled to:</p> <ul style="list-style-type: none"> (a) subscribe for new Carbon Securities directly with the Issuer by delivering the relevant Allowances under a tripartite agreement among the Issuer, the Backing Issuer and the Authorised Participant ("Issuer AP Terms"); (b) redeem Carbon Securities directly with the Issuer by receiving the relevant Allowances from the Backing Issuer. <p>As noted in Q7, only Authorised Participants are allowed to subscribe for Carbon Securities directly with the Issuer, in connection with which they are responsible for delivering Allowances to the Backing Issuer's Holding Account.</p> <p>Securityholders that are not Authorised Participants may redeem Carbon Securities directly with the Issuer, although in the case of a Redemption by Carbon Delivery this would require the Securityholder to have access to a Holding Account in which to receive the EUAs.</p> <p>As noted in Q30, most Securityholders will sell their Carbon Securities on one of the stock exchanges where the Carbon Securities are admitted to trading.</p> |
| 15. | Will there always be at least one Authorised Participant? | No, the Issuer cannot guarantee that there will always be at least one Authorised Participant. However, if there are no Authorised Participants, the Issuer has the right (but not the obligation) to trigger a Compulsory |

| Item | Question | Answer |
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| | | Redemption of the Carbon Securities pursuant to Condition 8.2(b) by delivering an Agent Redemption Event Notice to the other Programme Parties and the Securityholders. The Issuer anticipates (but cannot guarantee) that it would deliver an Agent Redemption Event Notice in circumstances where there are or will be no Authorised Participants for a prolonged period of time. |
| 16. | Who are the Administrators and what do they do? | <p>The Administrator is Apex Fund Services (Ireland) Limited and the Backing Issuer Administrator is Apex Financial Services (Corporate) Limited (together the Administrators).</p> <p>Among other things, the Administrators provide the following services:</p> <ul style="list-style-type: none"> • Maintaining a register of Carbon Securities and the number of outstanding Carbon Securities • Maintaining a register of the Backing Note and the underlying Carbon Entitlement • Publishing the daily Carbon Entitlement and Carbon Entitlement per Security • Providing the authorised signatories needed to transfer Allowances from the Backing Issuer's Holding Account <p>The Administrators are part of the Apex Group, a global financial services organisation and one of the global top tier independent service providers, which retains a focus on high client service levels delivered locally and administers circa \$3.4 trn in assets.</p> |
| 17. | Who is the Disposal Counterparty and what does it do? | <p>The Issuer and the Backing Issuer intend to appoint a Disposal Counterparty in respect of each Class of Carbon Securities. No Disposal Counterparty has yet been appointed in respect of the only Class of Carbon Securities in effect as at the date of this Prospectus (the SparkChange Physical Carbon EUA ETC Class of Carbon Securities), but once the Issuer has entered into a definitive agreement providing for the appointment of a Disposal Counterparty in respect of a Class of Carbon Securities, it shall notify Securityholders of that Class of Carbon Securities of the appointment of a Disposal Counterparty in accordance with Condition 17 (<i>Notices</i>) of the Carbon Securities. The role of the Disposal</p> |

| Item | Question | Answer |
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| | | Counterparty is to provide a mechanism for the disposal of the Allowances where the Redemption Mechanism is a Carbon Sale. This is because the Disposal Counterparty will commit to purchase Allowances from the Backing Issuer where the required Redemption Mechanism is a Carbon Sale. |
| Allowances and Holding Account | | |
| 18. | How do market transactions in Allowances generally take place? | In respect of the emissions trading market in Europe, transactions in allowances in the EU ETS take place between accounts in the European Union Registry. The European Union Transaction Log (EUTL) also automatically checks, records and authorises all transactions that take place between accounts in the European Union Registry. |
| 19. | Where and how are the Allowances held? | <p>The Allowances are held by the Backing Issuer, in a Holding Account exclusively used for this Programme, as the underlying physical asset of the Backing Note.</p> <p>A Holding Account is a form of digital record maintained in a registry pursuant to the Registries Regulation that is able to be used to record the holding and transfer of Allowances pursuant to and in accordance with the relevant Trading Scheme. This is the only method for holding the physical Allowances.</p> |
| 20. | Which section of the European Union Registry holds the Underlying Allowances? | As at the Prospectus Date, the relevant Registry where the Underlying Allowances will be held in is the Luxembourg section of the European Union Registry. |
| 21. | Which Holding Account is used for the SparkChange Physical Carbon EUA ETC? | <p>This Backing Issuer's Holding Account is used solely for the SparkChange Physical Carbon EUA ETC. It is maintained in the Union Registry with the National Administrator of the Grand Duchy of Luxembourg, or such other National Administrator specified in the relevant Final Terms in accordance with the EU Scheme.</p> <p>The Backing Issuer's Holding Account is secured in favour of the Backing Issuer Security Trustee pursuant to the EUA Pledge, which in turn is secured in favour of the Security Trustee</p> |

| Item | Question | Answer |
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| 22. | When can Allowances move out of the Backing Issuer's Holding Account, and by whom? | <p>Allowances can be moved out of the Backing Issuer's Holding Account either when Carbon Securities are redeemed or periodically to pay the daily accrued TER fee (see Q26).</p> <p>In order to move Allowances out of this account the Issuer, Backing Issuer and the Backing Issuer Administrator must agree on the correct number of Allowances to be transferred. The transfer itself can only be approved by the Backing Issuer Administrator, with two authorised persons from the Backing Issuer Administrator implementing the transfer.</p> <p>In the case of Insolvency, the Security Trustee would direct the transfer of Allowances out of the Holding Account.</p> |
| Investing in Carbon Securities | | |
| 23. | How do investors buy and sell Carbon Securities | <p>Investors can buy and sell Carbon Securities on any of the stock exchanges on which they are admitted to trading, or in private transactions (in the OTC Market), in the same way as they buy and sell other listed securities.</p> <p>Transactions in Carbon Securities other than those directly with the Issuer can be done at any point during exchange trading hours. Such purchases of Carbon Securities will generally be done at an "offer price" and any sales of Carbon Securities intraday will generally be done at a "bid price". The bid and offer prices of a Carbon Security are expected to be close to the fair value of the relevant class of Carbon Security on a particular day, however, they will not match exactly the fair value because bid and offer prices also take account of other market conditions such as market liquidity (supply and demand) of both the Carbon Securities and the Underlying Allowances at the time that the investor is looking to buy or sell their Carbon Securities.</p> |
| 24. | Are there transaction costs for buying and selling Carbon Securities On-Exchange or in the OTC Market? | <p>Investors who buy and sell Carbon Securities On-Exchange or in the OTC Market may be charged additional costs by other parties (for example brokerage fees) in respect of those transactions, in addition to any bid-offer spread.</p> |

| Item | Question | Answer |
|------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 25. | How is the Carbon Entitlement per Security calculated? | <p>For a given class of Carbon Security, the Carbon Entitlement per Security is equal to the number of Allowances of the Relevant Allowance Type divided by the number of Carbon Securities outstanding (such calculation shall be subject to rounding in accordance with the Conditions).</p> <p>Examples of how the Carbon Entitlement per Security is calculated is set out in Section 11 – Determining the Value of an Investment in Carbon Securities.</p> <p>The Issuer will calculate and publish the Carbon Entitlement per Security in respect of each calendar day on its website.</p> |
| 26. | What is the Total Expense Ratio? | <p>The Total Expense Ratio is the fee charged to Securityholders in respect of a Carbon Security. This fee is charged to Securityholders by reducing the Carbon Entitlement Per Security on a daily basis.</p> |
| 27. | Will the Total Expense Ratio vary over time? | <p>The Total Expense Ratio may change. The Issuer may, upon 30 days' notice to Securityholders, amend the Total Expense Ratio in respect of a Class of Carbon Securities. If the Issuer increases the Total Expense Ratio, this will result in the Carbon Entitlement per Security being reduced at a faster rate than would otherwise have been the case had the Total Expense Ratio remained unchanged.</p> |
| 28. | How do investors determine the value of their investment? | <p>A Securityholder can easily calculate the cash value of the Carbon Security by multiplying that day's Carbon Entitlement per Security by the current price of an Allowance of the Relevant Allowance Type.</p> <p>For example, on the first day of listing of the SparkChange Physical Carbon EUA ETC, one Carbon Security of that Class will be equivalent to (i.e. have a Carbon Entitlement per Security of) 1.000000000 Allowances. If one Allowance is worth EUR 50.00, then one Carbon Security will be worth $1.000000000 \times 50.00 = \text{EUR } 50.00$.</p> <p>The exchange traded prices of Carbon Securities will depend on the bid and offer prices on the Relevant Stock Exchange at the particular time, but are expected to be close to the fair value of the Carbon Entitlement per Security at that time.</p> |

| Item | Question | Answer |
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| 29. | Where can I find the price of an Allowance? | <p>In relation to EUAs, such Allowances are traded spot on the EEX exchange (part of the Deutsche Borse group) and also in the EU Member State auctions which take place almost every day. These EUA prices are available on the website of EEX (https://www.eex.com/en/market-data/environmental-markets/spot-market) as well as various public websites, and on the usual market data sources. Links to some of these price sources are available at https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc to facilitate investors' cash value calculations.</p> |
| 30. | Can investors redeem Carbon Securities? | <p>Yes, Securityholders have the right to redeem Carbon Securities directly with the Issuer (redemption via Carbon Delivery) in exchange for delivery of Underlying Allowances equivalent to the Carbon Entitlement of the Carbon Securities being redeemed (less applicable fees see below).</p> <p>However most Securityholders will sell their Carbon Securities on one of the stock exchanges where the Carbon Securities are admitted to trading. This will likely be the most effective and quickest way for a Securityholder who is not an Authorised Participants to sell.</p> |
| 31. | How does a Securityholder redeem its Carbon Securities? | <p>A Securityholder can exercise its right of redemption by completing a Redemption Form and sending it to the Administrator (who acts for and on behalf of the Issuer), and, once the Administrator has confirmed the Redemption Form is valid, and delivering up the Carbon Securities to the Issuer Free-Of-Payment in order to be redeemed.</p> <p>In the case of a Non-AP Securityholder, the right of redemption is subject to certain qualifications (namely that the Securityholder passes the Issuer's KYC checks, performed by the Administrator, pays the applicable redemption fees, and is not prohibited by law from holding Allowances, and specifies a Holding Account for the Allowance(s) to be transferred to). Each national registry prescribes its own rules and procedures that must be followed in order to open a Holding Account in</p> |

| Item | Question | Answer |
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| | | that jurisdiction. Provided that those rules and procedures are complied with, it is possible for Non-AP Securityholders to open such a Holding Account but, depending on the jurisdiction in which a Non-AP Securityholder applies to open a Holding Account, it may take some time for such Non-AP Securityholder to satisfy all of the formal requirements. |
| 32. | Who are Non-AP Securityholders? | A “Non-AP Securityholder” is any Securityholder who is not an Authorised Participant. A retail investor, for example, would qualify as a “Non-AP Securityholder”. |
| 33. | Who is the “holder” of the Carbon Securities? | If the Carbon Securities are held through a clearing system or by a bank’s or broker’s nominee (which will usually be the case), the legal “holder” will either be the entity nominated by the clearing system as the depositary for the Carbon Securities or the person entered in the register (including where applicable the relevant CREST account holder) as the Securityholder. An investor’s rights in relation to the Carbon Securities will be governed by the contract the investor has with their broker, custodian or other entity through which the investor holds their interest in the Carbon Securities and the contracts they have with the clearing system and any intermediaries in between. Accordingly, where this Prospectus describes a right as being owed to, or exercisable by, a Securityholder then an investor’s ability to benefit from or exercise such right will be dependent on the terms of the contracts in such chain. |
| 34. | Does it cost investors money to redeem their Carbon Securities? | <p>There are no Redemption Fees payable by a Securityholder if it sells its Carbon Securities in the secondary market, rather than redeems the Carbon Securities directly with the Issuer.</p> <p>However, if a Securityholder redeems the Carbon Securities directly with the Issuer, Redemption Fees apply. The cost of a Redemption varies depending on the type of Redemption and the nature of the Securityholder. In the case of an Optional Redemption, (i) Securityholders who are not Authorised Participants will be notified of the applicable Standard Redemption Fee upon redemption, which will be no greater than €3,000; and (ii) the Issuer may charge a Variable Redemption Fee in an amount of Allowances of the Relevant Allowance Type if the Determination Agent determines that (or</p> |

| Item | Question | Answer |
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| | | there is a material risk that) some Allowances of the Relevant Allowance Type may have a different market value than other such Allowances. |
| Miscellaneous | | |
| 35. | What is the minimum investment? | The minimum investment in the secondary market is one Carbon Security. Subscriptions by Authorised Participants will be subject to a Subscription Minimum. |
| 36. | Can an investor lose more than its investment? | No. Although an investor could experience a fall in the value of his investment owing to a fall in the price of the Underlying Allowances, they cannot lose more than their initial investment. |
| 37. | Are investors charged a fee for holding Carbon Securities? | Yes, Securityholders are charged a fee in respect of the holding of the Carbon Securities. The Carbon Entitlement Per Security is reduced each day by the Total Expense Ratio. The deduction of the Total Expense Ratio is used to pay for the expenses incurred in relation to the relevant Class of Carbon Securities, including the Management Fee due to HANetf under the Management and Determination Agent Agreement. |
| 38. | Do Carbon Securities pay interest? | No. Carbon Securities are zero coupon securities and do not pay interest. Please see Section 15 – Tax for more information regarding the tax treatment that may apply to the Carbon Securities in certain jurisdictions. |
| 39. | Do Carbon Securities have a set maturity date? | No, they do not. Carbon Securities are undated securities and have no set maturity date. |
| 40. | Are there any circumstances where the Carbon Securities may be redeemed early? | Yes, the Carbon Securities may be redeemed early if the Issuer determines that a Compulsory Redemption Event has occurred in respect of the Carbon Securities and/or the Backing Issuer determines that a compulsory redemption event has occurred in respect of the Backing Notes. |

SECTION 4 – DESCRIPTION OF THE PROGRAMME

4.1 For ease of reference, this Section 4 is divided into the following parts:

- A. Introduction to the Programme
- B. Carbon Securities: General Description of Principal Aspects.
- C. Carbon Entitlement / Value of Investment in Carbon Securities
- D. Listing, Trading and Passporting
- E. Security Structure
- F. Transaction Structure and Flow of Funds
- G. Subscription and Redemption
- H. Settlement
- I. Tax
- J. Regulation

A. Introduction to the Programme

4.2 Carbon Securities are intended to offer investors a means of investing in the carbon dioxide emissions allowance market without the necessity of taking physical delivery of Allowances or having to trade futures or other derivatives to gain exposure. Carbon Securities grant the holder an effective notional entitlement (the "**Carbon Entitlement**") to a type of Allowance.

4.3 **Through the Carbon Entitlement, Carbon Securities aim to provide an investor with the same return that the investor would have gained through investing directly in the underlying type of Allowance (less applicable fees).**

4.4 Carbon Securities are being made available by the Issuer for Subscription only to Authorised Participants. Prospective Non-AP Securityholders can buy and sell Carbon Securities through the trading of securities listed on a Relevant Stock Exchange or in the OTC Market. Provided that certain conditions are met (see **Sub-Section G (Subscription and Redemption)** below), Authorised Participants and Non-AP Securityholders are able to Redeem Carbon Securities directly with the Issuer.

4.5 In order to subscribe for Carbon Securities, an Authorised Participant must physically deliver Underlying Allowances (in an aggregate amount equal to the then current Carbon Entitlement in respect of the number of Carbon Securities to which the subscription request relates) to the Backing Issuer Secured Allowance Account. The Backing Issuer will then issue the relevant Backing Note for that Class (or, if the Backing Note for that Class has already been issued, increase the Issuer's

entitlement to Underlying Allowances under that Backing Note). The Issuer then issues the relevant number of Carbon Securities. The Carbon Securities are backed by the Backing Note for that Class of Carbon Securities which, in turn, is backed by the physical Underlying Allowances delivered to the Backing Issuer Secured Allowance Account in connection with a subscription request. There is no ability for an Authorised Participant or a prospective Non-AP Securityholder to subscribe for Carbon Securities in cash and, consequently, neither the Issuer nor the Backing Issuer is required to purchase Underlying Allowances to secure the new Carbon Securities. Further details of the subscription and redemption process is set out in **Sub-Section G (Subscription and Redemption)** below.

- 4.6 Carbon Securities may be available to be issued in Certificated Form or in Uncertificated Form in the Relevant Clearing System.
- 4.7 This Section 4 does not purport to be a complete summary of the contract structure of the Programme and is subject to the detailed provisions of the relevant Programme documents. Further details of the contract structure and the relevant Programme Documents are set out **Section 10 – Description of Documents**. Prospective investors in Carbon Securities must refer to the relevant Programme Documents which are available for inspection in accordance with **Section 10 – Description of Documents**.

B. Carbon Securities: General Description of Principal Aspects

General Description

- 4.8 A Carbon Security is a secured limited recourse debt obligation of the Issuer. A Carbon Security entitles the Securityholder to require Redemption of the Carbon Security and on the redemption settlement date receive a number of Allowances of the relevant type ("**Relevant Allowance Type**") equal to the relevant Carbon Entitlement of that Carbon Security on the date the redemption form is determined to be valid ("**Carbon Delivery**"). In circumstances where Carbon Securities are being Redeemed by sale of Allowances instead ("**Carbon Sale**"), the Securityholder is entitled to receive an amount of cash equal to the Securityholder's Carbon Entitlement in respect of the Carbon Securities being Redeemed.
- 4.9 Carbon Securities are backed by a security (a "**Backing Note**"), which is backed by physical Allowances of the Relevant Allowance Type ("**Underlying Allowances**"). As described below, the Underlying Allowances are not delivered to or held by the Issuer but are instead delivered to and held by the Backing Issuer (and are not subject to any active management). As described in Section 1.12, the Programme is designed this way to benefit from the carbon market experience available to the Backing Issuer.
- 4.10 In particular:
 - (a) the Issuer and the Backing Issuer have agreed in a Subscription Agreement that when a Class of Carbon Security is first issued, the Issuer will subscribe for, and the Backing Issuer will issue a Backing Note, which relates to the

Class of Carbon Security being issued and the Relevant Allowance Type (the "**Backing Issuer Programme**");

- (b) each Backing Note carries an entitlement to Allowances of the Relevant Allowance Type (the "**Carbon Entitlement per Backing Note**") equal to the Carbon Entitlement of all of the Carbon Securities of the related Class;
- (c) in respect of each Class of Carbon Securities, there will only be a single undated "global" Backing Note;
- (d) each time the Carbon Securities of a Class are issued or Redeemed, the Carbon Entitlement per Backing Note for the relevant class of Backing Note will be adjusted accordingly so that the Carbon Entitlement of all Carbon Securities issued always matches the carbon entitlement of the single Backing Note of the same class;
- (e) any subscription for or redemption of a Backing Note of a relevant class and any increase or decrease in the Carbon Entitlement per Backing Note of the relevant class of Backing Note will take place on the same date as the corresponding subscription for or redemption of Carbon Securities;
- (f) as part of the subscription process for each Class of Carbon Securities, the Issuer will direct the Authorised Participants to deliver the relevant Underlying Allowances directly to the Backing Issuer, who will hold them in the Backing Issuer Secured Allowance Account (as defined below);
- (g) the Programme includes two separate security arrangements that enable the Law Debenture Trust Corporation p.l.c. ("**Law Debenture**"), acting in separate capacities under each security arrangement, to take enforcement action as follows:
 - (i) if an enforcement event occurs with respect to the Backing Issuer whilst acting in its capacity as security trustee for itself and the holders of the Backing Note of the relevant Class (the "**Backing Issuer Security Trustee**"); and
 - (ii) if an enforcement event occurs with respect to the Issuer whilst acting in its capacity as security trustee for itself, the Securityholders and the other secured parties (the "**Security Trustee**"); and
- (h) items (f) and (g) immediately above essentially (amongst other things) reduce transaction costs and delay by:
 - (i) the Security Trustee and the Backing Issuer Security Trustee being the same entity (albeit acting in different capacities); and
 - (ii) ensuring that the Authorised Participants will directly deliver or receive Allowances to or from the Backing Issuer thereby avoiding

additional steps which would otherwise be required if the Issuer intermediated in the chain of transfers.

Risk Mitigants in respect of the Backing Issuer

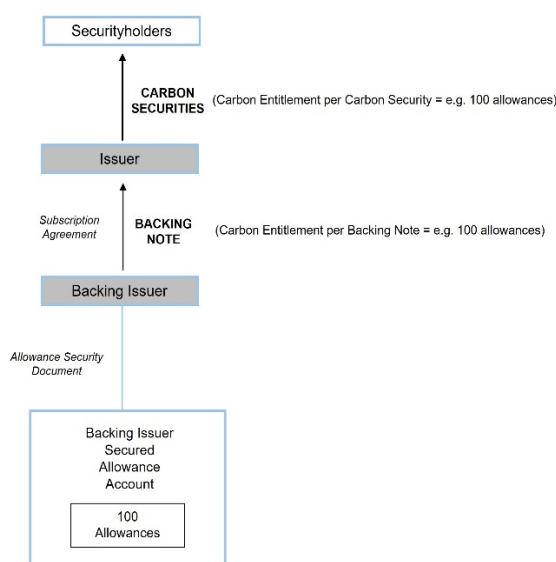
- 4.11 There are a number of risk mitigants that apply to the Backing Issuer in order to minimise the credit risk, counterparty risk and operational risk of the Backing Issuer. As mentioned in Section 1.13 above, the key aspect of this is to ensure that, under the Backing Issuer Programme, the only permitted activity of the Backing Issuer under the Backing Note Terms and Conditions is to (a) issue the Backing Note, (b) hold property securing the Backing Note (including the Underlying Allowances and activities incidental to them), (c) ensure that the Issuer is the only holder of Backing Notes, and (d) to ensure that the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding .
- 4.12 In particular, this limits the creditors of Backing Issuer. As at the Prospectus Date, the only creditors of the Backing Issuer are in relation to: (a) the Issuer, as sole noteholder of the Backing Note; (b) the registry fees payable by the Backing Issuer to the Relevant National Administrator, amounting to €500 per annum; and (c) the Backing Issuer Administrator pursuant to the Backing Issuer Administration Agreement.
- 4.13 Significantly, the Underlying Allowances held by the Backing Issuer which ultimately back the Carbon Securities are subject to comprehensive security arrangements further described below in **Sub-Section E (Security Structure)**.

Principal Aspects of Carbon Securities

- 4.14 The principal aspects (structure, trading structure and security structure) of the Carbon Securities are explained below and illustrated by the three simplified diagrams provided below.

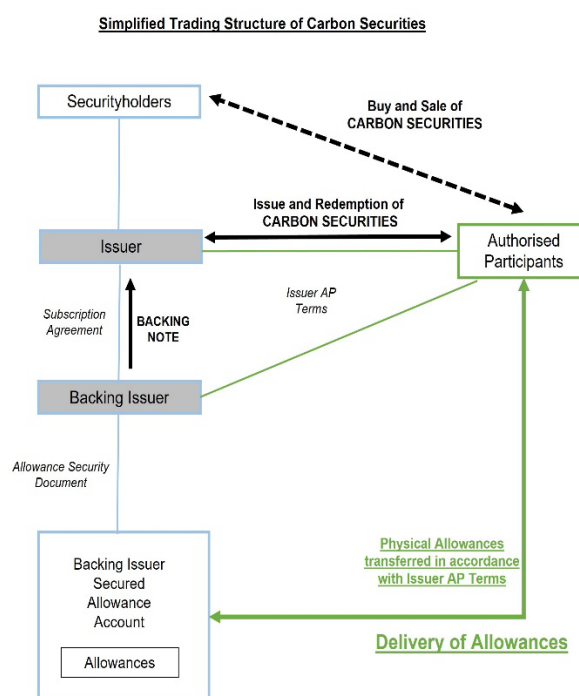
Simplified Structure of Carbon Securities

Simplified Structure of Carbon Securities



- 4.15 In respect of a Class of Carbon Securities, the Carbon Securities of such Class are constituted by a Trust Deed, under which the Trustee acts as trustee for the Securityholders of each Class.
- 4.16 In respect of a class of Backing Note, such Backing Note is constituted by a Subscription Agreement, under which the Issuer will subscribe for, and the Backing Issuer will issue, a single Backing Note which relates to the entire Class of Carbon Securities being issued and the Relevant Allowance Type. As part of the risk mitigants described in Section 4.11 above, under the Backing Note Terms and Conditions, the Backing Issuer has agreed not to issue securities to any other entity apart from the Issuer. The precise rights attached to each Backing Note are set out in the Backing Note Terms and Conditions, which are set out in Section 18.

Simplified Trading Structure of Carbon Securities

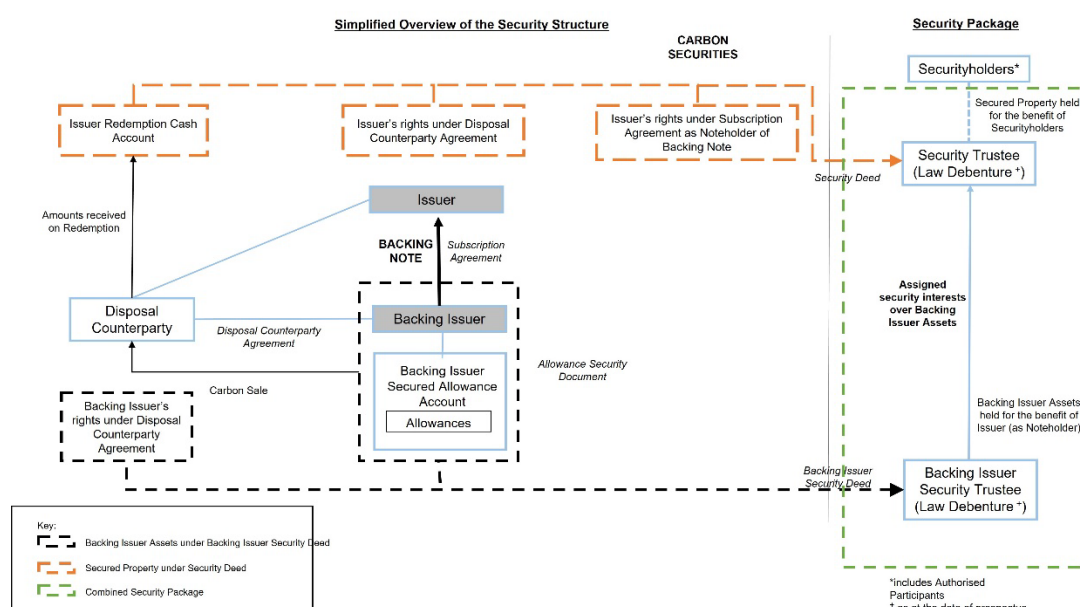


- 4.17 When an Authorised Participant subscribes for Carbon Securities of a Class, it delivers Allowances of the Relevant Allowance Type to an account (the "**Backing Issuer Secured Allowance Account**") opened by the Backing Issuer in the relevant registry ("**Registry**") established under the relevant scheme for transferring Allowances (the "**Trading Scheme**"). This account is a digital record maintained in a Registry that is used to record the holding and transfer of Allowances pursuant to and in accordance with the Trading Scheme.
- 4.18 To effect a Subscription the number of Allowances delivered must not be less than the Carbon Entitlement of the Carbon Securities being subscribed for on the date the relevant subscription form is determined to be valid. When the Carbon Securities subscribed for are issued, the Carbon Entitlement per Backing Note adjusts

accordingly so that the Carbon Entitlement of all Carbon Securities issued always matches the carbon entitlement of the single Backing Note of the same class.

- 4.19 When Carbon Securities are Redeemed by delivery of physical Underlying Allowances ("**Carbon Delivery**"), which for SparkChange Physical Carbon EUA ETC is anticipated to be the most common form of Redemption under the Programme, the Backing Issuer transfers from the Backing Issuer Secured Allowance Account to the Securityholder Holding Account on the redemption settlement date a number of Underlying Allowances equal to the Carbon Entitlement of the Carbon Securities being Redeemed. In circumstances where Carbon Securities are being Redeemed by sale of Underlying Allowances ("**Carbon Sale**"), the Backing Issuer will instruct the Disposal Counterparty to purchase from the Backing Issuer (and will transfer to the Disposal Counterparty from the Backing Issuer Secured Allowance Account) a number of Underlying Allowances equal to the Carbon Entitlement of the Carbon Securities being Redeemed. The appointment of a new Disposal Counterparty will be notified to Securityholders in accordance with Condition 17 of the Carbon Securities. The Net Redemption Sale Proceeds of the sale by the Backing Issuer are paid by the Disposal Counterparty to the Issuer and are paid to the Redeeming Securityholder.
- 4.20 In respect of an Optional Redemption, Carbon Sale will only apply if (i) the Final Terms specify it is an available Optional Redemption mechanism and the Redeeming Securityholder elects that it shall apply to the Optional Redemption, or (ii) the Allowances that are subject to an Optional Redemption by Carbon Delivery are not successfully delivered to the Securityholder by the 30th day after the Redemption Settlement Date or (iii) the Securityholder is a Prohibited Allowance Holder. When Carbon Securities are Redeemed whether by Carbon Delivery or Carbon Sale, the Carbon Entitlement per Backing Note adjusts accordingly so that the Carbon Entitlement of all Carbon Securities issued always matches the carbon entitlement of the single Backing Note of the same class.

Simplified Overview of the Security Structure



- 4.21 In relation to the Underlying Allowances held in the Backing Issuer Secured Allowance Account, the Backing Issuer has entered into a security document granting Security over the Backing Issuer Secured Allowance Account for its obligations under the Backing Note and the Subscription Agreement in favour of the Backing Issuer Security Trustee ("**Allowance Security Document**").
- 4.22 Under the Security Deed, the Backing Issuer Security Trustee has assigned by way of security the rights and benefits it has under the Allowance Security Document in favour of the Security Trustee for the obligations of the Issuer under the Programme.
- 4.23 In relation to the relevant class of Backing Note and Carbon Securities, as summarised in Sections 4.18 to 4.19 above, the number of Underlying Allowances in the Backing Issuer Secured Allowance Account will vary from time to time as a result of, amongst other things, the transfer of Underlying Allowances into and out of the Backing Issuer Secured Allowance Account in accordance with the terms and conditions relating to Subscriptions and Redemptions. A summary of this is explained in **Sub-Sections F (Transaction Structure and Flow of Funds) to H (Compulsory Redemption)** below. The precise rights attached to the:
- (a) Carbon Securities, including the requirements for Subscriptions and Redemptions, are set out in the Conditions, which are reproduced in **Section 14 – Terms and Conditions of Carbon Securities**; and
 - (b) Backing Notes, are set out in the Backing Note Terms and Conditions, which are set out in **Section 18 – Terms and Conditions of the Backing Notes**.
- 4.24 As at the Prospectus Date, the relevant references are as follows:

| | |
|---------------------------------|-------------------------------------|
| Class of Carbon Security | SparkChange Physical Carbon EUA ETC |
|---------------------------------|-------------------------------------|

| | |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class of Backing Note | EUA Backing Note |
| Relevant Allowance Type | EUA, which is an allowance to emit one tonne of carbon dioxide (CO ₂) equivalent during a specified period which is valid for meeting emissions related commitment obligations under the EU Scheme (" EU Allowance ") that has been issued by a competent authority pursuant to Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended from time to time (" EU ETS Directive "). |
| Relevant National Administrator | National Administrator of the Grand Duchy of Luxembourg |
| Registry | That part of the Union Registry administered by the Relevant National Administrator. |
| Trading Scheme | EU Scheme, which is the scheme for transferring EU Allowances established pursuant to (i) the EU ETS Directive; and (ii) Commission Delegated Regulation (EU) 2019/1122 of 12 March 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council as regards the functioning of the Union Registry (Text with EEA relevance) (" Registries Regulation "). |
| Holding Account | A digital record maintained in a Registry that is used to record the holding and transfer of Allowances pursuant to and in accordance with the Trading Scheme. |
| Backing Issuer Secured Allowance Account | The Holding Account opened by the Backing Issuer in the Union Registry with the Relevant National Administrator which is secured in favour of the Backing Issuer Security Trustee pursuant to a pledge (" Backing Issuer Secured EUA Account ") |
| Allowance Security Document | A pledge over the Backing Issuer Secured EUA Account entered into by the Backing Issuer (as pledger) with the Backing Issuer Security Trustee and governed by the laws of Luxembourg (the " EUA Pledge "). |

C. Carbon Entitlement / Value of Investment in Carbon Securities

- 4.25 Subscription of Carbon Securities requires the delivery of physical Allowances of the Relevant Allowance Type rather than requiring the Issuer or the Backing Issuer to make cash purchases of Allowances of the Relevant Allowance Type. Accordingly, Carbon Securities themselves do not have a cash price per se, but as is common in exchange traded commodities, they instead have an entitlement (the "**Carbon Entitlement**") which reflects the number of underlying units of the commodity (in this case "Underlying Allowances") into which they are redeemable in kind.

- 4.26 The Issuer (or an agent on its behalf) will calculate the Carbon Entitlement per Security in respect of each calendar day, rounded in accordance with Condition 5.3 (**Rounding**). As at the Issue Date, the Carbon Entitlement per Security in respect of the Initial Tranche of the SparkChange Physical Carbon EUA ETC is 1.000000000 EUAs.
- 4.27 Whenever new Carbon Securities of a Class are issued or existing Carbon Securities of a Class are Redeemed, this will reflect the then prevailing Carbon Entitlement of that Class of Carbon Securities, thereby ensuring that all securities of the same type have the same Carbon Entitlement.
- 4.28 Each Backing Note carries an entitlement to Allowances of the Relevant Allowance Type equal to the "Carbon Entitlement per Backing Note", which is equal to the Carbon Entitlement of all of the Carbon Securities of the related Class. Each time that Carbon Securities of a Class are issued or Redeemed the Carbon Entitlement per Backing Note for the relevant class of Backing Note is adjusted accordingly so that the Carbon Entitlement of all Carbon Securities issued always matches the carbon entitlement of the single Backing Note of the same class.
- 4.29 This ensures that on Redemption, the Backing Issuer is able to deliver sufficient Allowances of the Relevant Allowance Type under the Backing Notes, to enable the Issuer to satisfy its obligations to Securityholders on Redemption.
- 4.30 A Securityholder can easily calculate the cash value of the Carbon Security by multiplying that day's Carbon Entitlement by the price of an Allowance of the Relevant Allowance Type. In relation to EUAs, such Allowances are traded spot on the EEX exchange (part of the Deutsche Borse group) and also in the EU Member State auctions which take place almost every day. These EUA prices are available on various public websites, and on the usual market data sources. Links to EUA price sources will also be made available on the relevant product page at <https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc> to facilitate investors' cash value calculations.
- 4.31 The precise rights attached to the Carbon Securities, including deductions in respect of fees and how they are applied, are set out in the Conditions, which are reproduced in **Section 14 – Terms and Conditions of Carbon Securities**. An illustration of the effect of these rights is set out in **Section 11 – Determining the Value of an Investment in Carbon Securities**, in particular at Sections 11.3 to 11.6 in relation to the calculation of the value thereof. Worked examples are also included in that section.

D. Listing, Trading and Passporting

- 4.32 All Carbon Securities are fully transferable.
- 4.33 The Issuer applied to the FCA on 5 October 2021 for all Carbon Securities issued under the Programme to be admitted to the official list of the FCA and to the London Stock Exchange for all such Carbon Securities to be admitted to trading on its Main Market.

- 4.34 Investors should be aware that such admission to the official list of the FCA and trading on the Main Market are not offers made under the Prospectus Regulation, or admission to trading on a regulated market for the purposes of the Prospectus Regulation, as it applies in the European Union, but are such offers and admission to trading for the purposes of the UK Prospectus Regulation.
- 4.35 The Issuer has separately requested that the Central Bank provide the BaFIN and the CONSOB with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation and any other necessary information so that the Carbon Securities may respectively be admitted to listing and trading on:
- (a) the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*); and
 - (b) the regulated market of the Italian Stock Exchange (*Borsa Italiana S.p.A.*),
- and offered publicly in Germany and Italy in accordance with local law.
- 4.36 The Issuer has also requested the Central Bank to provide the competent authorities of Finland, France, Luxembourg, the Netherlands, Austria, Belgium, Denmark, Norway, Poland, Spain and Sweden with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation so that the Carbon Securities may be offered publicly in accordance with the local laws of these EEA States.
- 4.37 The Issuer may request that the Central Bank provide competent authorities in other EEA States with such certificates for the purpose of admission to trading of all or any Carbon Securities issued under the Programme on a regulated market therein. The Central Bank will remain the competent authority for the purposes of approving all prospectuses published by the Issuer under the Prospectus Regulation.

E. Security Structure

Introduction

- 4.38 The following summary does not purport to be complete, and prospective investors in Carbon Securities must refer to the Security Deed, the Backing Issuer Security Deed, the Allowance Security Document and the other Security Documents and Backing Issuer Security Documents, and the detailed information contained in such documents.
- 4.39 In addition to the aforementioned, the Programme is designed to minimise credit risk through the following important features:
- (a) a comprehensive security structure at the Backing Issuer and Issuer level;
 - (b) implementing and maintaining relevant security arrangements over the Secured Property and the Backing Issuer Assets in the relevant jurisdictions (e.g. Jersey and Luxembourg); and

- (c) reducing (amongst other things) transaction costs and delay by the Security Trustee and the Backing Issuer Security Trustee being the same entity (albeit acting in different capacities).

Overview of Security Arrangements

4.40 The Programme Documents establish a security structure at two levels:

(a) At the Backing Issuer level

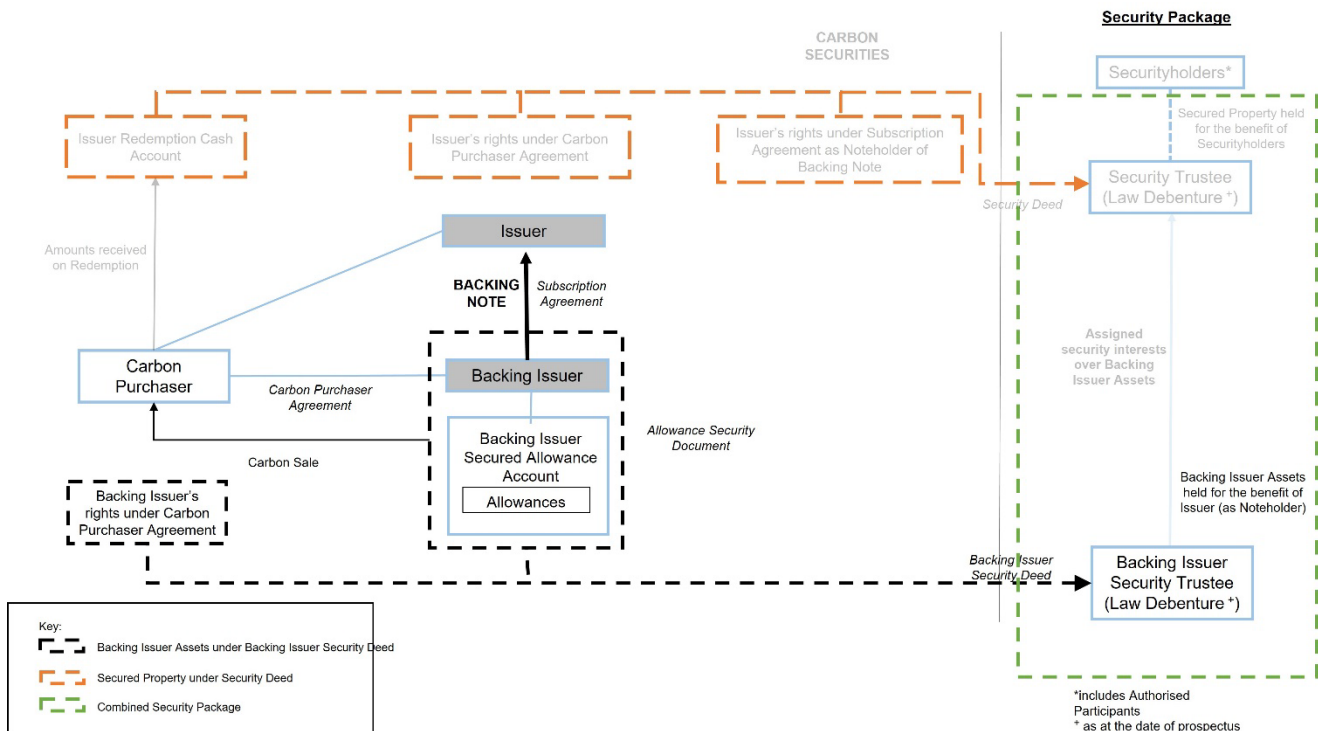
- (i) There are security arrangements which secure the Backing Issuer's obligations under the Backing Notes (including, where relevant, the Backing Issuer's obligations to deliver the Underlying Allowances to the Securityholder Holding Account upon Redemption). These security arrangements are granted over or in respect of the "**Backing Issuer Assets**" (as defined below).
- (ii) The security structure in respect of the Backing Note and the Backing Issuer Assets is summarised in Sections 4.42 to 4.46 below.

(b) At the Issuer level

- (i) The security arrangements supporting the Carbon Securities also include (but are not limited to) security arrangements securing the Issuer's obligations under the Carbon Securities. The security securing these obligations is the "**Secured Property**" (as defined below).
- (ii) The Trust Deed gives the Trustee and the Security Deed gives the Security Trustee, on trust for the Securityholders and the Secured Parties respectively, rights against the Issuer in respect of the Carbon Securities.
- (iii) The security structure at the Issuer level and the Secured Property is summarised in Sections 4.47 to 4.51 below.

4.41 Notwithstanding that there are two "issuers" or "levels" in the structure of the Carbon Securities, as described in Section 4.10(g) above, the security structure under the Programme benefits from the Security Trustee and the Backing Issuer Security Trustee being the same entity (Law Debenture) as it enables Law Debenture to take enforcement action across both "levels" thereby reducing, amongst other things, transaction costs and potential transaction delay. Sections 4.52 to 4.56 below describe in practical terms how the Security Trustee could enforce security over the Backing Issuer Assets.

(a) Security at the "Backing Issuer Level" – Security over Backing Issuer Assets



4.42 As already noted above, the obligations of the Backing Issuer under each Backing Note and each Subscription Agreement will be secured by way of:

- an Allowance Security Document in favour of the Backing Issuer Security Trustee over the relevant Underlying Allowances (as explained in Sections 4.19 to 4.22 above); and
- one or more **"Backing Issuer Security Deed(s)"** (as explained immediately below).

The assets that are the subject of the Security with respect to a class of Backing Note constituted by each Backing Issuer Security Deed and Allowance Security Document are the **"Backing Issuer Assets"**.

4.43 The Backing Issuer Security Deed is entered into between the Backing Issuer and the Backing Issuer Security Trustee. As at the Prospectus Date, the Backing Issuer Security Trustee is Law Debenture. Law Debenture is also the Trustee but in relation to the Backing Issuer Security Deed, it is acting in its capacity as the security trustee with respect to the Backing Note and the Backing Issuer Assets.

4.44 In relation to a class of Backing Note, the Backing Issuer Assets secured in favour of the Backing Issuer Security Trustee are all of the Backing Issuer's present and future right, title and interest in and to:

- the administration agreement between the Backing Issuer, the administrator appointed by the Backing Issuer (the **"Backing Issuer Administrator"**) and

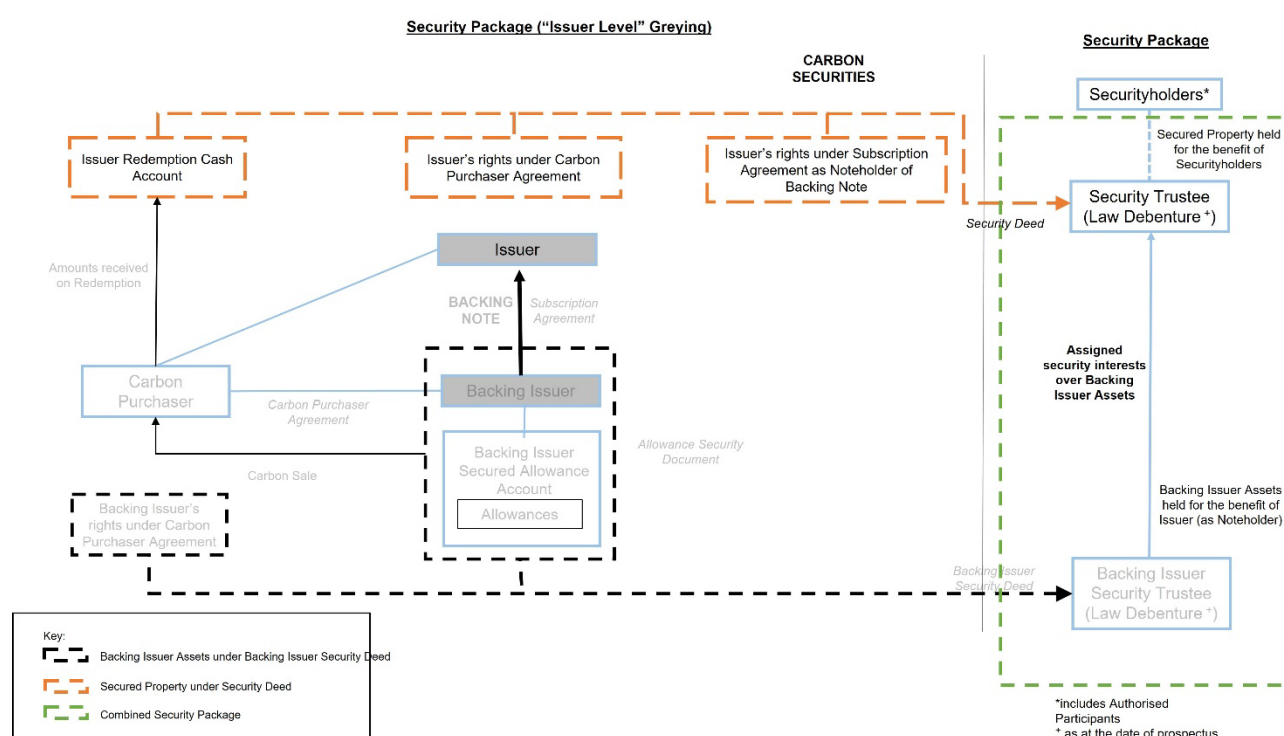
the Backing Issuer Security Trustee (the "**Backing Issuer Administration Agreement**") insofar as it relates to that class of Backing Note; and

- (b) each disposal counterparty agreement providing for the appointment of any person as a Disposal Counterparty with respect to the sale of Underlying Allowances (each a "**Disposal Counterparty Agreement**") insofar as it relates to that class of Backing Note.

4.45 The Allowance Security Document is entered into between, among others, the Backing Issuer and the Backing Issuer Security Trustee. As at the Prospectus Date and in relation to the EUA Backing Note and the SparkChange Physical Carbon EUA ETC, the Allowance Security Document is the "**EUA Pledge**". Pursuant to the EUA Pledge which is governed by the laws of Luxembourg, the Backing Issuer grants a first ranking pledge over the Underlying Allowances held in the Backing Issuer Secured EUA Account in favour of the Backing Issuer Security Trustee (for the benefit of the Issuer, as Noteholder of the EUA Backing Note) as security for the full, punctual and irrevocable payment, performance and discharge of its obligations to the Issuer under the EUA Backing Note.

4.46 Further details of the Backing Issuer is set out in **Section 9 – Description of the Backing Issuer**.

(b) Security at the "Issuer Level" – Security over the Secured Property



4.47 As part of the security arrangements supporting the Carbon Securities, the Issuer, the Security Trustee and the Backing Issuer Security Trustee enter into an English security deed (the "**Security Deed**") and a Jersey security agreement (the "**Jersey Security Agreement**") in relation to a Class of Carbon Securities. As at the Prospectus Date, the Security Trustee is Law Debenture. Law Debenture is also the

Trustee but in relation to the Security Deed it is acting in its capacity as the security trustee with respect to the Carbon Securities and the Secured Property.

- 4.48 In relation to a Class of Carbon Security, the Secured Property secured in favour of the Security Trustee under the Security Deed is all of the Issuer's present and future right, title and interest in and to:
- (a) the Subscription Agreement insofar as such rights, title and interest relate to that Class of Carbon Security;
 - (b) the administration agreement between the Issuer and the Issuer's administrator (the "**Administrator**") (the "**Administration Agreement**") insofar as such rights, title and interest relate to that Class of Carbon Security;
 - (c) each Disposal Counterparty Agreement insofar as such rights, title and interest relate to that Class of Carbon Security;
 - (d) the Backing Issuer Security Deed; and
 - (e) each account or accounts (an "**Issuer Redemption Cash Account**") opened with an account bank ("**Account Bank**") in the name of the Issuer and operated by the Issuer into which amounts received by or on behalf of the Issuer for the purpose of effecting Redemptions and Compulsory Redemptions are paid from time to time including any Net Redemption Sale Proceeds insofar as such rights, title and interest relate to that Class of Carbon Security.
- 4.49 As at the Prospectus Date, the Issuer Redemption Cash Account is an account opened with the Issuing and Paying Agent. Under the Jersey Security Agreement the Issuer grants Jersey security over its holding of the Backing Notes.
- 4.50 The Security Deed and the Jersey Security Agreement secure the Secured Property as security for the payment of the "**Secured Liabilities**". With respect to SparkChange Physical Carbon EUA ETC, this means all sums and liabilities (present or future, actual or contingent) due, owing or incurred by the Issuer to:
- (a) the Securityholders under the Trust Deed and SparkChange Physical Carbon EUA ETC;
 - (b) the Trustee under the Trust Deed;
 - (c) the Security Trustee under the Security Deed; and
 - (d) the Agents pursuant to the Issuing and Paying Agency Agreement.
- 4.51 In addition, under the Security Deed, the Backing Issuer Security Trustee as security for the payment of the Secured Liabilities assigns by way of security in favour of the Security Trustee over all of its right, title and interest in the relevant Allowance Security Document.

How does the Security Trustee enforce security over the Backing Issuer Assets in practice?

- 4.52 At the Backing Issuer level, in relation to the Security granted in favour of the Backing Issuer Security Trustee pursuant to the Backing Issuer Security Deed, the sole beneficiary of that Security is the Noteholder of the Backing Note of the relevant class, which is the Issuer.
- 4.53 The Backing Issuer Security Deed grants the Issuer rights to direct the Backing Issuer Security Trustee as to enforcement of the Backing Issuer Security Deed.
- 4.54 At the Issuer level and under the Security Deed, the Issuer assigns by way of security in favour of the Security Trustee its rights under the Backing Issuer Security Deed, including its rights to direct the Backing Issuer Security Trustee as to enforcement of the Backing Issuer Security Deed. Therefore, if the Security Trustee enforces the Security Deed, then it can also direct the Backing Issuer Security Trustee as to enforcement of the Backing Issuer Security Deed.
- 4.55 In the case of SparkChange Physical Carbon EUA ETC, pursuant to the Security Deed, the Backing Issuer Security Trustee has assigned by way of security its rights under the EUA Pledge in favour of the Security Trustee as security for the payment of the Secured Liabilities.
- 4.56 Further details of the security arrangement and the relevant Security Documents and Backing Issuer Security Documents are set out **Section 12 – Security Arrangement**.

F. Transaction Structure and Flow of Funds

Authorised Participants

- 4.57 Authorised Participants are experienced financial institutions who meet certain eligibility requirements and who have entered into an Authorised Participant Agreement with the Issuer. Only Authorised Participants are allowed to subscribe for Carbon Securities directly with the Issuer, in connection with which they are responsible for delivering Allowances to the Holding Account. In addition, they may, but do not have to, act as market makers for the Carbon Securities by buying and selling Carbon Securities to and from investors in the secondary market (either On-Exchange or in the OTC Market).
- 4.58 As the Subscription and Redemption process of Carbon Securities does not permit cash-based transactions (save in limited circumstances: - see Section 4.85) but instead uses only physical Allowances, and many investors do not have the infrastructure or experience to transact using physical Allowances, and/or may not want to deal in amounts equal to or greater than the Subscription Minimum, the Authorised Participants play a crucial role in intermediating between investors and the Issuer as follows:
- (a) Authorised Participants enable investors to buy and sell Carbon Securities on-Exchange and in the OTC Market for cash and without the investors having to handle physical Allowances;

- (b) Authorised Participants subscribe for new Carbon Securities by delivering the Allowances of the Relevant Allowance Type to the Backing Issuer under the Issuer AP Terms (ultimately receiving new Carbon Securities from the Issuer); and
 - (c) Authorised Participants redeem Carbon Securities by delivering the relevant Carbon Securities to the Issuer, and then receiving the Allowances of the Relevant Allowance Type from the Backing Issuer under the Issuer AP Terms.
- 4.59 Since Underlying Allowances are delivered by the Authorised Participants to the Backing Issuer (on Subscription) and from the Backing Issuer to the Authorised Participants (on Redemption), the Issuer does not have to be actively involved in the transferring of Underlying Allowances. This reduces the market and operational risks, which would otherwise be associated with such activity, including the opening and operation of a Holding Account.

Flow of Funds

- 4.60 A diagrammatic representation of the below is set out in the "Simplified Trading Structure of Carbon Securities" diagram at Section 4.17.
- 4.61 Following a Subscription for Carbon Securities, an Authorised Participant must deliver Allowances in an aggregate amount (subject to rounding in accordance with Condition 10.11) equal to the Carbon Entitlement of the Carbon Securities into the Backing Issuer Secured Allowance Account. Once the Allowances are transferred to the Backing Issuer Secured Allowance Account, the Carbon Entitlement per Backing Note of the relevant class of Backing Note will be increased commensurately in accordance with the terms and conditions of such Backing Note to ensure the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding, and the Issuer will create the Carbon Securities and deliver them to the Authorised Participant via the Relevant Clearing System. The relevant Underlying Allowances will be held with all other Allowances attributable to that Class of Carbon Securities in the Secured Account. The mechanics of the Subscription process are described in more detail in Subscription and Redemption below, and Condition 7 (***Redemption***) in **Section 14 – Terms and Conditions of Carbon Securities**.
- 4.62 An Authorised Participant may then sell the Carbon Securities in the secondary market either On-Exchange or in the OTC Market (i.e. outside of an exchange).
- 4.63 An Authorised Participant might also elect to keep the Carbon Securities to hold themselves.
- 4.64 If a Securityholder wishes to Redeem its Carbon Securities so as to take delivery of the relevant Underlying Allowances, it must return those Carbon Securities into the Relevant Clearing System and in return will receive Allowances (subject to rounding in accordance with Condition 10.11) equivalent to the aggregate Carbon Entitlement of the relevant Carbon Securities which are being redeemed, through a transfer from

the Backing Issuer Secured Allowance Account into the Securityholder Holding Account. On a Redemption, the Carbon Entitlement per Backing Note of the relevant class of Backing Note will be reduced commensurately in accordance with the terms and conditions of such Backing Note, to ensure the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding. The mechanics of the Redemption process are described in more detail in Subscription and Redemption, below and Condition 7 (**Redemption**) in **Section 14 – Terms and Conditions of Carbon Securities**.

4.65 If a Securityholder wishes to dispose of its holding of Carbon Securities for cash rather than Allowances, it may

- (a) sell them On-Exchange or in the OTC Market; or
- (b) redeem them directly with the Issuer if Carbon Sale is specified in the applicable Final Terms as being an available Redemption Mechanism.

4.66 Note that in the event of a Compulsory Redemption, a Securityholder will receive a cash amount following a Carbon Sale of the relevant Carbon Securities.

Further details of the Carbon Sale process are set out in Condition 7.8 (**Carbon Sale**) in **Section 14 – Terms and Conditions of Carbon Securities**.

G. Subscription and Redemption

4.67 The Subscription and Redemption mechanisms are intended to ensure that Carbon Securities have sufficient liquidity and that the price at which they trade on the Relevant Stock Exchanges tracks the relevant Allowance price (before fees).

Subscription

4.68 Only an Authorised Participant may subscribe for Carbon Securities by way of a valid Subscription Form in accordance with the terms of the applicable Authorised Participant Agreement, Issuer AP Terms and the Operating Procedures.

4.69 The Issuer will only accept a Subscription Form and issue Carbon Securities if:

- (a) the Subscription Form is determined to be valid by or on behalf of the Issuer;
- (b) the acceptance of such Subscription Form will not cause the Programme Maximum Number of Carbon Securities to be exceeded;
- (c) the number of Carbon Securities that are the subject of the Subscription Form is greater than the Subscription Minimum (defined below);
- (d) the Backing Issuer confirms its acceptance of the Backing Issuer Subscription Form and issues a Backing Note or if the Backing Note has already been subscribed for make such adjustments to the applicable Carbon Entitlement per Backing Note in accordance with the Backing Notes; and

- (e) all other conditions precedent to an issue of the Carbon Securities are satisfied, including the Authorised Participant's delivery of the relevant Allowances in an amount equal to the required Carbon Entitlement to the applicable Backing Issuer Secured Allowance Account.
- 4.70 The Issuer may implement a minimum number of Carbon Securities that may be applied for at any time (the "**Subscription Minimum**"). As at the Prospectus Date, the Subscription Minimum in respect of SparkChange Physical Carbon EUA ETC is such number of Carbon Securities as have a Carbon Entitlement of 10,000 Allowances.
- 4.71 Following a Subscription for Carbon Securities, an Authorised Participant must physically deliver Allowances (subject to rounding in accordance with Condition 10.11) in an aggregate amount equal to the Carbon Entitlement of the Carbon Securities into the Backing Issuer Secured Allowance Account.

Redemption Application Process

- 4.72 Each Carbon Security carries a right on Redemption to delivery of Allowances of an amount equal to the Carbon Entitlement per Security. Any Securityholder may Redeem Carbon Securities directly with the Issuer.
- 4.73 A Securityholder may Redeem Carbon Securities by submitting a valid Redemption Form to require the Redemption of Carbon Securities it holds for delivery of Allowances (or, in limited circumstances, cash) in an amount equal to the Carbon Entitlement of such Carbon Securities (as calculated on the Trade Date) into the applicable Securityholder Holding Account on the Redemption Settlement Date.
- 4.74 The Issuer will only accept a Redemption Form if it complies with the list of requirements detailed in Condition 7.4 (***Redemption Forms***) in **Section 14 – Terms and Conditions of Carbon Securities**. If the Issuer determines that the Redemption Form complies with these conditions, it shall confirm to the Securityholder that the Redemption Form is valid as soon as reasonably practicable, with the date of such confirmation being the Trade Date.
- 4.75 No Carbon Securities may be Redeemed pursuant to a Redemption Form that the Issuer has not confirmed (in its absolute discretion) as valid.
- 4.76 No Redemption Form will be validated by the Issuer unless the Securityholder complies with all compliance and identification checks reasonably required by the Issuer ("**KYC**"), and the results of such checks are determined to be satisfactory to the Issuer and/or its agents.
- 4.77 The Issuer is entitled, in its absolute discretion, to determine whether KYC requirements apply to any Redeeming Securityholder and whether such KYC requirements have been satisfied (including where the Redeeming Securityholder is an Authorised Participant, whether KYC requirements have already been satisfied). The Issuer shall not be responsible or liable to any person for any loss or damage suffered as a result of it conducting KYC.

Redemption by Non-AP Securityholders

- 4.78 Notwithstanding any other requirements listed in Condition 7.4 (***Redemption Forms***) and Condition 7.6(b) (***Redemption Obligations***) that are applicable on any Redemption, in respect of a Redemption Form submitted by a Non-AP Securityholder, the Issuer will not validate a Redemption Form until:
- (a) the Non-AP Securityholder specifies a Securityholder Holding Account into which the relevant Allowances of the relevant type can be deposited (except in the case of a Carbon Sale, if applicable);
 - (b) KYC in respect of such Non-AP Securityholder is determined to be satisfactory to the Issuer and/or its agents; and
 - (c) the Non-AP Securityholder pays the Redemption Fee (see "Redemption Fee" below for further details).

Settlement of Redemptions

- 4.79 In relation to any Optional Redemption, the Securityholder of the Carbon Securities subject to the Redemption must, (and the relevant Carbon Securities will only be cancelled following):
- (a) in the case of Carbon Securities that are in Uncertificated Form or in global form (either CGN or NGN form or the new safekeeping structure), transfer the Carbon Securities into an appropriate account with the Relevant Clearing System; and
 - (b) in the case of Carbon Securities that are in Certificated Form, deliver the Carbon Securities and any certificates representing them to the Issuer in such manner as the Issuer may agree.
- 4.80 Provided that the Redeeming Securityholder complies in full with its Securities Delivery Obligation by the time specified in Condition 7.6 (***Redemption Obligations***), the Issuer will effect the Redemption on the second business day following the Trade Date.
- 4.81 In relation to any Optional Redemption, the Redemption Settlement Date will be the second Business Day following the applicable Trade Date, provided that in the case of Redemption by Carbon Sale such day is not also a Payment Business Day, the Redemption Settlement Date will be the next Payment Business Day.
- 4.82 The primary mechanism for Redemption in the Programme is Carbon Delivery. Carbon Sale may be permitted in limited circumstances.

Redemption - Carbon Delivery

- 4.83 In the case of a Carbon Delivery, the Issuer shall upon receipt of the relevant valid Redemption Form instruct the Backing Issuer to transfer Allowances of the Relevant Allowance Type in an amount equal to the Carbon Entitlement of such Carbon

Securities, calculated as of the Trade Date and rounded in accordance with Condition 10.11 (**Rounding**), from the relevant Backing Issuer Secured Allowance Account to the applicable Securityholder Holding Account on the Redemption Settlement Date.

- 4.84 All title to and risk in such Allowances shall pass to the Redeeming Securityholder on the relevant Redemption Settlement Date.

Redemption - Carbon Sale

- 4.85 In respect of an Optional Redemption, Carbon Sale will only apply if (i) the Final Terms specify it is an available Optional Redemption mechanism and the Redeeming Securityholder elects that it shall apply to the Optional Redemption, or (ii) the Allowances that are subject to an Optional Redemption by Carbon Delivery are not successfully delivered to the Securityholder by the 30th day after the Redemption Settlement Date or (iii) the Securityholder is a Prohibited Allowance Holder. Further details are contained in Condition 7.8 (**Carbon Sale**) in **Section 14 – Terms and Conditions of Carbon Securities**. Carbon Sale also applies in the case of a Compulsory Redemption.

- 4.86 Where Carbon Sale is the applicable Redemption Mechanism:

- (a) the Issuer will instruct the Backing Issuer who will give notice to the Disposal Counterparty under the Disposal Counterparty Agreement to buy from the Backing Issuer on the Carbon Sale Date an amount of Allowances of the Relevant Allowance Type attributable to or forming part of the Secured Property equal to the Carbon Entitlement in respect of the Carbon Securities being Redeemed rounded in accordance with Condition 10.11 (**Rounding**) (with the proceeds of such sale being the Actual Redemption Sale Proceeds);
- (b) the Disposal Counterparty shall be entitled to deduct Taxes and its expenses from the Actual Redemption Sale Proceeds in accordance with the terms of the Disposal Counterparty Agreement;
- (c) the Disposal Counterparty will be required to pay the Net Redemption Sale Proceeds directly into the Issuer Redemption Cash Account; and
- (d) a Securityholder will, rather than take delivery of Allowances, be paid the Net Redemption Sale Proceeds in EUR (or its pro-rata share of such proceeds if more than one Securityholder in that Class of Carbon Securities is subject to the Carbon Sale) into the Securityholder Cash Account.

Standard Redemption Fee and Variable Redemption Fee ("Redemption Fees")

- 4.87 In the case of an Optional Redemption by a Non-AP Securityholder, the Issuer will not validate the associated Redemption Form until it receives the Standard Redemption Fee in cleared funds from the Securityholder. The Standard Redemption Fee payable by the Non-AP Securityholder shall be an amount equal to the Issuer's costs of complying with the Redemption Form. This cost will be notified to the Non-AP Securityholder at the time of the Redemption, and will be no greater than €3,000 or such other amount as may be notified in accordance with Condition 17 (**Notices**).

- 4.88 On an Optional Redemption of Carbon Securities by a Securityholder which is also an Authorised Participant, the Standard Redemption Fee payable by a Securityholder shall be the amount specified in the Operating Procedures.
- 4.89 On a Compulsory Redemption of Carbon Securities by the Issuer, the Standard Redemption Fee payable by the Securityholder shall be an amount equal to the cost to the Issuer incurred in respect of the Redemption, being an amount not greater than the amount specified in the Operating Procedures or such other amount as may be notified in accordance with Condition 17 (**Notices**).
- 4.90 On an Optional Redemption of Carbon Securities of a Class, the Issuer may charge a Variable Redemption Fee in an amount of Allowances of the relevant type if the Determination Agent determines that (or there is a material risk that) some Allowances of the relevant type may have a different market value than other such Allowances. In such circumstances, the amount of any Variable Redemption Fee shall be determined by the Determination Agent and shall be set at a level considered by the Determination Agent to be appropriate to protect the integrity of the Programme and prevent the Redeeming Securityholder obtaining an advantage from such a circumstance at the expense of other Securityholders. Where Carbon Delivery applies to an Optional Redemption of Carbon Securities of a Class, it is a condition to the performance by the Issuer of its obligation to Redeem Carbon Securities that the Issuer may deduct the Variable Redemption Fee from the Carbon Entitlement of the Carbon Securities of such Class being Redeemed or other Allowances due to the Securityholder on Redemption.
- 4.91 Further details of the Redemption processes are set out in the Conditions, which are set out in Condition 7 (**Redemption**) in **Section 14 – Terms and Conditions of Carbon Securities**.
- 4.92 The principal aspects of the above-mentioned transaction structure are set out in the "Simplified Trading Structure" diagram at Section 4.17.

H. Compulsory Redemption

- 4.93 The Carbon Securities shall become due and payable due to the occurrence of any of the events set out in Conditions 8.1 to 8.4 (inclusive) (**Compulsory Redemption**). Following the occurrence of any such event, the Issuer (and/or, in the case of an Event of Default, the Trustee following requisite direction by the Securityholders) may give notice designating an early redemption of the Carbon Securities. These events include:
- (a) **an Issuer Call Redemption Event.** The Issuer may, at any time, upon not less than 30 days' notice to the Securityholders in accordance with Condition 17 of the Carbon Securities, redeem all or some of the Carbon Securities;
 - (b) **a Threshold Redemption Event.** If on any Business Day falling on or after the 60th calendar day following a Threshold Event Date, the cash value of the Carbon Entitlement per Security as calculated by the Determination Agent is less than 175 per cent. of the Principal Amount of such Carbon Securities;

- (c) certain key service providers of the Issuer resign or their appointment in relation to such Class is terminated for any reason and no successor or replacement has been appointed at the time such resignation or termination takes place;
- (d) a change in law occurs which results in (or the Issuer reasonably expects that such change in law will result in):
 - (i) the Issuer's performance of its obligations relating to the Carbon Securities being in contravention of applicable law; or
 - (ii) a material increase in the Issuer's costs in performing its obligations relating to the Carbon Securities;
- (e) **an Event of Default.** An event of default occurs in respect of such Class including certain breaches by the Issuer of its obligations; and
- (f) the Issuer may redeem any Carbon Securities which it considers, in its absolute discretion:
 - (i) are held in breach of law; or
 - (ii) that the ownership of such Carbon Securities would, in its reasonable opinion cause a pecuniary or tax disadvantage to the Issuer or any other Securityholders.

I. Settlement

4.94 The Carbon Securities may be issued:

- (a) in bearer form, including in NGN form and in CGN form and serially numbered ("**Bearer Securities**");
- (b) in registered form (whether in CGN form or in global registered form using the new safekeeping structure) ("**Registered Securities**"); or
- (c) in dematerialised uncertificated registered form which shall not be exchangeable for Bearer Securities ("**Uncertificated Registered Securities**").

4.95 The settlement of transactions in Carbon Securities will take place within the Relevant Clearing System. Where the Relevant Clearing System used is CREST, the Carbon Securities will be participating securities.

4.96 The Issuer (and any other Programme Party) will not have any responsibility for the performance of the Relevant Clearing System, which is independent of the Programme.

J. Tax

- 4.97 Your attention is drawn to **Section 15 – Tax** which provides information on taxation relating to the Carbon Securities. If an investor is in any doubt about the tax position, it should consult a professional adviser.

K. Regulation

Collective Investment Schemes

- 4.98 The Carbon Securities are not units in an authorised collective investment scheme and the Issuer is not required to seek authorisation as, or appoint, an AIFM, under the relevant Irish legislation implementing AIFMD (as defined below).

Money Laundering Regulations

- 4.99 The verification of identity requirements of all applicable Irish and EU anti-money laundering laws and regulations, to include, but not limited to, the European Union (Anti-Money Laundering Beneficial Ownership of Corporate Entities) Regulations 2019, the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 (as amended by the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Acts 2013 and 2018) (the "**Applicable Irish and EU AML Legislation**") will apply to the Programme. This means that verification of the identity of parties that deals with the Issuer may be required. This includes all Authorised Participants and also in circumstances where a Non-AP Securityholder elects to Redeem its Carbon Securities.
- 4.100 The anti-money laundering laws and regulations of other jurisdictions may also apply to the Programme and verification of the identity of the Securityholders.
- 4.101 Each Authorised Participant that submits a Subscription Form (and/or any Securityholder that deals directly with the Issuer) confirms that it is subject to and acts in compliance with the Applicable Irish and EU AML Legislation, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (in relation to the UK) and/or any other applicable anti-money laundering laws and regulations (the "**UK Anti-money Laundering Regulations**") and/or undertakes to provide such other evidence of identity as is required by the Issuer at the time of lodging the Subscription Form, or, at the absolute discretion of the Issuer, at such specified time thereafter as may be requested to ensure compliance with the Applicable Irish and EU AML Legislation and the UK Anti-money Laundering Regulations.
- 4.102 The Issuer is entitled, in its absolute discretion, to determine whether KYC requirements apply to any Securityholder prior to the acceptance of a Redemption Form or Subscription Form, and whether such KYC requirements have been satisfied. The Issuer shall not be responsible or liable to any person for any loss or damage suffered as a result of it conducting KYC.

Deposits

- 4.103 Any investment in the Carbon Securities does not have the status of a bank deposit and is not within the scope of the Deposit Guarantee Scheme operated by the Central Bank or the FCA. The Issuer is not and will not be regulated by the Central Bank or the FCA as a result of issuing the Carbon Securities.

SECTION 5 – DEFINITIONS

5.1 All terms and expressions not defined in this **Section 5 – Definitions**, which have defined meanings in **Section 14 – Terms and Conditions of Carbon Securities** shall have the same meanings in this Prospectus.

5.2 With respect to this document (other than **Section 14 – Terms and Conditions of Carbon Securities** and **Section 18 – Terms and Conditions of the Backing Notes**), the following expressions have the following meanings:

"Backing Issuer" means Spark Change Jersey Issuer Limited, incorporated as a private company under the Companies (Jersey) Law 1991 with registered number 133611.

"Backing Issuer Assets" means with respect to a class of Backing Note and the Relevant Carbon Securities, the assets that are the subject of the security constituted by each applicable Backing Issuer Security Deed and Allowance Security Document.

"Backing Issuer Programme" means the physical carbon notes programme of the Backing Issuer.

"Backing Note" means a Backing Note of a class which provides the Noteholder with an entitlement to Allowances equal to the Carbon Entitlement of the Relevant Carbon Securities with respect to that Backing Note, or, as the context may require, any or all securities issued by the Backing Issuer under the Backing Issuer Programme.

"BaFIN" means the Bundesanstalt für Finanzdienstleistungsaufsicht, the German Federal Financial Supervisory Authority.

"Central Bank" means the Central Bank of Ireland and any successor thereto.

"Conditions" means the terms and conditions on and subject to which Carbon Securities as set out in **Section 14 – Terms and Conditions of Carbon Securities**.

"CONSOB" means the Commissione Nazionale per la Società e la Borsa, the Italian financial supervisory authority.

"Delivery-Versus-Payment" or **"DVP"** is a settlement process that requires that payment is made either before or at the same time as the delivery of the securities or other assets.

"Directors" means the directors of the Issuer, being at the Prospectus Date persons whose names are listed as such in **Section 8 – Description of the Issuer**.

"EEA State" means a member of the European Economic Area.

"EU" means the European Union.

"EUR" or "euro" means the single currency of the Participating Member States.

"FCA" means the Financial Conduct Authority of the United Kingdom and any successor thereto.

"Free-Of-Payment" or "FOP" is a settlement process in which the transfer of securities or other assets occurs without the simultaneous exchange of associated payment.

"FSMA" means the Financial Services and Markets Act 2000 of the United Kingdom.

"HANetf" means HAN ETF Limited, a private limited company incorporated in England with registered number 10697042, or any successor thereto.

"ICSD" means an International Central Securities Depository.

"Individual Securities" means Carbon Securities of a particular Class.

"International Financial Reporting Standards" (or "IFRS") means International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) with the aim to make financial statements consistent, comparable, and transparent across the world.

"investor" means Securityholder or prospective Securityholder.

"KYC" means all compliance and identification checks reasonably required by the Issuer.

"London Stock Exchange" means London Stock Exchange plc or its market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market), as the context may require.

"Main Market" means the Main Market of the London Stock Exchange.

"Management Fee" means the management fee payable by the Issuer to HANetf in consideration for the provision by HANetf or an Affiliate or successor of HANetf of all services provided under the Management and Determination Agent Agreement.

"MiFID2" means EU Directive 2014/65/EU (the Markets in Financial Instruments Directive), as amended.

"On-Exchange" means the trading of Carbon Securities on a Relevant Stock Exchange.

"OTC Market" means the global over-the-counter market for the trading of Carbon Securities.

"PRA" means the Prudential Regulation Authority of the United Kingdom and any successor thereto.

"Programme" means the programme for the issue of Carbon Securities.

"Prospectus" means this base prospectus of the Issuer.

"Prospectus Date" means the date on which this Prospectus is approved by the Central Bank and the FCA, as set out on the first page hereof.

"Registered Office" means the registered office of the Issuer being 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, Ireland.

"Secured Parties" has the meaning given to that term in the Security Trust Deed and will include, without limitation, the Security Trustee, the Securityholders and the Issuing and Paying Agent.

"undated" means a debt instrument with no set maturity date.

"Underlying Allowances" means the Allowance held in the Backing Issuer Secured Allowance Account, which backs the Carbon Securities.

"Union Registry" means the Registry referred to as the "Community Registry" in Article 19(1) of the EU ETS Directive.

"UK Prospectus Regulation" means the UK version of Regulation (EU) No 2017/1129, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 of the UK.

"United Kingdom" or **"UK"** means United Kingdom of Great Britain and Northern Ireland.

"United States" or **"US"** means the United States of America.

"VAT" means value added tax.

"zero coupon" means a debt instrument with no periodic coupon payments.

- 5.3 References in this document to a particular time are, unless otherwise stated, references to the time applicable in London, United Kingdom.
- 5.4 Unless the context otherwise requires, references in this document to any agreement or documents includes a reference to such agreement or document, as amended, varied, novated, supplemented or replaced from time to time and unless otherwise stated or the context otherwise requires, references in this document to any statute or any provision of any statute include a reference to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or any such modification or re-enactment, in each case in force as at the date of this Prospectus.
- 5.5 With the exception of Registries Regulation and the EU ETS Directive, references in this document to any legislation of the European Union includes reference to such legislation as it applies in the United Kingdom pursuant to the European Union (Withdrawal) Act 2018 of the United Kingdom, the European Union (Withdrawal Agreement) Act 2020 of the UK and any other applicable UK legislation in relation to the "on-shoring" of retained EU law.

SECTION 6 – EMISSIONS ALLOWANCE MARKET OVERVIEW

The information provided below does not purport to be a complete summary of information relating to emissions allowances, any emissions trading scheme, registry accounts or relevant legislation. Prospective purchasers of Carbon Securities are advised to conduct their own independent investigation of any emissions allowance forming part of the Secured Property for the relevant Class of Carbon Securities or consult with their relevant advisers as to the prospects and consequences of a purchase of Carbon Securities linked to a particular type of emissions allowance.

A. Description of EU Emissions Trading Scheme

Background of EU Emissions Trading Scheme

- 6.1 EU Emissions Trading System ("**EU Scheme**" or "**EU ETS**") is a 'cap and trade' system. It caps the total volume of Green House Gas ("**GHG**") emissions from installations and aircraft operators responsible for around 40% of EU GHG emissions. Whilst the cap was previously set "bottom-up" from the relevant national allocation plans, since 2013 it has been set centrally by the EU which applies EU-wide.
- 6.2 The EU ETS is administered by the EU Commission, which issues a predefined amount of emission allowances through auctions or free allocation. Every year, this amount decreases slightly, with the objective that emissions are forced to reduce over time.
- 6.3 The system allows trading of emission allowances so that the total emissions of the installations and aircraft operators stays within the cap and the lowest cost measures can be taken up to reduce emissions. The EU ETS is a major tool of the European Union in its efforts to meet emissions reductions targets now and into the future. The trading approach helps to combat climate change in a cost-effective and economically efficient manner. As the largest emissions trading system for reducing GHG emissions, the EU ETS (together with the linked systems in Norway, Switzerland, Iceland and Lichtenstein – see Section 6.31 et seq below for a description of such other systems) covers more than 11,000 power stations and industrial plants in 31 countries, and flights between airports of participating countries.
- 6.4 In 2012, EU ETS operations were centralised into a single EU registry operated by the EU Commission (the "**Union Registry**"). The Union Registry covers all countries participating in the EU ETS.

Compliance Phases

- 6.5 The system was first introduced in 2005 and has been divided up into distinct trading periods over time, known as phases. In Phases I and II of the EU ETS (2005-7 and 2008-12), most EUAs were allocated for free. EU ETS operators could purchase limited EUAs at auction.
- 6.6 Phase III of the EU ETS began in 2013 and ended on 31 December 2020. Unlike Phases I and II, there was substantially less free allocation in Phase III, with no free

allocation in some sectors. This means that operators either had to (i) purchase most of their EUAs through auctions or through the emissions trading market, or (ii) ensure significant emission reductions. The EU Commission estimates that 57% of the total amount of allowances was auctioned in Phase III.

- 6.7 The next phase of the EU ETS, Phase IV, started 1 January 2021 and will last until 31 December 2030. Under the EU ETS Directive, the share of allowances to be auctioned will remain the same for Phase IV.
- 6.8 As of Phase II, EU Allowances issued in one trading period can be used in subsequent periods. However, there are restrictions on the "carry-back" use of allowances from future Phases in a current Phase: EU Allowances from Phase IV cannot be used for complying with emissions in Phase III.
- 6.9 Phase IV also sees some additional changes, which include the following:
 - (a) the cap (the overall available annual supply) will decrease significantly over Phase IV in two different ways: There will be a one-off reduction of the cap of 90m EUAs in 2024 and 27m EUAs in 2027. Additionally, the linear reduction factor (the amount by which allowance supply is reduced on average every year) increases in several steps: the linear reduction factor is 2.2% annually for 2021-2023, but will increase to 4.3% from 2024-2027 and will further increase to 4.4% from 2028 onwards.
 - (b) companies can no longer meet a share of their compliance obligation with the surrender of offsets instead of allowances.
 - (c) stationary installations can surrender aviation allowances for compliance.
 - (d) from 2026 onwards, imports of specific carbon-intensive product will be covered by the Carbon Border Adjustment Mechanism ("**CBAM**"), which introduces a carbon price at the same level as the EUA price on those imports. This will be phased in gradually from 2026 to 2034.
 - (e) from 2024 onwards, maritime emissions will gradually be included in the EU ETS. All emissions from intra-EU journeys and within EU ports will be covered by, and half of the emissions for journeys to or from a non-EU country.

Auctioning

- 6.10 Depending on the sector, the transition to auctioning has taken place progressively.
- 6.11 Since 2013, power generators must buy all their allowances, with the exceptions for some countries.
- 6.12 The manufacturing industry received 80% of its allowances for free in 2013. This proportion decreased gradually annually to 30% in 2020, with the exception of sectors that were deemed to be exposed to carbon leakage. Carbon leakage refers to the situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries with less restrictive emission

constraints. This could lead to an increase in their total emissions. The risk of carbon leakage may be higher in certain energy-intensive industries. Consequently, to safeguard the competitiveness of industries covered by the EU ETS, the production from sectors and sub-sectors deemed to be exposed to a significant risk of carbon leakage receives a higher share of free allowances compared to the other industrial installations. A list of such sectors is published by the EU Commission. From 2026 onwards, free allocations for industries covered by CBAM will gradually decrease even further to zero by 2034. As imports will also pay a carbon price, industry will not be at risk of carbon leakage anymore and therefore will not need any free allocation anymore.

- 6.13 15% of the allowances in circulation in the aviation sector are auctioned.
- 6.14 While the overall auction volume is written into law, the actual annual auction volume varies significantly:
 - (a) The Market Stability Reserve (the "**MSR**") adjusts auction supply based on the surplus of allowances in the market. Every year, the EU Commission assesses the "Total Net Allowances in Circulation" (**TNAC**). If the allowance surplus exceeds 833 million allowances, 24% of that surplus is withdrawn from auctions over the next 12 months and placed in a reserve. If the TNAC is between 833m and 1,096m allowances, the delta between 833m and the TNAC is withdrawn from auctions, which will work as a buffer to not reduce volumes too quickly. If the surplus drops below 400 million allowances, the auction volume of the next 12 months is increased by 100 million allowances until the reserve is depleted. A maximum of 400m EUAs can be in the MSR at any time, and any additional volumes will be permanently cancelled.
 - (b) For administrative reasons, some countries are forced to delay the sale of allowances, e.g. because they failed to appoint an auctioneer in time.
 - (c) Some allowances are earmarked for special purposes such as financing low carbon technology innovation. The monetisation of such allowances (and therefore the timing of these sales) can vary over time.
 - (d) In the case that not all allowances that are earmarked for free allocation are indeed issued, the remaining volume is auctioned towards the end of a trading period.
 - (e) In 2022, the EU agreed on a REPowerEU package, designed to wean the bloc off Russian energy imports. It has been agreed that EUR 20bn of funding will be delivered by the EU ETS, by the frontloading of future auction volumes. More specifically, EUR 8bn worth of EUAs will be frontloaded from regular Member State auctions, and EUR 12bn worth of EUAs will be frontloaded from the Innovation Fund. It is expected that a total of 220m EUAs will be frontloaded between July 2023 and August 2026.

Types of EU Emissions Allowance

- 6.15 There are two types of EU emissions allowance: (i) general allowances for stationary installations ("**EUA**"); and (ii) allowances for the aviation sector ("**EUAAS**").

General Allowances for Stationary Installations

- 6.16 An EUA represents the right to emit one metric tonne of CO₂ equivalent (tCO₂e) into the atmosphere by operators of stationary installations ("**Covered Entities**"). By the end of April each year, all Covered Entities are required to surrender EUAs equal to the total volume of actual emissions from their installation for the last calendar year. EU ETS operators can trade (buy and sell) EUAs to achieve EU ETS compliance (see Sections 6.26 et seq below on trading of EU emissions allowances).
- 6.17 The cap of the total volume of GHG emissions for Covered Entities will decrease each year by a linear reduction factor. The cap for 2013 from stationary installations was set at 2,084,301,856 allowances. During Phase III, this cap decreased each year by a linear reduction factor of 1.74% of the average total quantity of allowances issued annually in 2008-2012. This amounts to a reduction of 38,264,246 allowances each year.
- 6.18 The linear reduction factor was set in line with the EU-wide climate action targets for 2020 - the overall 20% emissions reduction target and the EU ETS sector-specific 21% emissions reduction target relative to 2005.
- 6.19 The cap (the overall available annual supply) will decrease significantly over Phase IV in two different ways: There will be a one-off reduction of the cap of 90m EUAs in 2024 and 27m EUAs in 2027. Additionally, the linear reduction factor (the amount by which allowance supply is reduced on average every year) increases in several steps: it is 2.2% annually for 2021-2023, it will increase to 4.3% from 2024-2027 and it will further increase to 4.4% from 2028 onwards.

Allowances for the Aviation Sector

- 6.20 Under the EU ETS, all airlines operating in Europe, European and non-European alike, are required to monitor, report and verify their emissions of flights within the EEA region, and to surrender allowances against those emissions. They receive tradeable allowances covering a certain level of emissions from their flights per year. Airlines can use either EUAAS or EUAs for compliance.
- 6.21 In 2008, there were plans for the EU ETS Directive to apply to emissions from flights from, to and within the European Economic Area (EEA) – the EU Member States, plus Iceland, Liechtenstein and Norway. However, to support the development of a global measure by the International Civil Aviation Organization (ICAO) and further to the resolution adopted by the ICAO in 2016 (Carbon Offsetting and Reduction Scheme for International Aviation, CORSIA), the EU has decided to limit the scope of the EU ETS to flights within the EEA until a new review in light of the international developments related to the operationalisation of CORSIA. In the absence of a new amendment, the EU ETS will revert to applying to emissions from flights from, to and

within the European Economic Area (EEA) – the EU Member States, plus Iceland, Liechtenstein and Norway from 2024.

- 6.22 Around 38 million allowances have been issued to the aviation sector annually since 2013, following a reduction in scope to apply to flights within the European Economic Area. This is considerably below the actual verified CO₂ emissions from such flights, which have increased from 53.5 million tonnes CO₂ in 2013 to 67 million tonnes in 2018.
- 6.23 From 2021 onwards, the same linear reduction factor that applies to stationary installations will also apply to aviation allowances.

Major holders and allowance use cases

- 6.24 There is limited publicly available data on individuals or individual organisations' holdings in physical carbon allowances. Primarily, carbon allowances are held for three different use cases:
- (a) Complying with the EU ETS: Companies that need to surrender allowances under the EU ETS hold allowances to surrender them annually. These positions are typically built over time and ultimately surrendered at time of compliance. Therefore, the largest emitters in the EU ETS hold a significant amount of allowances, which include entities such as large utilities with a substantial share of fossil fuel fired power plants, cement companies, steel producers, chemical producers, oil and gas majors and airlines.
 - (b) Providing financial services for hedging purposes or speculation, such as clearing houses for the European Energy Exchange (EEX) or the Intercontinental Exchange (ICE), or banks holding allowances for their clients.
 - (c) Trading on and speculating around price moves, using physical emission allowances. This can take many forms, including "yield trades", which includes holding a physical allowance and selling an EUA future at a premium to gain the yield in the forward curve; or outright positions for short term or long term speculation.
- 6.25 In addition to holding physical allowances, there is a liquid secondary futures and options market that is primarily used for hedging future emissions or speculating. Active players include large compliance entities, investment banks and hedge funds.

Trading EU Allowances

- 6.26 Transactions in allowances in the EU ETS take place between accounts in the European Union registry. Actors in the EU ETS first need to open an account with the Union Registry to be able to perform any transactions in EU Allowances. Accounts can be held by individuals and by organisations, although the precise rules (e.g. around account holder domicile) depend upon the specific national registry approached by the applicant. More details on opening a registry account can be found

in Commission Regulation (EU) No 389/2013 (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R0389>).

- 6.27 Transfer instructions are given electronically by an authorised representative of the transferring account, which indicates the number of allowances to be transferred and the details of the recipient's account. These instructions for the physical transfer are generally given after a trade has been confirmed and approved by both parties, either OTC or on an exchange.
- 6.28 Transferring allowances from a holding account to another account is subject to a 26-hour delay for security reasons. Holding accounts can only transfer allowances to other accounts on their trusted account list. Authorised representatives (natural persons) of the account holders can add new trusted accounts to their list after a security delay of seven days. However, trading accounts have more flexibility and allow transfers without delay to accounts on the trusted account list and with a 26-hour delay when transferring to accounts not on the list. In contrast, transfers to accounts not on the list is not permitted for holding accounts.
- 6.29 Any transaction is also subject to a two-factor authentication process (signature process): all transfer instructions must be confirmed with a code that is sent via a text message to the registered mobile phone of the account representative initiating the transaction in the Union Registry.
- 6.30 There are times at which the EU registry is inaccessible for scheduled or unscheduled maintenance, during which no transactions can be initiated.

B. Trading Location

- 6.31 The EU ETS is linked to small emissions trading systems in Europe (Norway, Switzerland, Iceland and Liechtenstein), but not to any other major cap and trade markets. Therefore, allowances handed out in the EU ETS are not transferable to any registry outside of the EU ETS, and cannot be used for compliance in any other cap and trade market.
- 6.32 There are a number of other trading systems globally, and like the EU ETS, no allowances of any of these systems can be used in any other system:
 - (a) Western Climate Initiative (WCI): The US state of California and the Canadian province Quebec created a linked cap and trade market, that covers >80% of emissions.
 - (b) Regional Greenhouse Gas Initiative (RGGI): a group of US east coast states created a linked market that covers power generators only.
 - (c) The China National ETS: Technically not a cap and trade scheme (as the amount of allowances is not fixed but calculated according to historic production of units), this system is poised to be the world's largest carbon market. In early 2021, it includes only coal fired power generation and all

allowances are handed out for free, but the regulator plans to expand the scope and reduce the share of free allocation.

- (d) South Korea ETS: A comprehensive market covering the majority of Korean emissions

- 6.33 On top of such (multi)national approaches, the Paris Agreement aims at establishing a global carbon market between countries. However, the details are yet to be defined.

C. Registry Accounts

- 6.34 The Union Registry is an online database that holds accounts for Covered Entities, for aircraft operators as well as trading accounts for participants not covered under the EU ETS. The Union Registry records, amongst other things, (i) national implementation measures (which is a list of installations covered by the EU ETS Directive in each EU country and any free allocation to each of those installations in Phase III); (ii) accounts of companies or individuals holding such allowances; (iii) transfers of allowances ("transactions") performed by account holders; (iv) annual verified CO₂ emissions from installations and aircraft operators; and (v) annual reconciliation of allowances and verified emissions, where each company must have surrendered enough allowances to cover all its verified emissions.
- 6.35 The Union Registry can be accessed online in a similar manner to online banking systems. The operational and technical requirements of the Union Registry are specified in the Registries Regulation.
- 6.36 As mentioned above, a legal or natural person must open an account in the Union Registry before being able to participate in the EU ETS and perform transactions with allowances. Depending on the nature of the account holder and his role or activities, the following account types are available: operator holding accounts; aviation operator holding accounts; verifier accounts; person holding accounts; trading accounts; and national accounts.
- 6.37 To open an account, the account holder has to provide specific supporting evidence on the account holder and representatives (natural persons) that are authorised to use the account. The relevant national administrator checks these documents prior to activation of the account.
- 6.38 The European Union Transaction Log ("**EUTL**") also automatically checks, records, and authorises all transactions that take place between accounts in the Union Registry to ensure that transfers are in accordance with the EU ETS rules.

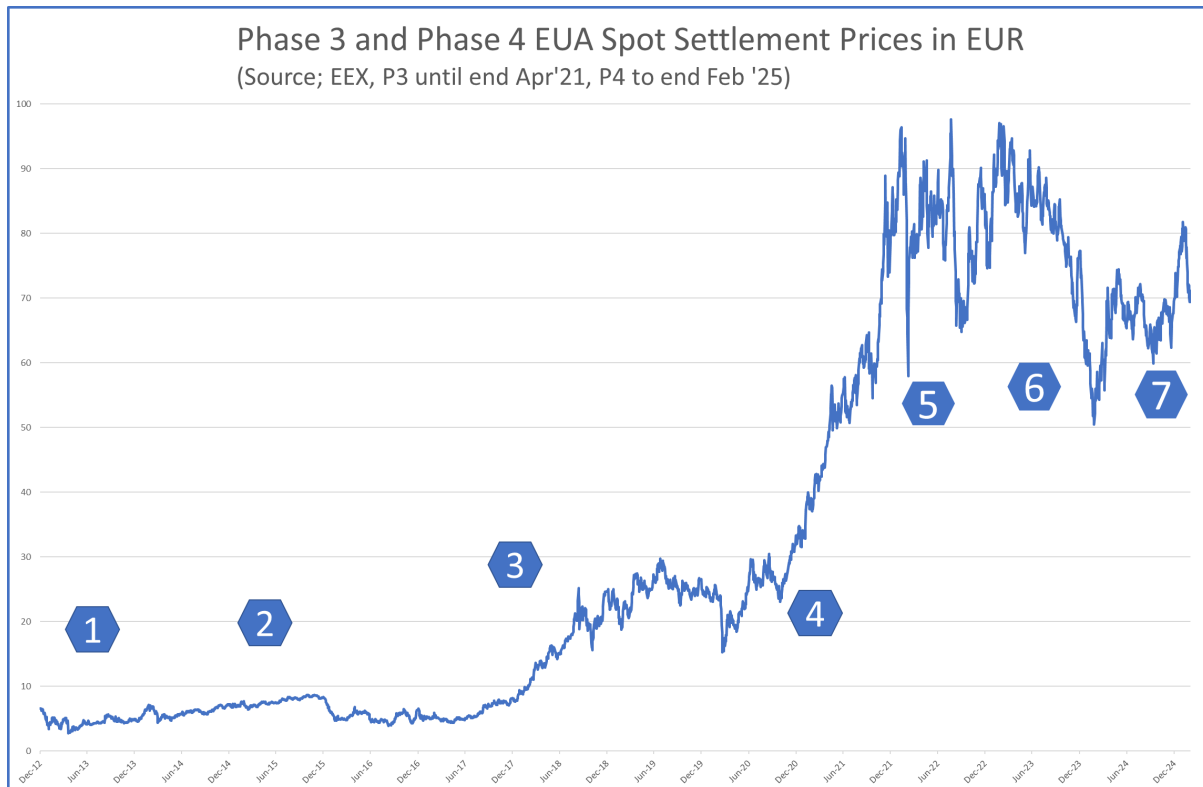
The information referred to in sub-sections A (Description of EU Emissions Trading Scheme) to C (Registry Accounts) above is sourced from the EU ETS Handbook and the EU Commission website on the EU ETS. Further information on the EU ETS can be found there and at https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en.

D. Pricing of Allowances and Trading Volume

- 6.39 For both EUAs as well as EUAAs, there is a primary and secondary market: The primary market is created through the auctioning of allowances. The secondary market has spot, future and options elements.
- 6.40 Liquidity differs between EUAs and EUAAs: Since fewer of the latter exist, the liquidity in both primary and secondary markets is lower for EUAAs than for EUAs
- 6.41 The EUA markets are generally liquid:
- (a) On a near-daily basis, EUA auctions are held, with the caveat that from mid-December to mid-January, auctions are paused. Also, August auction volumes are typically 50% lower than average to account for less trading activity due to summer holidays. Prices achieved in these auctions are published on various publicly-accessible websites, including the European Commission's primary website.
 - (b) As at the Prospectus Date, the secondary market sees trading volumes of €2bn daily on average, with the majority of the liquidity in the futures market. Prices for secondary market transactions are published on various publicly-accessible websites, including those of the exchanges.
- 6.42 The primary auctions provide a transparent price signal, which is released shortly after the auction closes at 11AM CET. Usually, the secondary market trades in a very close range around the primary market at that time.
- 6.43 The secondary market sees daily settlements at the two major exchanges ICE and EEX. These settlements are transparent and freely accessible.
- 6.44 There is no price management in the EU ETS, with the exception that if the primary auction clears significantly below the secondary market range preceding the auction, the auction can be cancelled. (This has occurred in the past when bidding interest was insufficient.) The unsold volume is then added to the next few auctions.
- 6.45 In 2024, the Primary Market Auctions were responsible for around 3 million tonnes worth of EUAs per day in volume. In 2024, the EUA secondary spot market and the EUA spot-like market (i.e. **"Daily EUA Futures"**) were together responsible for around 3.5 Million Tonnes worth of EUA volume per day. In 2024, the Synthetic Secondary EUA markets (i.e. the conventional, longer-dated EUA futures markets) were responsible for around 29 Million Tonnes of EUA notional per day in volume. At the year-end price of EUR 69.96, the value of such would be; Auctions ~EUR 209m/day, Secondary Spot & Spot-like ~EUR 244m/day and Synthetic Secondary ~ EUR 2bn/day.
- 6.46 The London Stock Exchange Group estimates the total EUA market size at EUR 684bn in 2024, down 2% versus 2023. According to a report by LSEG published in February 2024 titled "Carbon Market Year in Review 2024", this is 85% of the global carbon market size..

Past and future performance of the Underlying Allowances

- 6.47 An overview of the historic price performance of the EUA trading market, including historic volatility, is set out in the diagram below, as well as analysis of key events at the points marked with numbers:



- (1) EU emissions dropped significantly following the 2008/09 Financial Crisis, resulting in the EU ETS having an over-supply of Allowances in Phase 2 of the ETS (which was concluded in 2012), and consequently Phase 2 EUA prices dropped significantly as no emissions abatement was required. As an increase in decarbonisation emissions at that time was politically unrealistic, the EU Commission instead implemented two measures within Phase 3 of the EU ETS.
- (2) First, in 2014, the EU implemented "backloading", which temporarily withheld 900 million Allowances from the market to stabilise the market with the aim of encouraging faster decarbonisation.
- (3) Second, in 2017, the EU followed up with the implementation of the Market Stability Reserve, which institutionalises a supply adjustment based on emission trends. This has made the EU ETS more resilient against external impacts and reduces the likelihood of future regulatory intervention.
- (4) COVID lockdowns caused a short term price fall as immediate demand crashed when industrial production was shuttered in Spring 2020 (amongst other COVID effects), but the EU's Green New Deal and announcement of more ambitious decarbonisation targets under the Paris Agreement have led to increases in the price of EUAs in 2021 to record highs.
- (5) The Russian invasion of Ukraine in February 2022 triggered a gas price surge which forced some commodity trading and other companies to raise cash for margin calls.

This in turn caused some liquidations of EUA positions in the market that resulted in a rapid descent in EUA spot and futures prices, some of which has been recovered in the short term. The rest of 2022 volatility was driven by policy uncertainty around the latest EU ETS reform, which was finalised in December 2022.

- (6) With the policy uncertainty around the latest EU ETS reform being translated into near-term additional EUA supply (through the REPowerEU package), prices at the start of 2023 declined from the close-to-historic highs at the end of 2022. While in the first half of 2023 price decreases were minor, in the second half of 2023 the decline intensified as it became clear that by the end of 2023 renewable electricity production would be dramatically ahead of that in 2022. This caused fossil-generated electricity (especially from lignite and coal) to reduce drastically and hence EUA demand from the power sector was significantly lower compared to the years before. At the same time, EU heavy industry also reduced production in 2023 resulting in decreasing emissions in each of the major covered industrial sectors. With increased supply and reduced demand, prices came down significantly in 2023.
- (7) EUA prices have faced pressure due to the continued frontloading of EUAs through daily auctions for REPowerEU, adding 87 million EUAs to the market in 2024. This oversupply, combined with weak economic growth in the EU, made EUA prices trade in a range of 65-75 EUR throughout most of the year. By the end of 2024, expectations of a tightening cap and reduced supply of EUAs in the coming years led to an increase in EUA prices. Additionally, rising gas prices amid ongoing political uncertainty in the Ukraine-Russia war also further supported EUA prices through late 2024 and early 2025.

| Year | First Date | Last Date | First Price EUR | Last Price EUR | %Performance YtD | Ave 10-day annualised standard deviation (retrospective) |
|------|------------|-----------|--------------------|-------------------|---------------------|----------------------------------------------------------------------|
| 2013 | 02-Jan-13 | 31-Dec-13 | 6.52 | 4.91 | -24.69% | 72% |
| 2014 | 31-Dec-13 | 31-Dec-14 | 4.91 | 7.2 | 46.64% | 41% |
| 2015 | 31-Dec-14 | 31-Dec-15 | 7.2 | 8.22 | 14.17% | 23% |
| 2016 | 31-Dec-15 | 30-Dec-16 | 8.22 | 6.55 | -20.32% | 53% |
| 2017 | 30-Dec-16 | 29-Dec-17 | 6.55 | 8.09 | 23.51% | 41% |
| 2018 | 29-Dec-17 | 31-Dec-18 | 8.09 | 24.63 | 204.45% | 45% |
| 2019 | 31-Dec-18 | 31-Dec-19 | 24.63 | 24.93 | 1.22% | 40% |
| 2020 | 31-Dec-19 | 31-Dec-20 | 24.93 | 32.04 | 28.52% | 47% |
| 2021 | 31-Dec-20 | 31-Dec-21 | 32.04 | 79.61 | 148.47% | 41% |
| 2022 | 31-Dec-21 | 30-Dec-22 | 79.61 | 80.76 | 1.44% | 48% |
| 2023 | 30-Dec-22 | 29-Dec-23 | 80.76 | 77.25 | -4.35% | 30% |
| 2024 | 29-Dec-23 | 30-Dec-24 | 77.25 | 69.96 | -9.44% | 35% |
| 2025 | 30-Dec-24 | 28-Feb-25 | 69.96 | 69.40 | -4.35% | 30% |

(Source: EEX - <https://www.eex.com/en/market-data/environmental-markets/spot-market>)

(Methodology – switches from EUA Phase 3 to EUA Phase 4 at end Apr 2021)

E. Regulation

- 6.48 As far as the EU ETS is concerned, it is established pursuant to the EU ETS Directive, the Auctioning Regulation and the Registries Regulation.
- 6.49 The EU ETS Directive governs the companies involved whilst the Auctioning Regulation details the sale of allowances and the Registries Regulation regulates the Union Registry and transfer of allowances.
- 6.50 Any major changes to the EU ETS are implemented through amendments of the EU ETS Regulation, which requires a full Comitology process on EU level. More technical aspects are implemented through the regulations.
- 6.51 As with all EU law, the EU ETS Directive establishes a legal framework that needs to be translated into national law in each member state. The linked emissions trading schemes (Iceland, Liechtenstein, Norway and Switzerland) need to adjust their respective rules accordingly to remain linked to the EU ETS.
- 6.52 EU emissions allowances and any derivatives thereof are considered financial instruments respectively under points 11 and 4 of Section C of Annex 1 to MiFID2. Accordingly, certain investment services and activities relating to EU emissions allowances may be licensable activities under MiFID2.
- 6.53 Similarly, under Article 82B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended from time to time, "**RAO**") and only in relation to, amongst others, "an investment firm or qualifying credit institution" that is "providing or performing investment services and activities on a professional basis", EU emissions allowances and any derivatives thereof are considered "specified investments" for the purposes of FSMA. Accordingly, firms specified in Article 82B(2) engaging in "specified activities" (as defined under FSMA and the RAO) relating to EU emissions allowances may be conducting a regulated activity requiring authorisation under FSMA.

SECTION 7 – DOCUMENTS INCORPORATED BY REFERENCE

A. Documents incorporated by reference

- 7.1 The following documents are incorporated by reference in this Prospectus:
- (a) the Issuer's Directors' report and audited financial statements for the year ended 31 March 2023, dated 19 July 2023;
 - (b) the Issuer's Directors' report and audited financial statements for the year ended 31 March 2024, dated 18 July 2024;
 - (c) the Issuer's interim management report and condensed unaudited financial statements for the financial period from 1 April 2024 to 30 September 2024, dated 23 November 2024;
 - (d) the Backing Issuer's Directors' report and audited financial statements for the year ended 31 March 2023, dated 31 July 2023; and
 - (e) the Backing Issuer's Director's report and audited financial statements for the year ended 31 March 2024, dated 18 March 2025; and
 - (f) the Backing Issuer's interim management report and condensed unaudited financial statements for the financial period from 1 April 2024 to 30 September 2024, dated 18 March 2025.
- 7.2 The documents referred to in sub-paragraphs (a) to (f) (inclusive) above are available from <https://etp.hanetf.com/spark>.
- 7.3 All documents incorporated by reference in this Prospectus have been filed with the Central Bank and the FCA.
- 7.4 Unless specifically stated otherwise, no documents form part of this Prospectus for the purposes of the Prospectus Regulation or the UK Prospectus Regulation. Other than in relation to the documents which are deemed to be incorporated by reference, any website mentioned in this Prospectus does not form part of the Prospectus.

SECTION 8 – DESCRIPTION OF THE ISSUER

A. Information Contained in this Section

- 8.1 No Programme Party aside from the Issuer has verified the accuracy of the information contained in this section. Prospective investors in Carbon Securities should conduct their own due diligence on the Issuer.

B. General Information About the Issuer

- 8.2 The Issuer, HANetf ETC Securities plc, was incorporated in Ireland on 24 January 2020 as a public limited company under Irish law with registration number 664945. The Issuer has been incorporated for an indefinite period. The Issuer is a special purpose company which was established for the purpose of issuing asset-backed securities backed by commodities or emissions allowances (including the Carbon Securities) and other asset-backed exchange traded securities (including Metal Securities) and, in relation to the Carbon Securities, entering into agreements relating to the Carbon Securities and the underlying Allowances and agreements relating to such other asset-backed exchange-traded securities and the underlying assets thereof.
- 8.3 The registered office of the Issuer is 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, D01 P767, Ireland. The telephone number of the Issuer is + 353 1 411 2949.
- 8.4 The LEI code of the Issuer is 635400GQU6WKILM5R975.
- 8.5 The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the board of the Issuer passed on 21 January 2021.
- 8.6 The core business of the HANetf group is to assist companies that have specific market experience to use that experience to develop exchange-traded products. It supports these companies by designing the relevant product features, providing connectivity to all necessary market participants via its range of operational agreements, deploying its sales and marketing teams and issuing exchange-traded securities via the Issuer.

C. Shareholders and Share Capital

- 8.7 The shares in the Issuer are all held by Apex Corporate Services (Ireland) Limited, a company incorporated in Ireland, and the ownership in the shares is subject to an orphan trust. Further details of Apex Corporate Services (Ireland) Limited are set out at the section entitled "**Administrator**", below.
- 8.8 No other party to the Programme owns or controls the Issuer and the Issuer does not have any subsidiary undertakings.

- 8.9 As at the Prospectus Date, the authorised share capital of the Issuer is €25,000 divided into 25,000 ordinary shares of €1 each, of which 25,000 have been issued and paid up to the amount of €6,250 and are held by Apex Corporate Services (Ireland) Limited on trust for charitable purposes.

D. Operations of the Issuer

- 8.10 The Issuer was incorporated on 24 January 2020. The end of the Issuer's financial year is 31 March and the annual audited accounts will be published each year by 31 July. Half-yearly unaudited account for periods ending 30 September will be published annually by 31 December. As of 23 April 2025, there is a single class of Carbon Securities issued under this programme, The SparkChange Physical Carbon EUA ETC.
- 8.11 Apart from the issue of Metal Securities pursuant to the Issuer's programme for the issuance of Metal Securities as more particularly referred to and defined in the base prospectus dated 17 September 2024, as may be updated and/or amended from time to time (the "**Metal Securities Base Prospectus**"), the Issuer has no prior operating history or revenues upon which may be used to evaluate its likely performance and the performance of the Carbon Securities.
- 8.12 The Issuer has not been assigned a credit rating and it is not intended that any Carbon Securities will be assigned credit ratings.
- 8.13 The business of the Issuer is limited to the performance of its obligations under (i) any Carbon Securities issued under the Programme, as detailed in clause 8.22(a) of the Master Trust Deed; and (ii) any Metal Securities issued under the Issuer's programme for the issuance of Metal Securities as more particularly referred to and defined in Metal Securities Base Prospectus. The Metal Securities programme gives rise to contractually segregated, limited recourse obligations of the Issuer thereunder, and those obligations are not secured by the same Security as secures the Carbon Securities, and remain 100% asset backed on a daily basis. Accordingly, the Carbon Securities and the Metal Securities are not competing claims on the Issuer or any of the Issuer's assets. Subject to this, the Carbon Securities rank equally with the Metal Securities, which is the other indebtedness of the Issuer.
- 8.14 Other than the subscription monies received in respect of the issued share capital (to the extent not applied in discharge of certain establishment expenses of the Issuer), the Issuer has, and will have, no assets other than a small amount of profit received by the Issuer in connection with the issue of each Class of Carbon Securities and each class of Metal Securities.
- 8.15 The Carbon Securities are obligations of the Issuer alone and are not guaranteed in any way by any other party.

E. Directors

- 8.16 The Directors of the Issuer (as at the Prospectus Date) are described below:

Niall Vaughan

Niall joined the Apex Group in July 2018 with over 17 years of experience in financial services across a range of roles from accountancy practitioner, through financial controller within RBS Structured Products Group, to the Head of Accounting for Deutsche Bank's Irish Corporate Services business, where he had oversight of the delivery of accounting services to 500+ SPVs. In his role at Apex Corporate Services (Ireland) Limited, Niall is responsible for the design and delivery of accounting services to all Capital Markets clients. Niall is a board member of Apex Corporate Services (Ireland) Limited, acts as the Apex Corporate Services contact for accountancy matters with all Irish Regulatory Bodies and also sits on the Irish Debt Securities Association finance committee. Niall is Irish, has a Bachelor of Business Studies, is a Fellow Member of the Association of Chartered Certified Accountants and is a Qualified Financial Advisor.

Niall is a director of Apex Corporate Services (Ireland) Limited.

Ciaran Connolly

Ciaran Connolly is a Client Director and Business Relationship Manager for Apex IFS Limited. With over 13 years' experience in the professional services industry, Ciaran joined the Aviation and Structured Finance Business Development team of Apex IFS Limited in 2015. Ciaran serves as a Non-Executive Director to a number of Irish companies engaged in cross-border financial activities including a variety of leasing transactions, bond issuance vehicles asset financing and securitisations. Ciaran has an extensive knowledge on a wide variety of transaction types, including but not limited to aircraft leasing, MBS, CMBS, RMBS, receivables, LPN's, CLOs and CDOs.

Ciaran holds a Bachelor's Degree in Accounting and Finance, is a member of the Association of Certified Chartered Accountants (ACCA) and also holds Specialist Diploma Qualifications in Corporate Finance and Taxation.

David O'Neill

David joined HANetf in February 2024 as CEO of HANetf EU bringing a wealth of experience from over 16 years working in a variety of roles across front, middle and back offices in both Ireland and the UK. Most recently, David was Executive Director and Chief Operating Officer at HAL Fund Services Ireland where he oversaw the day-to-day operations of a third party management company offering both UCITS and AIF management services to a diverse clientele across a wide range of asset classes. Prior to that, David was Head of Investment & Fund Services at the Asset Management Exchange (AMX) where he oversaw a large team responsible for the day-to-day investment and operational oversight of over 20 funds across a number of the firm's platforms. Earlier in his career he held senior roles with AlbaCore Capital as Head of Operations and Knight Capital as Head of European Institutional Trading.

David graduated from University College Cork with a first class honours Bachelor of Engineering degree in 2005.

- 8.17 The business address of Niall Vaughan and Ciaran Connolly is the same as that of the Administrator. The business address of David O'Neill is 7/8 Mount Street Upper, Dublin 2, D02 FT59, Ireland.

F. Legal and Arbitration Proceedings

- 8.18 The Issuer has not been subject to any governmental, legal or arbitration proceedings (or any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation, which may have, or have had in the recent past, significant effects on the Issuer's financial position.

G. Administrator

- 8.19 The information set out in this section has been obtained from Apex Corporate Services (Ireland) Limited and from Apex Fund Services (Ireland) Limited (the "**Administrator**"). Such information has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from information published by the Administrator, no facts have been omitted that would render the reproduced information inaccurate or misleading. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of the Administrator since the Prospectus Date, or that the information contained or referred to in this section is correct as of any time subsequent to its date.
- 8.20 The Issuer has appointed the Administrator, pursuant to the terms of the Administration Agreement to carry out certain operation functions on behalf of the Issuer with respect, in particular, to the settlement process on a Subscription for, or Redemption of, Carbon Securities, including the giving of instructions to the Backing Issuer on behalf of the Issuer to transfer Allowances into and out of a Backing Issuer Secured Allowance Account, in accordance with the terms of the Operating Procedures.
- 8.21 An Affiliate of the Administrator, Apex Corporate Services (Ireland) Limited acts as the corporate administrator of the Issuer. Its duties include the provision of directorships and shareholder services, accounting and reporting, regulatory and tax compliance and certain transaction management services. The business address of the Administrator is 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin, D01 P767, Ireland.
- 8.22 Apex Corporate Services (Ireland) Limited also acts as the company secretary of the Issuer.
- 8.23 Apex Corporate Services (Ireland) Limited was established on 2 August 2018 and is licensed by the Department of Justice as Trust or Company Services Provider. The Administrator and Apex Corporate Services (Ireland) Limited are part of the Apex Group, Ltd., a global financial services organisation and one of the global top tier independent service providers, which retains a focus on high client service levels delivered locally and administers circa \$3.4 trn in assets.

H. HANetf

- 8.24 The information set out in this section headed **HANetf** has been obtained from HANetf Limited. Such information has been accurately reproduced and, as far as the Issuer is aware, no facts have been omitted that would render the reproduced information inaccurate or misleading. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of HANetf since the Prospectus Date, or that the information contained or referred to in this section is correct as of any time subsequent to its date.
- 8.25 The Issuer and HANetf have entered into a Management and Determination Agent Agreement in relation to the Programme pursuant to which HANetf provides operational support services to the Issuer in relation to the Programme, including obligations in relation to the making of certain calculations and determinations in relation to the Carbon Securities. As at the Prospectus Date, HANetf is the Determination Agent in respect of the Programme.
- 8.26 HANetf is currently an appointed representative of Privium Fund Management (UK) Limited ("**Privium**"). Privium is a professional services firm authorised and regulated by the UK Financial Conduct Authority. HANetf Limited provides a variety of services to exchange traded products including but not limited to launching exchange traded products on platforms it establishes, on-going operational support, marketing, capital markets and distribution and product development.
- 8.27 As stated in the section entitled **Operations of the Issuer**, above, the Carbon Securities are obligations of the Issuer alone and not of HANetf.

I. Financial Information

- 8.28 As at the Prospectus Date, the Issuer has drawn up audited financial statements for the year ended 31 March 2023, dated 19 July 2023 and for the year ended 31 March 2024, dated 18 July 2024, and an interim management report and condensed unaudited financial statements for the financial period ended 30 September 2024, dated 23 November 2024. These financial statements are incorporated by reference and available at <https://etp.hanetf.com/spark>.
- 8.29 As at the Prospectus Date, there has been no:
- (a) material adverse change in the financial position or prospects of the Issuer since the date of its last published audited financial statements;
 - (b) significant change in the financial performance of the Issuer since 30 September 2024, the date of the end of the last financial period for which unaudited financial information has been published; and
 - (c) significant change in the financial position of the Issuer which has occurred since 30 September 2024, the date of the end of the last financial period for which the unaudited financial information has been published.

- 8.30 The Issuer prepares its financial statements in accordance with the International Financial Reporting Standards as adopted by the EU.
- 8.31 The Issuer will publish half-yearly financial statements for the period to 30 September and yearly financial statements to 31 March for each financial year.
- 8.32 The Issuer will publish its unaudited half-yearly financial statements by 31 December in each year. The Issuer will publish its audited yearly financial statements by 31 July in each year.
- 8.33 The auditor of the Issuer is EY, a member of Chartered Accountants Ireland.
- 8.34 The Issuer is a "*public-interest entity the business of which is to act as issuer of asset-backed securities*" (as such term is used in Directive 2006/43/EC of the European Parliament and of the Council (the "**Accounts Directive**"). As noted in 8.13 above, the business of the Issuer consists of (i) the issue of Carbon Securities and related activity relevant to its obligations towards making payments in respect of the Carbon Securities; and (ii) the issue of Metal Securities issued under the Issuer's programme for the issuance of Metal Securities as more particularly referred to and defined in the Metal Securities Base Prospectus. The Issuer is not therefore an operating business and, in accordance with Article 41.6(c) of the Accounts Directive, does not consider it appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.

J. Conflicts of Interest

- 8.35 Mr. Vaughan is a director of Apex Corporate Services (Ireland) Limited, a provider of services to the Issuer and the sole shareholder of the Issuer, and Mr. Connolly is an employee of Apex IFS Limited, an Affiliate of Apex Corporate Services (Ireland) Limited. Mr. O'Neill is an employee of HANetf EU Limited. While these roles could potentially lead to conflicts of interest, the Directors do not believe that, as at the Prospectus Date, there are any actual conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of the Issuer owe to the Issuer, and the private interest and/or other duties that such persons may have. The Apex Group and HANetf have conflicts of interest policies in place that are designed to prevent conflicts of interest arising and mitigate the effect of conflicts of interest, should they arise.
- 8.36 Save as specifically stated in Section 8.35 above, none of the principal activities performed by the Directors outside the Issuer are significant with respect to the Issuer and they have no interests that are material to the Programme. In addition, there are no conflicts of interest between members of the administrative, management and supervisory bodies of the Issuer and the private interest of such members.

K. Material Contracts

- 8.37 As at the Prospectus Date, the Issuer has not entered into any material contracts that are not in the ordinary course of the Issuer's business.

L. Substitution

- 8.38 Provided that the conditions set out in Condition 14.3 are satisfied, Condition 14.3 grants a power exercisable by the Trustee to apply to approve that a different company to the Issuer replaces the Issuer as principal debtor under the Carbon Securities and Programme Documents.

SECTION 9 – DESCRIPTION OF THE BACKING ISSUER

A. Information Contained in this Section

- 9.1 The Backing Issuer accepts responsibility for the information contained in this Section 9. To the best of the knowledge of the Backing Issuer, the information contained in this section is in accordance with the facts and the document does not omit anything likely to affect the import of such information. Aside from the Issuer and the Backing Issuer, no Programme Party has verified the accuracy of the information contained in this section. Prospective investors in Carbon Securities should conduct their own due diligence on the Backing Issuer and its service providers including Spark Change Group Inc.

B. General Information about the Backing Issuer

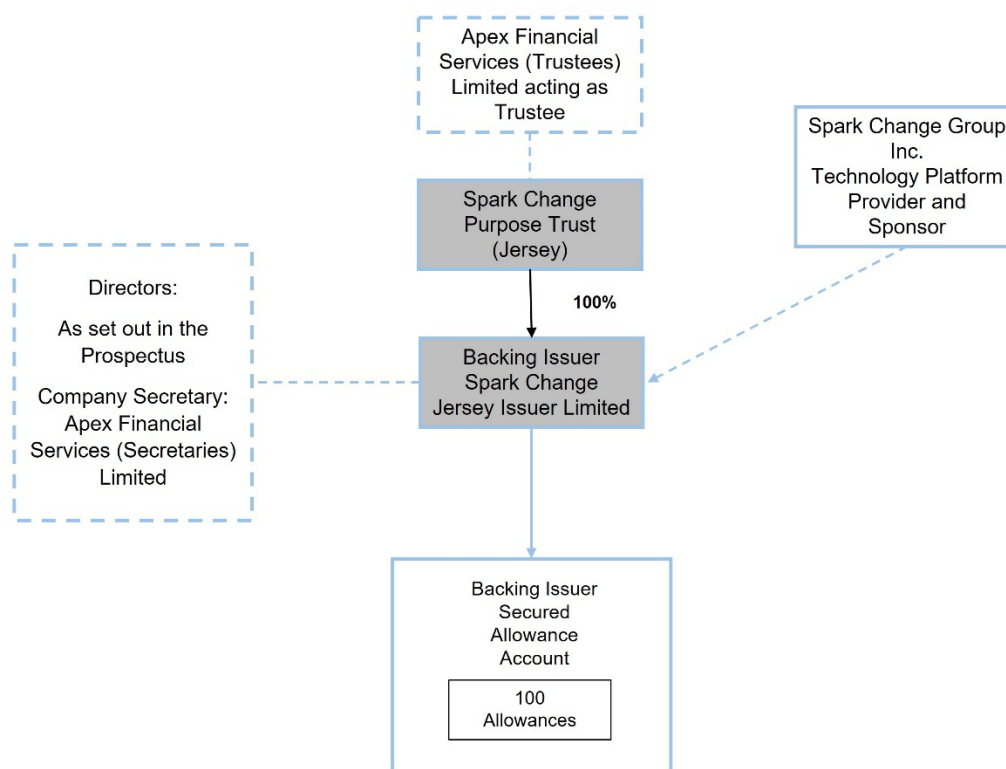
- 9.2 The Backing Issuer, Spark Change Jersey Issuer Limited, was incorporated in Jersey on 3 February 2021 as a private company under Jersey law with registration number 133611. The Backing Issuer has been incorporated for an indefinite period. The Backing Issuer is a special purpose company which has been established for the sole purpose of issuing any Backing Note pursuant to the Backing Issuer Programme and entering into agreements relating to the Backing Note and the Underlying Allowances, in particular the Backing Issuer's permitted activities are restricted as described in Section 9.17 below.
- 9.3 The registered office of the Backing Issuer is IFC 5, St. Helier, Jersey, JE1 1ST. The telephone number of the Backing Issuer is +44 203 523 9144.
- 9.4 The LEI code of the Backing Issuer is 213800G31V3WVCNKVG49.
- 9.5 The Backing Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Backing Issuer Programme. The establishment of the Backing Issuer Programme was authorised by a resolution of the board of the Issuer passed on 14 September 2021.
- 9.6 The memorandum and articles of association of the Backing Issuer can be reviewed at <https://etp.hanetf.com/spark>.

C. Organisational Structure

- 9.7 The Backing Issuer is fully owned by the Spark Change Jersey Purpose Trust. Apex Financial Services (Trust Company) Limited is the trustee for the Spark Change Jersey Purpose Trust.
- 9.8 In particular, to support the ongoing carbon-specific operational aspects of the Programme, the Backing Issuer supports the Programme by (among other things) holding the corresponding quantity of emission allowances that ultimately back the Carbon Securities in its own dedicated European Union registry account, which is subject to certain security arrangements to protect the interest of the holders of the Carbon Securities.

- 9.9 Pursuant to an advisory and support agreement, the Backing Issuer has appointed Spark Change Group Inc. (the parent company of SparkChange), with offices in Corporation Trust Center 1209 Orange St., Wilmington, Delaware 19801, USA, to provide certain advisory services with respect to (i) trading and operational aspects of the Allowance market, and (ii) the transactional agreements and other documentation forming the Backing Issuer Programme, owing to Spark Change's significant experience in the global carbon allowances markets.
- 9.10 To the extent that the Backing Issuer is unable to settle any costs, expenses and professional fees that it has incurred in connection with the Backing Issuer Programme from the proceeds of the sale of Allowances, under the advisory and support agreement Spark Change Group Inc. has agreed to pay such costs, expenses and professional fees from time to time.
- 9.11 The Backing Issuer has also appointed Spark Change Group Inc. as its technology provider, whereby Spark Change Group Inc. licenses its software platform to the Backing Issuer to enable it to fulfil certain internal position-keeping and reconciliation functions.
- 9.12 SparkChange is a US headquartered group, comprising several individuals with experience in the global carbon allowances market, whose core business is to support the creation of investment products using carbon allowances.

Backing Issuer - Structure Chart



D. Shareholders and Share Capital

- 9.13 The shares in the Backing Issuer are held by Apex Financial Services (Trust Company) Limited, a company incorporated in Jersey, acting as trustee of the Spark Change Jersey Purpose Trust. Further details of Apex Financial Services (Trust Company) Limited are set out at the section entitled "**Backing Issuer Administrator**" below. To ensure that the shareholder of the Backing Issuer does not abuse its position of control, the entire share capital and rights attached to the shares of in the Backing Issuer have been transferred to the Spark Change Jersey Purpose Trust to be held upon trust and be managed in accordance with the purpose of the trust, subject to and in accordance with the provisions of Jersey law
- 9.14 No other party to the Programme or the Backing Issuer Programme owns or controls the Backing Issuer and the Backing Issuer does not have any subsidiary undertakings.
- 9.15 As at the Prospectus Date, the authorised share capital of the Backing Issuer is 10,000 ordinary shares of £1 each, 2 of which have been issued and fully paid up to the amount of £2 and are held by Apex Financial Services (Trust Company) Limited acting as trustee of the Spark Change Jersey Purpose Trust.

E. Operations of the Backing Issuer

- 9.16 The Backing Issuer has not been assigned a credit rating and it is not intended that any Backing Note will be assigned credit ratings.
- 9.17 To ensure that any credit risk posed by the Backing Issuer is minimised, under the Backing Note Terms and Conditions the only permitted activity of the Backing Issuer is to (a) issue the Backing Note, (b) hold property securing the Backing Note (including the Underlying Allowances and activities incidental to them), (c) ensure that the Issuer is the only holder of Backing Notes, and (d) to ensure that the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding.
- 9.18 Other than the subscription monies received in respect of the issued share capital (to the extent not applied in discharge of certain establishment expenses of the Backing Issuer), the Backing Issuer has, and will have, no assets other than a small amount of profit received by the Backing Issuer in connection with the issue of each Class of Backing Note.
- 9.19 Each Backing Note is an obligation of the Backing Issuer alone and is not guaranteed in any way by any other party.

F. Directors

- 9.20 The Directors of the Backing Issuer (as at the Prospectus Date) are described below:

Vinod Raiput

Vinod is a fellow of the Association of Chartered Certified Accountants. Vinod has worked in the financial services industry for more than twenty years, mainly corporate structure and funds. Vinod and his team at Apex Group's corporate services division, based in Jersey, provide administration services to a wide variety of clients ranging from London Stock Exchange Prime and AIM listed companies, and regulated and unregulated funds to large private structures. Vinod specialises in administration of offshore corporate structures, and has experience in the areas of accounting, corporate, funds, listings and investment work.

Elizabeth Casely

Elizabeth Casely is an experienced financial professional with senior front-office experience at JP Morgan, Barclays Capital, and Lehman Brothers, specialising in debt, derivatives, capital markets, and securitisation. Elizabeth played a key role in distressed debt situations, notably at Chatham Financial, where she led the administrative restructuring of securitisation vehicles following the Lehman Brothers collapse and headed a rates and FX advisory team. In addition, Elizabeth has founded and led climate-focused ventures, highlighting her commitment to sustainability and financial innovation. She holds a first-class BSc (Hons) in Banking, Finance & Management, a distinction in Business and Climate Change from the University of Cambridge, and a Prince2 project management certification. Elizabeth is currently serving as Director across Debt and Capital Markets at Apex Group.

The Directors of the Backing Issuer (as at the Prospectus Date) are both employees of Apex Financial Services (Jersey) Limited and their business address is IFC 5, St. Helier, Jersey, JE1 1ST.

G. Legal and Arbitration Proceedings

- 9.21 The Backing Issuer has not been subject to any governmental, legal or arbitration proceedings (or any such proceedings which are pending or threatened of which the Backing Issuer is aware) since the date of its incorporation, which may have, or have had in the recent past, significant effects on the Backing Issuer's financial position.

H. Backing Issuer Administrator

- 9.22 The information set out in this section has been obtained from Apex Financial Services (Jersey) Limited and Apex Financial Services (Corporate) Limited (AFSCL). Such information has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from information published by these entities, no facts have been omitted that would render the reproduced information inaccurate or misleading. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of each of Apex Financial Services (Jersey) Limited and Apex Financial Services Corporate Limited (AFSCL) since the Prospectus Date, or that the information contained or referred to in this section is correct as of any time subsequent to its date.
- 9.23 The Backing Issuer has appointed Apex Financial Services (Corporate) Limited (the "**Backing Issuer Administrator**"), pursuant to the terms of the Backing Issuer

Administration Agreement to carry out certain operational functions on behalf of the Backing Issuer with respect, in particular, to the settlement process on an adjustment to the Carbon Entitlement per Backing Note, including to transfer (as the sole signatory) Allowances into and out of a Backing Issuer Secured Allowance Account, in accordance with the terms of the Operating Procedures further to instructions from the Issuer. The business address of the Backing Issuer Administrator is IFC 5, St. Helier, Jersey, JE1 1ST.

- 9.24 The intermediation of the Backing Issuer Administrator forms part of the risk mitigants under the Programme to ensure that credit or counterparty risk relating the Backing Issuer is minimised.
- 9.25 The Backing Issuer Administrator also acts as corporate administrator of the Backing Issuer and an Affiliate of the Backing Issuer Administrator, Apex Financial Services (Secretaries) Limited acts as the company secretary of the Backing Issuer. Their duties include the provision of directorships and shareholder services, accounting and reporting, regulatory and tax compliance and certain transaction management services. The business address of Apex Financial Services (Secretaries) Limited is IFC 5, St Helier, Jersey, Channel Islands, JE1 1ST.
- 9.26 Apex Financial Services (Corporate) Limited was established on 29 April 1956 and is regulated as a Fund Service Business and Trust Company Business by the Jersey Financial Services Commission. Apex Financial Services (Jersey) Limited was established on 16 January 2006 and is regulated as a Trust Company Business by the Jersey Financial Services Commission. Apex Financial Services (Secretaries) Limited was established on 29 April 1994 and is regulated as a Trust Company Business by the Jersey Financial Services Commission.
- 9.27 The Backing Issuer Administrator and Apex Financial Services (Secretaries) Limited are part of the Apex Group, a global financial services organisation and one of the global top tier independent service providers, which retains a focus on high client service levels delivered locally and administers circa \$3.4 trn in assets.

I. Financial Information

- 9.28 The Backing Issuer was incorporated on 3 February 2021.
- 9.29 As at the Prospectus Date, the Backing Issuer has drawn up audited financial statements for the year ended 31 March 2024, dated 18 March 2025 and an interim management report and condensed unaudited financial statements for the financial period ended 30 September 2024, dated 18 March 2025, which can be reviewed at <https://etp.hanetf.com/spark>.
- 9.30 As at the Prospectus Date, there has been no:
 - (a) material adverse change in the financial position or prospects of the Backing Issuer since the date of its last published audited financial statements;

- (b) significant change in the financial performance of the Backing Issuer since 30 September 2024, the date of the end of the last financial period for which unaudited financial information has been published; and
 - (c) significant change in the financial position of the Backing Issuer which has occurred since 30 September 2024, the date of the end of the last financial period for which unaudited financial information has been published.
- 9.31 The Backing Issuer prepares its financial statements in accordance with the International Financial Reporting Standards, as adopted by the EU.
- 9.32 The end of the Backing Issuer's financial year is 31 March and the annual audited accounts will be published each year by 31 July. Half-yearly unaudited accounts for periods ending 30 September will be published annually each year on or around the 31 December.
- 9.33 The auditor of the Backing Issuer is Moore Stephens' Accounting and Taxation services (Jersey) Limited, a member of the Institute of Chartered Accountants in England and Wales and member of The Association of Chartered Certified Accountants.

J. Conflicts of Interest

- 9.34 Mr Raiput and Mrs Casely are both employees of Apex Financial Services (Jersey) Limited. While these roles could potentially lead to conflicts of interest, the Directors do not believe that, as at the Prospectus Date, there are any actual conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of the Backing Issuer owe to the Backing Issuer, and the private interest and/or other duties that such persons may have. The Apex Group has in place conflicts of interest policies that are designed to prevent conflicts of interest arising and mitigate the effect of conflicts of interest, should they arise.
- 9.35 Save as specifically stated in Section 9.34 above, none of the principal activities performed by the directors outside the Backing Issuer are significant with respect to the Backing Issuer and they have no interests that are material to the Programme or the Backing Issuer Programme. In addition, there are no conflicts of interest between members of the administrative, management and supervisory bodies of the Issuer and the private interest of such members.

K. Material Contracts

As at the Prospectus Date, the Backing Issuer has not entered into any material contracts that are not in the ordinary course of the Backing Issuer's business.

SECTION 10 – DESCRIPTION OF DOCUMENTS

A. Programme Documents

10.1 The following is a summary of the key provisions of the main Programme Documents which are all dated 5 October 2021, with the exception of the Disposal Counterparty Agreement and the ISDA Master Agreement that are expected to be signed thereafter, namely:

- (a) the Trust Deed
- (b) the Security Deed
- (c) the Subscription Agreement
- (d) the Backing Issuer Security Deed
- (e) the Allowance Security Document
- (f) each Authorised Participant Agreement
- (g) each Issuer AP Terms
- (h) the Disposal Counterparty Agreement
- (i) the ISDA Master Agreement
- (j) the Administration Agreement
- (k) the Management and Determination Agent Agreement
- (l) the Backing Issuer Determination Agency Agreement
- (m) the Issuing and Paying Agent Agreement

10.2 The summaries below are of certain provisions of the Programme documents and do not purport to be complete and are subject to the detailed provisions of the relevant Programme documents. The Trust Deed is available from the Issuer's Website and <https://etp.hanetf.com/spark>.

10.3 The summaries below are drafted in legal language, however, details on how each of the documents impacts on Securityholders is contained throughout this Prospectus including in **Section 4 – Description of the Programme**.

B. Trust Deed

10.4 Each Class of Carbon Securities will be constituted by a master trust deed dated on or about the Programme Effective Date between the Issuer and the Trustee, as trustee for the holders of the Carbon Securities and the other persons specified therein (as amended, supplemented, novated and/or replaced from time to time, (the "**Master Trust Deed**").

- 10.5 The Master Trust Deed may from time to time be supplemented and/or amended by a supplemental trust deed relating to that Class and made between the Issuer and the Trustee (as amended, supplemented, novated and/or replaced from time to time, a **"Supplemental Trust Deed"**). The Master Trust Deed and any Supplemental Trust Deed in respect of each Class of Carbon Securities are referred to together as the **"Trust Deed"**.
- 10.6 Each Trust Deed sets out the obligations of the Issuer and the Trustee in respect of the relevant Class.
- 10.7 In respect of the Issuer, the Trust Deed sets out, amongst other things:
- (a) the Issuer's covenants to pay and to deliver;
 - (b) provisions relating to the Issuer's duty to provide, prepare and display certain information;
 - (c) the extent to which the Issuer may delegate its obligations;
 - (d) the Issuer's duties with respect to its obligations under the Carbon Securities; and
 - (e) the Issuer's capacity only to do such things as are contemplated in the Trust Deed.
- 10.8 In respect of the Trustee, the Trust Deed sets out, amongst other things:
- (a) the basis for the Trustee's remuneration;
 - (b) the indemnification of the Trustee in respect of its duties;
 - (c) that the Trustee may delegate all or any of its functions in respect of the Carbon Securities when it considers it expedient and in the interests of the Securityholders;
 - (d) the conditions for the Trustee's appointment, removal and retirement; and
 - (e) provisions supplemental to certain statutory provisions which set out the extent of the Trustee's powers and its duties.
- 10.9 Save in the case of fraud, wilful misconduct or gross negligence, the Trustee is not liable for any loss of, diminution in value or theft of the Carbon Securities and/or the Underlying Allowances.
- 10.10 The Trustee may agree to amendments to the Programme Documents to which it is a party if, in its opinion such amendment is of a formal, minor or technical nature or is made to correct a manifest error or is necessary or desirable for the operational functioning of the Programme or is made to address a risk to the programme arising in connection with a Change in Law affecting the regulatory treatment or operation of a relevant Trading Scheme.

- 10.11 The Trustee may also agree to any other modification, and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of any Programme Document to which the Trustee is a party that is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. All other matters affecting the interests of the Securityholders (including any modifications of the Carbon Securities) must be sanctioned by an Extraordinary Resolution of the Securityholders, which will be binding on all Securityholders of the relevant Class, including any Securityholders who did not vote in favour of the Extraordinary Resolution.
- 10.12 A Securityholder might therefore be adversely affected by a decision of the Trustee, and/or other Securityholders where it did not consent to or agree with such a decision.

C. Security Deed

- 10.13 In respect of each Class, the Issuer and the Security Trustee will enter into an English law governed Security Deed, creating Security over all of the Secured Property attributable to the Carbon Securities for the benefit of the Security Trustee and the Securityholders and other Secured Parties.
- 10.14 The Security Deed will set out, among other things, provisions relating to the creation and enforcement of the Security, the appointment of receivers and the rights of the Security Trustee in relation to the Secured Property.
- 10.15 The Security Deed (by reference to the Trust Deed) also contains provisions relating to the Trustee's application of the net proceeds derived from the realisation of the Secured Property (whether by way of liquidation or enforcement).
- 10.16 The Security Trustee may agree to amendments to the Programme Documents to which it is a party if, in its opinion such amendment is of a formal, minor or technical nature or is made to correct a manifest error or is necessary or desirable for the operational functioning of the Programme or is made to address a risk to the programme arising in connection with a Change in Law affecting the regulatory treatment or operation of a relevant Trading Scheme.
- 10.17 The Security Trustee may also agree to any other modification, and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of any Programme Document to which the Security Trustee is a party that is in the opinion of the Security Trustee not materially prejudicial to the interests of the Securityholders or Securityholders of the relevant Class. All other matters affecting the interests of the Securityholders (including any modifications of the Carbon Securities) must be sanctioned by an Extraordinary Resolution of the Securityholders, which will be binding on all Securityholders of the relevant Class, including any Securityholders who did not vote in favour of the Extraordinary Resolution.
- 10.18 A Securityholder might therefore be adversely affected by a decision of the Security Trustee, and/or other Securityholders where it did not consent to or agree with such a decision.

- 10.19 For further information, please see below – **Security Arrangements** and Condition 6 (**Security**).

D. Subscription Agreement

- 10.20 In respect of each Class of Carbon Securities, the Issuer and the Backing Issuer will enter into an English law governed Subscription Agreement under which the Issuer subscribes for the Relevant Class of Backing Note. As at the Prospectus Date, the Relevant Class of Backing Note is the EUA Backing Note.
- 10.21 The Subscription Agreement will set out, among other things, that the Backing Note will be offered by the Backing Issuer to the Issuer (as noteholder under the Backing Issuer Programme) only and will be offered subject to the Backing Note Terms and Conditions. The obligations of the Backing Issuer to the Issuer under the Backing Notes will be secured pursuant to the Backing Issuer Security Deed and the Allowance Security Document.
- 10.22 The Backing Note Terms and Conditions set out the terms and conditions of the Relevant Class of Backing Note issued under the Subscription Agreement. The Backing Note Terms and Conditions are set out in full at Section 18 of this Prospectus.
- 10.23 Importantly, as mentioned in Section 4.11 under the Backing Note Terms and Conditions, the only permitted activity of the Backing Issuer is to (a) issue the Backing Note, (b) hold property securing the Backing Note (including the Underlying Allowances and activities incidental to them), (c) ensure that the Issuer is the only holder of Backing Notes, and (d) to ensure that the Carbon Entitlement of the Backing Note always matches the Carbon Entitlement of all Carbon Securities then outstanding. See in particular Condition 11 (Restrictions) of the Backing Note Terms and Conditions.
- 10.24 Apart from the above, the Backing Note Terms and Conditions set out, among other things, procedures as regards the exchange, redemption, cancellation or surrender of the Backing Note (or part thereof) and any other matters to be carried out by the relevant parties upon such exchange, transfer, surrender, cancellation, marking down or up (in whole or part). In particular, they set out the procedures surrounding the adjustment of the Carbon Entitlement per Backing Note to ensure that it is equal to the Carbon Entitlement of all of the Carbon Securities of the related Class. See in particular Condition 5 (Carbon Entitlement) of the Backing Note Terms and Conditions.

E. Backing Issuer Security Deed

- 10.25 In respect of each Class of Backing Note and the Relevant Carbon Securities, the Backing Issuer and the Backing Issuer Security Trustee will enter into an English law governed Backing Issuer Security Deed, creating Security over all of the Backing Issuer Assets attributable to the Backing Note for the benefit of the Backing Issuer Security Trustee.

- 10.26 The Backing Issuer Security Deed will set out, among other things, provisions relating to the creation and enforcement of the Security, the appointment of receivers and the rights of the Backing Issuer Security Trustee in relation to the Backing Issuer Assets.
- 10.27 The Backing Issuer Security Deed also contains provisions relating to the Backing Issuer Security Trustee's application of the net proceeds derived from the realisation of the Backing Issuer Assets (whether by way of liquidation or enforcement).
- 10.28 For further information, please see **Section 12 – Security Arrangements** and Condition 6 (**Security**).

F. Allowance Security Document

- 10.29 As at the Prospectus Date, in respect of the SparkChange Physical Carbon EUA ETC and the EUA Backing Note, the Backing Issuer and the Backing Issuer Security Trustee will enter into the EUA Pledge, a Luxembourg law governed first ranking pledge, for the benefit of the Backing Issuer Security Trustee.
- 10.30 The EUA Pledge will set out, among other things, provisions relating to the creation and enforcement of the pledge and the rights of the Backing Issuer Security Trustee in relation to the Underlying Allowances held in the Backing Issuer Secured Allowance Account (which as at the Prospectus Date and with respect to the SparkChange Physical Carbon EUA ETC and the EUA Backing Note, is the "**Backing Issuer Secured EUA Account**").
- 10.31 The EUA Pledge also contains provisions relating to the Backing Issuer Security Trustee's entitlement to apply the proceeds of enforcement towards the payment, performance and discharge of the Backing Issuer's obligations under the Backing Notes.
- 10.32 For further information, please see **Section 12 – Security Arrangements** and Condition 6 (**Security**).

G. Authorised Participant Agreements

- 10.33 The Issuer may enter into English law governed authorised participant agreements with Authorised Participants in relation to each Class of Carbon Securities. These agreements will set out the terms on which each Authorised Participant will act as Authorised Participant in relation to a Class of Carbon Securities.
- 10.34 In particular, an Authorised Participant Agreement will specify the terms on which the relevant Authorised Participant may submit Subscription Forms and Redemption Forms and will also set out the terms on which an Authorised Participant may offer, sell or deliver Carbon Securities and contains certain representations, warranties and undertakings of the Authorised Participant in relation thereto.
- 10.35 Each Authorised Participant Agreement will also include indemnities from the relevant Authorised Participant relating to the representations and warranties given by it in such agreement.

- 10.36 Only an Authorised Participant may submit a Subscription Form and the Issuer will only accept any such Subscription Form if it is made by an Authorised Participant and all conditions to Subscription are satisfied.

H. Issuer AP Terms

- 10.37 In respect of an Authorised Participant, a Class of Carbon Securities and the Relevant Class of Backing Note, the Issuer, the Backing Issuer and such Authorised Participant will enter into one or more English law governed Issuer AP Terms.
- 10.38 In relation to any Subscription or Redemption for a Class of Carbon Securities and a Relevant Class of Backing Note, each Issuer AP Terms will, amongst other things, set out certain terms relating to (i) in the case of a Subscription, the delivery by an Authorised Participant to the Backing Issuer of Allowances of the Relevant Allowance Type; and (ii) in the case of a Redemption, the transfer of Underlying Allowances equal to the Carbon Entitlement of the Securities being redeemed by the Backing Issuer to such Authorised Participant.

I. Disposal Counterparty Agreement

- 10.39 The Issuer and the Backing Issuer intend to enter into an English law governed Disposal Counterparty Agreement in relation to each Class of Carbon Securities with a Disposal Counterparty. As at the Prospectus Date, no definitive agreement has yet been concluded providing for the appointment of a Disposal Counterparty. The conclusion of a definitive agreement confirming the appointment of a Disposal Counterparty in relation to a Class of Carbon Securities will be notified to Securityholders in accordance with Condition 17.
- 10.40 Pursuant to the terms of the Disposal Counterparty Agreement, the Disposal Counterparty will, on notice from the Backing Issuer or (on enforcement of the Security) the Security Trustee, purchase as principal Allowances from the Backing Issuer on the Carbon Sale Dates in order to give effect to a Redemption by way of Carbon Sale. The Disposal Counterparty plays no role in connection with a Redemption by way of Carbon Delivery.
- 10.41 The Allowances purchased by the Disposal Counterparty will be the number of Allowances forming part of the Secured Property equal to the Carbon Entitlement in respect of the Carbon Securities being Redeemed.
- 10.42 The price per Allowance to be paid by the Disposal Counterparty for the Allowances will be specified in the Disposal Counterparty Agreement for the SparkChange Physical Carbon EUA ETC as being the closing price of EUAs published on the agreed reference source on the relevant trading day, less an agreed spread (which represents the fee that the Disposal Counterparty will earn as a result of providing the services under the Disposal Counterparty Agreement). The agreed maximum spread shall be no greater than 1.50% of such closing price save that the agreed maximum may be amended by giving not less than 10 days' notice to Securityholders in accordance with Condition 17. Any change in the identity of the Disposal Counterparty or the entry into or amendment to any Disposal Counterparty

Agreement will be notified to Securityholders by giving less than 10 days' notice in accordance with Condition 17.

- 10.43 The number of Allowances to be purchased by the Disposal Counterparty on any Carbon Sale Date will be specified in the Disposal Counterparty Agreement for the SparkChange Physical Carbon EUA ETC and the Issuer and the Backing Issuer expect that the number of Allowances that may be purchased on any Carbon Sale Date will be subject to the following liquidity limits:
- (a) Subject to (b) below (which defines a minimum and maximum number of Carbon Sale Dates for the Carbon Sale Period), the Disposal Counterparty will not purchase on any Carbon Sale Date a number of Allowances that is greater than the Disposal Counterparty Sale Limit.
 - (b) If the Allowance Carbon Sale Number is 10,000 or more, the quantity limits in (a) above are amended such that the number of Allowances sold to the Disposal Counterparty on any single Carbon Sale Date must be not less than 1.00% of the Allowance Carbon Sale Number as of the First Carbon Sale Date (rounded up to the nearest whole Allowance) and not more than 10% of the Allowance Carbon Sale Number as of the First Carbon Sale Date (rounded up to the nearest whole Allowance) (so that where a Carbon Sale relates to 10,000 or more Allowances, the sales of Allowances cannot take place over fewer than 10 or more than 100 Carbon Sale Dates).
- 10.44 The Backing Issuer will first deliver Allowances on a FOP basis to the Disposal Counterparty on the Carbon Sale Date and then on the second Business Day following the Carbon Sale Date the Disposal Counterparty will pay the purchase price to the Issuer Redemption Cash Account (provided that if that day is not a TARGET Day, purchases will be settled not later than on the next following Business Day which is a TARGET Day). No Allowances will be transferred to the Disposal Counterparty unless all purchase price amounts due and payable by the Disposal Counterparty on previous days have been paid and received into the Issuer Redemption Cash Account.
- 10.45 The Disposal Counterparty will be authorised under the Disposal Counterparty Agreement to deduct from the purchase price before its transfer to the Issuer Redemption Cash Account any Taxes arising from or connected with any such sale of Allowances and it shall not be liable to account for anything except the purchase price in respect of any such sale after such deductions.
- 10.46 The Disposal Counterparty may terminate the Disposal Counterparty's appointment on notice. The Backing Issuer can also terminate its appointment immediately if it is subject to an event of default (e.g. insolvency or failure to pay the Backing Issuer). In those circumstances a new Disposal Counterparty would need to be appointed.
- 10.47 Neither the performance of the Disposal Counterparty nor any default by it (see Section 2.7) could cause a Securityholder to lose more than their original investment.

J. ISDA Master Agreement

- 10.48 It is expected that any Disposal Counterparty would want to enter into an ISDA Master Agreement with the Backing Issuer before entering into any transactions as Disposal Counterparty, and the Backing Issuer intends to enter into such an agreement. Such an agreement would deal only with the operational aspects of the sale of Allowances.

K. Administration Agreement

- 10.49 The Issuer has entered into an Irish law governed Administration Agreement with the Administrator relating to the provision of administration services in respect of the Programme and the Carbon Securities.
- 10.50 The Administration Agreement sets out the duties and obligations of the Administrator in relation to the Carbon Securities and the basis for its remuneration, liability and indemnification. It also sets out the standard of service expected of the Administrator, the procedure for the remediation of any breaches and the compensation payable by the Administrator in respect of such breaches.
- 10.51 Services provided by the Administrator under the terms of the Administration Agreement include:
- (a) transaction processing services (including account opening, customer due diligence and the processing of Subscriptions);
 - (b) valuation services (including calculation of the Carbon Entitlement per Security and the reduction of the Carbon Entitlement each day by the deduction of the Total Expense Ratio).
- 10.52 Under the Administration Agreement, the Administrator is required to provide its services with reasonable skill, care and diligence.
- 10.53 The Administrator will be liable for any losses suffered by the Issuer to the extent arising from the negligence, wilful default, bad faith or fraud on the part of the Administrator or any of its officers, employees, agents or delegates. Under the terms of the Administration Agreement, the Issuer indemnifies the Administrator against, and holds it harmless from all liabilities, damages, costs, claims, and expenses (including and without limitation reasonable and properly vouched legal expenses) incurred by the Administrator in the performance of any of its obligations or duties under the Administration Agreement.
- 10.54 Each of the Issuer and the Administrator may terminate the Administration Agreement on 90 days' prior written notice.
- 10.55 On the termination of the Administration Agreement for any reason, the Administrator will cooperate with the Issuer and any replacement service provider, acting in good faith, and provide such reasonable assistance and information as may be necessary or appropriate in order to facilitate and implement an orderly transition of the administration services.

L. Management and Determination Agent Agreement

10.56 The Management and Determination Agent Agreement between the Issuer and HANetf sets out terms on which HANetf undertakes to provide certain management and calculation services to the Issuer in connection with the Carbon Securities, including payment of the Management Fee.

10.57 These services include:

- (a) such services as are required by the Issuer and requested of and accepted by HANetf from time to time in connection with the Programme;
- (b) in connection with the issue of the Carbon Securities, advising on the structural features of such Carbon Securities, including advising on the structure, drafting and content of any Programme Documents, related service agreements, and any other arrangements in connection with the operation and establishment of the Programme and the issue of Carbon Securities under such Programme;
- (c) liaising with and coordinating, as appropriate, with any service provider to the Issuer in respect of the issue Carbon Securities from time to time including but not limited to professional such as legal advisors and accountants;
- (d) recommending potential Authorised Participants and Disposal Counterparties to the Issuer and arranging for such counterparties to enter into transactions with the Issuer including negotiation of the terms of such transactions;
- (e) assisting the Issuer in applying for and attaining any requisite approvals, consents and authorisations required in relation to marketing, offering, selling and trading the Carbon Securities, including assisting the Issuer in applying for approval of this Prospectus from the UK Financial Conduct Authority, the Central Bank of Ireland, passporting the approved Prospectus to other EEA competent authorities, and listing the Carbon Securities;
- (f) development of websites and investor communications; and
- (g) the making of certain calculations and determinations in relation to the Carbon Securities and the giving of such notices of the outcome thereunder as expressly required to be performed under the Programme including;
 - (i) calculation of any amount, price, rate or value required to be calculated by the Determination Agent under the Programme;
 - (ii) determination of a Disruption Event in accordance with the terms of the Programme, without any obligation to monitor whether or not a Disruption Event has occurred; and
 - (iii) notification of the end of a Suspension Period as required under the Programme.

- 10.58 The Issuer acknowledges that HANetf is not authorised by the Central Bank or the FCA in connection with its provision of the services pursuant to the Management and Determination Agent Agreement and the Issuer will not require HANetf to provide, and HANetf shall not provide or agree to provide to the Issuer, any services which would require it to be so authorised unless and until such authorisation has been obtained.

M. Backing Issuer Determination Agency Agreement

- 10.59 The Backing Issuer Determination Agency Agreement between the Backing Issuer and HANetf sets out terms on which HANetf undertakes to provide certain management and calculation services to the Backing Issuer in connection with the Backing Notes, including payment of the management fee.

- 10.60 These services include:

- (a) such services as are required by the Backing Issuer and requested of and accepted by HANetf from time to time in connection with the Backing Issuer Programme;
- (b) liaising with and coordinating, as appropriate, with any service provider to the Backing Issuer in respect of the issue Backing Notes from time to time including but not limited to professional such as legal advisors and accountants;
- (c) recommending potential Disposal Counterparties to the Backing Issuer and arranging for such counterparties to enter into transactions with the Issuer including negotiation of the terms of such transactions; and
- (d) the making of certain calculations and determinations in relation to the Backing Notes and the giving of such notices of the outcome thereunder as expressly required to be performed under the Backing Issuer Programme including;
 - (i) calculation of any amount, price, rate or value required to be calculated by the Backing Issuer Determination Agent under the Backing Issuer Programme;
 - (ii) determination of a Disruption Event (as defined in the Backing Note Terms and Conditions) in accordance with the terms of the Backing Issuer Programme, without any obligation to monitor whether or not a Disruption Event (as defined in the Backing Note Terms and Conditions) has occurred; and
 - (iii) notification of the end of a Suspension Period (as defined in the Backing Note Terms and Conditions) as required under the Backing Issuer Programme.

- 10.61 The Backing Issuer acknowledges that HANetf is not authorised by the Jersey Financial Services Commission in connection with its provision of the services

pursuant to the Backing Issuer Determination Agent Agreement and the Backing Issuer will not require HANetf to provide, and HANetf shall not provide or agree to provide to the Backing Issuer, any services which would require it to be so authorised unless and until such authorisation has been obtained.

N. Issuing and Paying Agent Agreement

- 10.62 The Issuing and Paying Agent Agreement between, amongst others, the Issuer, the Issuing and Paying Agent and HANetf Limited sets out terms on which the Issuing and Paying Agent is appointed for the Programme and the duties and obligations of the Issuing and Paying Agent.
- 10.63 These duties include: (i) acting as the paying agent of the Issuer with respect to such payments on Redemption or any other payments in respect of the Carbon Securities notified to the Issuer; (ii) maintaining independent records of securities; (iii) communicating information to the relevant International Central Securities Depository; (iv) issuing and authenticating new securities for transfer of securities as a result of a subscription; and (v) maintaining ownership record for registered notes.
- 10.64 The Issuing and Paying Agent Agreement provides that payment in respect of the Carbon Securities will be made through the relevant International Central Securities Depository in accordance with the standard practices of the applicable International Central Securities Depository.
- 10.65 The Issuer, or HANetf acting on behalf of the Issuer, shall provide the issuing and Paying Agent with all information in relation to the Carbon Securities that is required for the Issuing and Paying Agent to perform its duties, including providing payment instructions.
- 10.66 The Issuing and Paying Agent Agreement can be terminated by any party upon not less than 60 days' written notice.
- 10.67 At the date of this Prospectus, The Bank of New York Mellon, London Branch has been appointed as the Issuing and Paying Agent. The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, is incorporated with limited liability by Charter, under the laws of the State of New York by Special Act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situated at 240 Greenwich Street, New York, New York 10286, USA. The Bank of New York Mellon, London Branch is registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom. The Bank of New York Mellon is supervised and regulated by the New York State Department of Financial Services and the Federal Reserve and authorised by the Prudential Regulation Authority. The Bank of New York Mellon, London Branch is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

SECTION 11 – DETERMINING THE VALUE OF AN INVESTMENT IN CARBON SECURITIES

A. Rights of Securityholders

- 11.1 Each Carbon Security benefits from equal rights and payment and equal security, without any preference amongst themselves.
- 11.2 Each Carbon Security has a face value known as the "**Principal Amount**". A Securityholder may elect to receive an amount in cash equal to the Principal Amount instead of the amount otherwise specified on a Redemption, as detailed in Condition 4 (***Constitution and Status***). The Principal Amount in respect of a Class of Carbon Securities will be set out in the Final Terms, but may be amended by an Extraordinary Resolution in accordance with the Conditions. The minimum Denomination of a Carbon Security is its Principal Amount. As at the Issue Date, the Principal Amount and minimum Denomination in respect of the Initial Tranche of the SparkChange Physical Carbon EUA ETC will be 1.00 EUR per Carbon Security.

B. Cash value of Carbon Securities

- 11.3 Each Class has a separate Carbon Entitlement per Security. Carbon Securities are issued and redeemed by the Issuer at the prevailing Carbon Entitlement per Security. As at the Issue Date, the Carbon Entitlement per Security in respect of the Initial Tranche of SparkChange Physical Carbon EUA ETC is 1.0000000000 EUA.
- 11.4 However, it is also possible to calculate what the cash value of the Carbon Securities is in the Relevant Currency (which as at the Prospectus Date, is EUR) on a given day. This is calculated by (i) taking the spot price for Allowances of the Relevant Allowance Type on that day and (ii) multiplying that spot price by the Carbon Entitlement per Security. This converts the Carbon Entitlement per Security into a price in the Relevant Currency (which as at the Prospectus Date, is EUR). These EUA prices are available on various public websites, and on the usual market data sources. Links to EUA price sources will also be made available on the relevant product page at <https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc> to facilitate investors' cash value calculations.
- 11.5 For example, if on day X, the spot price of such Allowance was EUR 50.00 and the Per Security Entitlement to such Allowance was 1.0000000000, then the cash value per Carbon Security is calculated as follows: EUR 50.00 x 1.0000000000 = EUR 50.00. An example is shown in Section 11.30 below.
- 11.6 To calculate the cash value of a Carbon Security in another currency, the EUR cash value per Carbon Security is divided by the relevant exchange rate. For example, if the EUR cash value per Carbon Security is EUR 50.00 and the GBP/EUR exchange rate is 1.1623, then the GBP value per Carbon Security will be £43.0181537.
- 11.7 If a Securityholder determines the cash value of the Carbon Securities in a currency other than the Relevant Currency, then the Securityholder will be exposed to

movements in the exchange rate between the Relevant Currency and the currency in which the Securityholder determines the cash value of the Carbon Securities.

- 11.8 The Carbon Securities do not bear interest.

C. Carbon Entitlement per Security on Redemption

- 11.9 Each Carbon Security carries a right on Redemption to receipt of the Carbon Entitlement per Security.

- 11.10 The value of a Securityholder's investment is equivalent to the amount of Allowances that they would receive upon a Redemption (i.e. the applicable Carbon Entitlement). This is calculated by multiplying the Carbon Entitlement per Security by the number of Carbon Securities to be redeemed (less applicable fees and subject to rounding in accordance with Condition 10.11 (**Rounding**)). The cash value of such investment is detailed in **Sub-Section B (Cash value of Carbon Securities)** above.

D. Calculation of the Carbon Entitlement per Security

- 11.11 The Carbon Entitlement per Security on a calendar day is calculated by the Administrator as follows:

$$CE_{(i,t)} = CE_{(i,t-1)} \times \{1 - TER_{(i,t)}\}^{(1/365)}$$

Where:

"i" means the Relevant Class of Carbon Security;

"t" means the applicable day;

"CE_(i,t)" means the Carbon Entitlement per Security in respect of the relevant calendar day for the Relevant Class;

"CE_(i,t-1)" means the Carbon Entitlement per Security on the calendar day N calendar days prior to the applicable day t for the Relevant Class; and

"TER_(i,t)" means the Total Expense Ratio for the Relevant Class, expressed as a constant decimal.

- 11.12 The resultant figure is calculated to nine decimal places with 0.0000000005 Allowances rounded upwards, and subject to a floor of zero. Thereafter, any number of Allowances to be delivered by the Issuer shall be rounded down to the nearest whole number of Allowances. During the term of a Class of Carbon Securities, the Issuer will publish on the Issuer's Website the Carbon Entitlement per Security on each calendar day up to and including the relevant Compulsory Redemption Date in respect of all Outstanding Carbon Securities of such Class.

E. Deduction of the Management Fee and the Total Expense Ratio

- 11.13 The Carbon Entitlement per Security is reduced each day from the first day of listing and trading On-Exchange by the Total Expense Ratio in respect of the relevant Class. The Total Expense Ratio is a deduction used to pay for the expenses incurred in

relation to the relevant Class, including the Management Fee due to HANetf under the Management and Determination Agent Agreement.

- 11.14 The "**Total Expense Ratio**" in respect of each Class is calculated at the rate per annum specified as such in the Final Terms in respect of each Class of Carbon Securities. The Total Expense Ratio in respect of a Class is applied to the Carbon Entitlement per Security for such Class on a daily basis to determine a daily deduction of an amount of Allowances from such Carbon Entitlement per Security. The initial Total Expense Ratio for each Class shall be set out in the Final Terms of the first Tranche of Carbon Securities for that Class.
- 11.15 As at the Prospectus Date, the Total Expense Ratio in respect of SparkChange Physical Carbon EUA ETC is 0.89 per cent. per annum of the Underlying Allowances.
- 11.16 The Total Expense Ratio is calculated as the reduction of the Carbon Entitlement per Security applied to the outstanding Carbon Securities on each day. The corresponding Allowances are aggregated and withdrawn from the Backing Issuer Secured Allowance Account, and will be sold by the Backing Issuer and the proceeds paid to the order of the Backing Issuer. The proceeds will be used to satisfy certain applicable fees related to the Programme, including the Management Fee due to HANetf under the Management and Determination Agent Agreement.
- 11.17 The rate of the Total Expense Ratio in respect of any Class or Classes of Individual Security may be varied by the Issuer from time to time. If the Total Expense Ratio is amended, such amendment will be notified through a RIS, and in the case of an increase will not take effect for at least 30 days following the publication of such notification in accordance with Condition 17 (**Notices**). An increase in the Total Expense Ratio in respect of a Class will reduce the Carbon Entitlement in respect of that Class by more than would have been the case (and at a faster rate) than if the Total Expense Ratio had remained the same.
- 11.18 For example, the decrease in security entitlement after a holding period of one day, assuming the Carbon Entitlement per Security starts at 1.000000000 and assuming a constant Total Expense Ratio of 0.89 per cent. per annum:

$$CE_{(i,t)} = 1.000000000 * ((1-0.0089)^{(1/365)})$$

After a holding period of one day the Carbon Entitlement per Security would therefore be 0.999975508.

To determine the value of a EUR 10,000 investment in Carbon Securities, assuming a Price per Allowance of EUR 50.00 and a starting Carbon Entitlement per Security of 1.000000000, each Carbon Security would have the initial value of EUR 50.00 (being the value of an Allowance x Carbon Entitlement per Security). The number of Securities held is 200 (200 x EUR 50.00 = EUR 10,000). The value of the initial EUR 10,000 investment of 200 Carbon Securities after one day would be:

Value per Allowance x Number of Carbon Securities held x Carbon Entitlement per Security

EUR 50.00 x 200 x 0.999975508 = EUR 9,999.755080000.

Thus, the total decrease in investment over the one calendar day due to the application of the Total Expense Ratio is EUR 0.244920000 assuming that the value of an Allowance has not changed at the end of the period.

- 11.19 The following formula can be used to approximate the Carbon Entitlement per Security for periods of more than one calendar day. The below formula will not give the exact same answer for longer periods as the formula in Section 11.11 since the daily Carbon Entitlement per Security is rounded to 9 decimal places. As a result, the Carbon Entitlement using the single day formula in Section 11.11 after 365 calendar days will be 0.991100003 however the Carbon Entitlement using the multi day formula in this Section 11.19 will give an answer of 0.991100000 after 365 days, a difference of 0.000000003.

Thus, Carbon Entitlement per Security on a calendar day for a period of more than one day may be estimated as follows:

$$CE_{(i,t)} = CE_{(i,t-N)} \times \{1 - TER_{(i,t)}\}^{(N/365)}$$

Where:

"i" means the Relevant Class of Carbon Security;

"t" means the applicable day (with t-N being the day N calendar days prior to the applicable day);

"CE_(i,t)" means the Carbon Entitlement per Security in respect of the relevant calendar day for the Relevant Class;

"CE_(t-N)" means the Carbon Entitlement per Security in respect of the calendar day N calendar days prior to the applicable day t for the Relevant Class;

"TER_(i,t)" means the Total Expense Ratio for the relevant calendar period of N days for the Relevant Class, expressed as a constant decimal; and

"N" means the number of calendar days in the period (which for the avoidance of doubt, does not include day t)

- 11.20 No expenses are charged to Securityholders save for the Total Expense Ratio. Securityholders are also charged Redemption Fees (as described in more detail in Sections 11.22 to 11.28).
- 11.21 For more information as to how the Total Expense Ratio is applied, please refer to Condition 5 (**Carbon Entitlement per Security**).

F. Redemption Fees

- 11.22 With the exception of an Optional Redemption of Carbon Securities by a Non-AP Securityholder (in which case the Non-AP Securityholder must pay the Standard Redemption Fee prior to the Trade Date in accordance with Condition 7.4 (**Redemption Forms**)), it is a condition that the Issuer, in performance of its obligation

to Redeem Carbon Securities, may deduct the Standard Redemption Fee from the Actual Redemption Sale Proceeds or other amount due to the Securityholder on Redemption. The calculation of the Standard Redemption Fee is dependent on the type of Securityholder that is redeeming and/or the type of Redemption.

- 11.23 On an Optional Redemption of Carbon Securities by a Securityholder which is also an Authorised Participant, the Standard Redemption Fee will be the amount specified in the Operating Procedures (as specified in the relevant Authorised Participant Agreement).
- 11.24 On a Compulsory Redemption for Cause in accordance with Condition 8.4 (**Compulsory Redemption for Cause**), the Standard Redemption Fee payable by the Securityholder shall be an amount equal to the cost to the Issuer incurred in respect of the Compulsory Redemption. The Standard Redemption Fee will be notified to the relevant Securityholder(s) at the time of the Compulsory Redemption, and shall not be greater than the amount specified in the Operating Procedures or such other amount as may be notified in accordance with Condition 17 (**Notices**).
- 11.25 On an Optional Redemption of Carbon Securities by a Non-AP Securityholder, the Standard Redemption Fee payable by the Non-AP Securityholder shall be an amount equal to the cost to the Issuer of complying with the Redemption Form. The Standard Redemption Fee will be notified to the relevant Securityholder(s) at the time of the Redemption, and shall be no greater than €3,000 or such other amount as may be notified in accordance with Condition 17 (**Notices**).
- 11.26 Subject to Section 11.27 below in respect of a Carbon Sale, any such Standard Redemption Fee shall be payable in cash and shall not be capable of being set-off against any amount due to the Securityholder on Redemption.
- 11.27 On a Carbon Sale, the Issuer may set-off the amount of the Standard Redemption Fee payable under Condition 7.5 (**Redemption Fees**) against the pro-rata share of the Net Redemption Sale Proceeds or other amount due to the Securityholder on Redemption. If Issuer fails to do so, the Securityholder shall pay the Standard Redemption Fee in cash in accordance with Condition 7.5 (**Redemption Fees**).
- 11.28 On an Optional Redemption of Carbon Securities of a Class, the Issuer may charge a Variable Redemption Fee in an amount of Allowances of the relevant type if the Determination Agent determines that (or there is a material risk that) some Allowances of the relevant type may have a different market value than other such Allowances. In such circumstances, the amount of any Variable Redemption Fee shall be determined by the Determination Agent and shall be set at a level considered by the Determination Agent to be appropriate to protect the integrity of the Programme and prevent the Redeeming Securityholder obtaining an advantage from such a circumstance at the expense of other Securityholders. Where Carbon Delivery applies to an Optional Redemption of Carbon Securities of a Class, it is a condition to the performance by the Issuer of its obligation to Redeem Carbon Securities that the Issuer may deduct the Variable Redemption Fee from the Carbon Entitlement of the Carbon Securities of such Class being Redeemed or other Allowances due to the Securityholder on Redemption.

G. Disposal Counterparty Deductions

11.29 On a Carbon Sale, the Conditions permit the Disposal Counterparty to deduct the following from the Actual Redemption Sale Proceeds:

- (a) taxes arising from or in connection with the sale of the relevant Allowances of the Relevant Allowance Type; and
- (b) any other amounts properly incurred by it in connection with such sale;

In accordance with the terms of the Disposal Counterparty Agreement, the Disposal Counterparty would not be liable to account for anything except the actual proceeds of any such sale received by it after such deduction.

H. How is the value of a Carbon Security affected by a change in the value of the Underlying Allowances

11.30 The following examples illustrate some possible outcomes of an investment in Carbon Securities under normal market conditions. These examples are not indicators of the actual future performance of the Carbon Securities and are for illustration purposes. Investor X invests in one SparkChange Physical Carbon EUA ETC for 365 days under the following conditions:

| | Start | After 365 days | | |
|----------------------------------------------------|-------------|------------------------------------|------------------------------------|---------------------------------|
| | | 10% increase in Allowance(s) Price | 10% decrease in Allowance(s) Price | No change in Allowance(s) Price |
| Allowance(s) Price (per unit) | €50.00 | €55.00 | €45.00 | €50.00 |
| Per Security | | | | |
| Carbon Entitlement per Security | 1.000000000 | 0.991100003 | 0.991100003 | 0.991100003 |
| Total Expense Ratio Allowance(s) Deducted | | | | |
| Value of Carbon Security | €50.00 | € 54.51 | € 44.60 | € 49.56 |
| Value of Total Expense Ratio Allowance(s) Deducted | € 0.00 | - € 0.49 | - € 0.40 | - € 0.45 |
| Total Gain/Loss | € 0.00 | + € 4.51 | - € 5.40 | - € 0.45 |
| Total Return | | 9.02% | -10.80% | -0.89% |
| Per EUR 10,000 Investment | | | | |
| Value of a Carbon security | €50.00 | € 54.51 | € 44.60 | € 49.56 |
| Number of Securities held | 200 | 200 | 200 | 200 |
| Value of Total Expense Ratio Allowance(s) Deducted | € 0.00 | - € 97.90 | - € 80.1 | - € 89.0 |

| | | | | |
|------------------------|--------|------------|------------|----------|
| Total Gain/Loss | € 0.00 | + € 902.10 | - € 1080.1 | - € 89.0 |
| Total Return | | 9.02% | -10.80% | -0.89% |

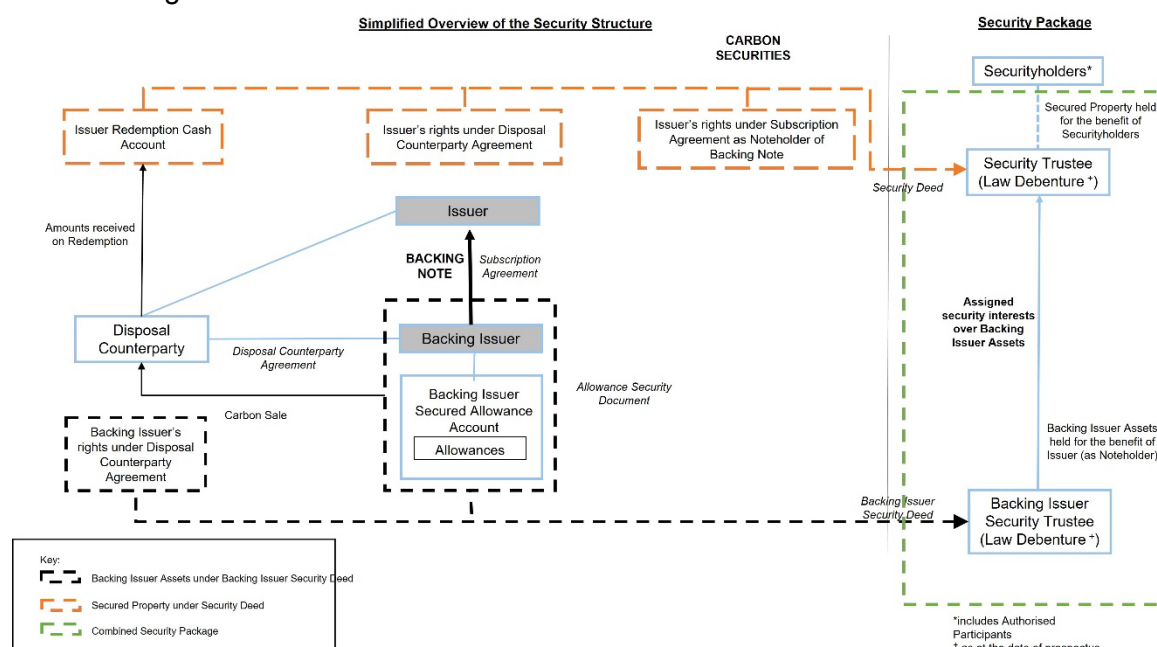
SECTION 12 – SECURITY ARRANGEMENTS

A. Qualifications

- 12.1 The following description of the security arrangements relating to the Programme consists of a summary of certain provisions of the Security Deed, Backing Issuer Security Deed, Allowance Security Document, Backing Issuer Security Documents and Security Documents relating to the Carbon Securities, and is qualified in its entirety by reference to the detailed provisions of those agreements.
- 12.2 The following summary does not purport to be complete, and prospective investors in Carbon Securities must refer to the Security Deed, the Backing Issuer Security Deed, the Allowance Security Document and the other Security Documents and Backing Issuer Security Documents, and the detailed information contained in such documents.

B. Security

- 12.3 In addition to the other risk mitigants described in **Section 4 – Description of the Programme**, the Programme is designed to minimise credit risk through the following important features:
- (a) a comprehensive security structure at the Backing Issuer and Issuer level;
 - (b) implementing and maintaining relevant security arrangements over the Secured Property and the Backing Issuer Assets in the relevant jurisdictions (e.g. Jersey and Luxembourg); and
 - (c) reducing (amongst other things) transaction costs and delay by the Security Trustee and the Backing Issuer Security Trustee being the same entity (albeit acting in different capacities).
- 12.4 The security arrangements supporting the Carbon Securities are set out in the below diagram:



- 12.5 As summarised in Sections 4.38 to 4.51, the security arrangements in relation to the Carbon Securities can be categorised into two "levels":
- (a) Backing Issuer level – the security arrangements over the Backing Issuer Assets relate to the Backing Issuer's obligations under the Backing Notes (including, where relevant, the Backing Issuer's obligations to deliver the Underlying Allowances to the Securityholder Holding Account.
 - (b) Issuer level – the security arrangements over the Secured Property supporting the Carbon Securities include security arrangements securing the Issuer's obligations under the Carbon Securities.

Backing Issuer's obligations to the Issuer under the Backing Notes

- 12.6 The Backing Issuer's obligations in respect of a class of Backing Note are secured by the Security created by the Backing Issuer Security Deed and the relevant Allowance Security Document (which as at the Prospectus Date and in relation to the EUA Backing Note and the SparkChange Physical Carbon EUA ETC, the Allowance Security Document is the EUA Pledge).
- 12.7 The Security created by the Backing Issuer Security Deed and the relevant Allowance Security Document in respect of the relevant class of Backing Note is granted to the Backing Issuer Security Trustee as continuing security for the payment or performance (as the case may be) of the relevant obligations of Backing Issuer under such Backing Note.
- 12.8 Pursuant to the Backing Issuer Security Deed (which is governed by the laws of England and Wales), the Backing Issuer's obligations relating to each class of Backing Note shall be secured in favour of the Backing Issuer Security Trustee acting for and on behalf of the Noteholder(s) of such Backing Note(s) and the other Secured Parties (as defined therein), by:
- (a) an assignment by way of security of all of the Backing Issuer's rights, title, interest and benefit present and future in, to and under:
 - (i) the Backing Issuer Administration Agreement insofar as such rights, title and interest relate to that class of Backing Note; and
 - (ii) each Disposal Counterparty Agreement insofar as such rights, title and interest relate to that class of Backing Note (the "**Backing Issuer Agreements**") (such assignment being the "**Backing Issuer Security Assignment**");
 - (b) (to the extent not validly and effectively assigned pursuant to the Backing Issuer Security Assignment) first fixed charge for the benefit of the Secured Parties all the Backing Issuer's rights, title and interest, present and future, in and to the Backing Issuer Agreements, such charge to take effect by way of first fixed security (the "**Backing Issuer Fixed Charge**"); and

- (c) (to the extent not validly and effectively assigned pursuant to the Backing Issuer Security Assignment or charged by way of the Backing Issuer Fixed Charge) first floating charge to the Security Trustee for the benefit of the Secured Parties all the Issuer's rights, title and interest, present and future, in and to the Backing Issuer Agreements, such charge to take effect by way of first floating security.
- 12.9 Pursuant to the Allowance Security Document (which is governed by the laws of Luxembourg), the Backing Issuer's obligations relating to each class of Backing Note shall be secured in favour of the Backing Issuer Security Trustee acting for and on behalf of the Noteholders, by granting a first ranking pledge over the Underlying Allowances held in the relevant Backing Issuer Secured Allowance Account (which as at the Prospectus Date, and with respect to the SparkChange Physical Carbon EUA ETC and the EUA Backing Note, is the **"Backing Issuer Secured EUA Account"**).
- 12.10 Under the Backing Note Terms and Conditions, the Backing Issuer is only permitted to issue the Backing Note to the Issuer. In other words, the Issuer is the sole Noteholder in respect of the EUA Backing Note.

Issuer's obligations in relation to the Carbon Securities

- 12.11 The Issuer's obligations in respect of a Class of Carbon Securities are secured by the Security created by the Security Deed and the Jersey Security Agreement. The Security created by the Security Deed and the Jersey Security Agreement in respect of the Carbon Securities is granted to the Security Trustee as continuing security for the payment of the relevant Secured Liabilities (as such term is described in the Security Deed). With respect to SparkChange Physical Carbon EUA ETC, this means all sums and liabilities (present or future, actual or contingent) due, owing or incurred by the Issuer to:
- (a) the Securityholders under the Trust Deed and SparkChange Physical Carbon EUA ETC;
 - (b) the Trustee under the Trust Deed;
 - (c) the Security Trustee under the Security Deed; and
 - (d) the Agents pursuant to the Issuing and Paying Agency Agreement.
- 12.12 Pursuant to the Security Deed (which is governed by the laws of England and Wales), the obligations of the Issuer relating to each Class of Carbon Securities shall be secured in favour of the Security Trustee acting for and on behalf of the Securityholders and the other Secured Parties, by:
- (a) an assignment by way of security of all of the Issuer's rights, title, interest and benefit present and future in, to and under:
 - (i) the Subscription Agreement insofar as such rights, title and interest relate to that Class of Carbon Security;

- (ii) the Administration Agreement insofar as such rights, title and interest relate to that Class of Carbon Security;
 - (iii) each Disposal Counterparty Agreement insofar as such rights, title and interest relate to that Class of Carbon Security;
 - (iv) the Backing Issuer Security Deed; and
 - (v) each Issuer Redemption Cash Account insofar as such rights, title and interest relate to that Class of Carbon Security and all related rights (the "**Agreements and the Accounts**") (such assignment being the "**Security Assignment**");
- (b) (to the extent not validly and effectively assigned pursuant to the Security Assignment) first fixed charge for the benefit of the Secured Parties all the Issuer's rights, title and interest, present and future, in and to the Agreements and the Accounts, such charge to take effect by way of first fixed security (the "**Fixed Charge**");
 - (c) (to the extent not validly and effectively assigned pursuant to the Security Assignment or charged by way of the Fixed Charge) first floating charge to the Security Trustee for the benefit of the Secured Parties all the Issuer's rights, title and interest, present and future, in and to the Agreements and the Accounts, such charge to take effect by way of first floating security; and
 - (d) an assignment by way of security by the Backing Issuer Security Trustee of all of the Backing Issuer Security Trustee's rights, title and interest in the relevant Allowance Security Document.

12.13 Pursuant to the Jersey Security Agreement (which is governed by the laws of Jersey), the obligations of the Issuer relating to each Class of Carbon Securities shall be secured in favour of the Security Trustee acting for and on behalf of the Securityholders and the other Secured Parties, by a first ranking security interest extending to all of the Issuer's right, title and interest, present and future, in and to the Backing Notes insofar as such right, title and interest relate to that Class of Carbon Security.

C. Enforcement of Security

12.14 At the Backing Issuer level, in relation to the Security granted in favour of the Backing Issuer Security Trustee pursuant to the Backing Issuer Security Deed, the beneficiary of that Security is the Issuer, as the Noteholder of the Backing Note of the relevant class.

12.15 The Backing Issuer Security Deed grants the Issuer rights to direct the Backing Issuer Security Trustee as to enforcement of the Backing Issuer Security Deed.

12.16 At the Issuer level and under the Security Deed, as mentioned above:

- (a) the Issuer assigns by way of security its rights under the Backing Issuer Security Deed, including its rights to direct the Backing Issuer Security

Trustee as to enforcement of the Backing Issuer Security Deed, in favour of the Security Trustee; and

- (b) the Backing Issuer Security Trustee has assigned by way of security its rights under the Allowance Security Document in favour of the Security Trustee as security for the payment of the Secured Liabilities.

12.17 Therefore, where the Security Trustee enforces the Security Deed it can direct the Backing Issuer Security Trustee as to enforcement of the Backing Issuer Security Deed and the Allowance Security Document.

12.18 The Security constituted by a Security Deed shall become enforceable upon the occurrence of an Event of Default (such events being set out in Condition 8.3 (**Events of Default**)).

12.19 At any time after the Security constituted by a Security Document has become enforceable, the Security Trustee:

- (a) may at its discretion; and
- (b) shall, if so directed by the Trustee following the occurrence of at least one of the following events:
 - (i) a direction in writing to the Trustee by the holders of at least one-fifth in number of the Carbon Securities of the relevant Class;
 - (ii) in the case of an Issuer Insolvency Event, a direction in writing to the Trustee by the holders of at least one-fifth in number of all the Carbon Securities then Outstanding; or
 - (iii) by an Extraordinary Resolution of the Securityholders of the relevant Class,

(in each such case subject to it having been pre-funded and/or secured and/or indemnified (without prejudice to any further demand) to its satisfaction against all liabilities which may be incurred in connection with acting on such directions),

enforce the Security constituted by such Security Document.

12.20 To enforce the Security, the Security Trustee may, at its discretion:

- (a) enforce any relevant Programme Document relating to the Carbon Securities of such Class in accordance with its or their terms; and/or
- (b) take action against the Issuer; and/or
- (c) take possession of and/or realise all or part of the Secured Property; and/or
- (d) sell, call in, collect and convert into money all or part of such Secured Property,

in such manner, at such time and on such terms as it thinks fit, in each case without any liability as to the consequence of such action and without having regard to the effect of such action on individual Securityholders.

- 12.21 When exercising its right in this regard, the Security Trustee will have regard to the interests of the relevant Securityholders as a whole and will not have regard to the consequences of such exercise for individual Securityholders, which may have an adverse impact on certain Securityholders more than others.

Backing Issuer Level – Application of Proceeds of Enforcement of Security

- 12.22 Under the terms of the Subscription Agreement and the Backing Note Terms and Conditions, the Backing Issuer Security Trustee will apply any amounts received or recovered from such enforcement action of the Backing Issuer Security Trustee and the proceeds derived from the realisation of the assets that are the subject of the Security constituted by the relevant Backing Issuer Security Documents in the applicable order of priority set out in Condition 6.3 (***Application of Proceeds of Enforcement of Security***) of the Backing Note Terms and Conditions (as replicated below).
- 12.23 Under the terms of the Subscription Agreement and the Backing Note Terms and Conditions, the Backing Issuer Security Trustee will apply the proceeds derived from the realisation of the assets that are the subject of the Security constituted by the Backing Issuer Security Documents in accordance with the priority waterfall set out in Condition 6.3 (***Application of Proceeds of Enforcement of Security***) of the Backing Note Terms and Conditions, in accordance with which all monies received or recovered by the Backing Issuer Security Trustee under the Backing Issuer Security Deed and the proceeds derived from the realisation of the assets by the Backing Issuer Security Trustee that are the subject of the Security constituted by the relevant Backing Issuer Security Documents, in each case in relation to the Backing Notes of the relevant class, will be applied as follows:
- (a) first, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts properly incurred by or payable in respect of the Backing Notes to the Backing Issuer Security Trustee or any receiver under or pursuant to the Backing Issuer Security Documents (which shall include, without limitation, any Taxes required to be paid by the Backing Issuer Security Trustee (other than any income, corporation or similar Tax in respect of the Backing Issuer Security Trustee's remuneration), and the costs of enforcing or realising all or some of the Security constituted by the Backing Issuer Security Documents);
 - (b) second, in payment of any amounts owing to HANetf pursuant to the Backing Issuer Determination Agent Agreement;
 - (c) third, in payment of any amounts owing to the Noteholder(s); and
 - (d) fourth, in payment of any balance to the Backing Issuer for itself.

Issuer Level – Application of Proceeds of Enforcement of Security

- 12.24 Under the terms of the Trust Deed, the Trustee will apply any amounts received or recovered from such enforcement action of the Security Trustee and the proceeds derived from the realisation of the assets that are the subject of the Security constituted by the relevant Security Documents in the applicable order of priority set out in Condition 6.3 (***Application of Proceeds of Enforcement of Security***) (as replicated below).
- 12.25 Under the terms of the Trust Deed, the Trustee will apply the proceeds derived from the realisation of the assets that are the subject of the Security constituted by the Security Documents in accordance with the priority waterfall set out in Condition 6.3 (***Application of Proceeds of Enforcement of Security***), in accordance with which all monies received or recovered by the Trustee under the applicable Trust Deed and the proceeds derived from the realisation of the assets by the Security Trustee that are the subject of the Security constituted by the relevant Security Documents, in each case in relation to the Carbon Securities of the relevant Class, will be applied as follows:
- (a) first, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts properly incurred by or payable to the Trustee, the Security Trustee or any receiver in respect of the Carbon Securities under or pursuant to the Security Documents (which shall include, without limitation, any Taxes required to be paid by the Trustee and/or the Security Trustee (other than any income, corporation or similar Tax in respect of the Trustee's and/or the Security Trustee's remuneration), the costs of enforcing or realising all or some of the Security constituted by the Security Documents);
 - (b) second, in payment or satisfaction of any fees, expenses or other amounts due pursuant to the Issuing and Paying Agency Agreement (including payment of any amounts owing for reimbursement in respect of any proper payment of amounts paid to Securityholders and default interest (if any) made to the Securityholders);
 - (c) third, in payment of any amounts owing to HANetf pursuant to the Management and Determination Agent Agreement;
 - (d) fourth, in payment of any amounts owing to the Securityholders *pari passu* and rateably; and
 - (e) fifth, in payment of any balance to the Issuer for itself.
- 12.26 Under the laws of Jersey, the Backing Issuer has capacity to grant security governed by foreign law over property situated outside Jersey, but such floating charge or other security interest is not likely to be held valid and enforceable by the Jersey courts in respect of Jersey situs assets.
- 12.27 This notwithstanding, the Royal Court of Jersey (in its inherent jurisdiction) may, however, under Article 49(1) of the Bankruptcy (Désastre) (Jersey) Law 1990 (the **Bankruptcy Law**) assist the courts of prescribed countries and territories and, applying general principles of comity, assist the courts in other jurisdictions, in all

matters relating to the insolvency of any person to the extent that the Royal Court think fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been implemented in Jersey, but they will not automatically be applied.

- 12.28 If insolvency proceedings have been commenced in another jurisdiction in relation to the Backing Issuer, the nature and extent of the cooperation from the Royal Court is likely to depend on the nature of the requesting country's insolvency regime. The court's position may also not be in accordance with the EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply.
- 12.29 Enforcement of a security interest against the Backing Issuer may also be limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors and laws in relation to transactions at an undervalue, preferences, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions.
- 12.30 The Jersey situs assets of the Issuer, including the Backing Notes, will be created pursuant to the Security Interests (Jersey) Law 2012 which provides that:
- (a) the Security Trustee party may enforce security over intangible movable assets by way of sale or appropriation of such property or their proceeds and taking certain ancillary actions;
 - (b) more than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of the Security Trustee;
 - (c) the power of enforcement is exercisable once an Event of Default has occurred and written notice specifying the Event of Default has been served on the Backing Issuer by the Security Trustee.

SECTION 13 – WHAT IS THE PURPOSE OF THE FINAL TERMS?

- 13.1 In this section the expression "**necessary information**" means, in relation to any Tranche of Carbon Securities of any Class, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Carbon Securities.
- 13.2 In relation to any Carbon Securities which may be issued under the Programme, the Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to such Carbon Securities which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Carbon Securities.
- 13.3 Any information relating to any Carbon Securities which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Carbon Securities will be contained in the relevant Final Terms.
- 13.4 In respect of each Tranche of Carbon Securities, the related Final Terms must, for the purposes of that Tranche only, be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Carbon Securities are the Conditions, as completed by the related Final Terms.

SECTION 14 – TERMS AND CONDITIONS OF CARBON SECURITIES

The following is the text of the terms and conditions which, subject to completion and as completed by the provisions of the Final Terms relating to a particular Class or Tranche of Carbon Securities, will be applicable to the Carbon Securities of such Class or Tranche and which will be attached to or endorsed on such Carbon Securities in definitive form (or, in the case of Registered Securities, on the Individual Certificates relating to such Registered Securities). Unless the context requires otherwise, references in these terms and conditions to "Carbon Securities" are to the Carbon Securities of one Class only, not to all Carbon Securities which may be issued under the Programme from time to time.

The Carbon Securities are issued under the Physical Carbon Securities Programme of the Issuer (the "**Programme**"). In respect of a Class of Carbon Securities, the Carbon Securities of such Class will be constituted by (i) a master trust deed dated on or about the date hereof and made between, among others, The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed (as defined below)), as trustee for the holders of the Carbon Securities and the other persons specified therein (as amended, supplemented, novated and/or replaced from time to time, the "**Master Trust Deed**"); and (ii) any supplemental trust deed in respect of such Class of Carbon Securities which shall be dated the Issue Date of the first Tranche of Carbon Securities of such Class and made between, among others, the Issuer and the Trustee (as amended, supplemented, novated and/or replaced from time to time, a "**Supplemental Trust Deed**"). The Master Trust Deed and any Supplemental Trust Deed in respect of each Class of Carbon Securities are referred to together as the "**Trust Deed**". These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

The obligations of the Issuer under each Class of Carbon Securities are secured by way of a security deed in respect of that Class of Carbon Securities over the Secured Property that relates to that Class of Carbon Securities between, among others, the Issuer and The Law Debenture Trust Corporation p.l.c. acting in its capacity as the security trustee (the "**Security Trustee**", which expression shall include all persons for the time being the security trustee or security trustees under the applicable Security Deed (as defined below)) (each, as amended, supplemented, novated and/or replaced from time to time, a "**Security Deed**").

The Secured Property with respect to each Class of Carbon Securities include the rights of the Issuer under the Relevant Note (as defined below) and under a Subscription Agreement (as defined below) providing for the Issuer to subscribe for the Relevant Note. The obligations of the Backing Issuer under each Backing Note (as defined below) and each Subscription Agreement will be secured by way of (1) a Backing Issuer security deed between the Backing Issuer and The Law Debenture Trust Corporation p.l.c. acting in its capacity as the security trustee with respect to the Backing Note and the Backing Issuer Assets (as defined below) (the "**Backing Issuer Security Trustee**") (the "**Backing Issuer Security Deed**"), and (2) an Allowance Security Document (as defined below) between, among others, the Backing Issuer and the Backing Issuer Security Trustee.

Copies of the Master Trust Deed, any Supplemental Trust Deed, each Security Deed, each Subscription Agreement (as defined below), each Backing Issuer Security Deed and each Allowance Security Document (as defined below) are available for inspection during business hours by prior appointment at the registered office of the Trustee and at the registered office of the Issuer.

The Securityholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, each Allowance Security Document, each Security Deed, each Subscription Agreement and each of the other Programme Documents (as defined below) which are applicable to them and to have notice of each set of Final Terms (as defined below) issued in respect of a Class or Tranche of Carbon Securities held by such Securityholders.

The terms and conditions of a Class of Carbon Securities will be the terms and conditions as set out below and as completed by the Final Terms applicable thereto (as defined below). Such Final Terms may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with these terms and conditions, replace and/or modify these terms and conditions for the purposes of that Class of Carbon Securities. References herein to the "**Conditions**" of the Carbon Securities are to

these terms and conditions as so replaced and/or modified by the Final Terms applicable to that Class of Carbon Securities.

1 DEFINITIONS

1.1 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Account Bank" means any Eligible Account Bank that has entered into an Account Bank Agreement with the Issuer.

"Account Bank Agreement" means an agreement between the Account Bank and the Issuer governing the operation of the Issuer Redemption Cash Account.

"Actual Redemption Sale Proceeds" means with respect to a Carbon Sale and a day on which payment for a purchase of Allowances by the Disposal Counterparty is due and payable, an amount in the Relevant Currency equal to the total purchase price agreed to be paid by the Disposal Counterparty on such day.

"Administration Agreement" means the administration agreement dated on or about the date hereof between the Issuer and the Administrator as amended, supplemented, novated or replaced from time to time.

"Administrator" means Apex Fund Services (Ireland) Limited and any successor or replacement thereto or any other entity appointed as administrator pursuant to the Administration Agreement.

"Agent Redemption Event Notice" has the meaning given to it in Condition 8.2(b) (*Compulsory Redemption Events*).

"Agents" means any Registrar, any Transfer Agent, the Administrator, any Issuing and Paying Agent, any Disposal Counterparty, the Determination Agent or any of them and such other agent(s) as may be appointed from time to time in relation to the Carbon Securities under any Registrar Agreement, any Transfer Agency Agreement, any Administration Agreement, any Issuing and Paying Agency Agreement, any Disposal Counterparty Agreement, any Determination Agency Agreement or any other agreement with the Issuer under which an agent is appointed from time to time in relation to the Carbon Securities, as applicable, and any successor or replacement and **"Agent"** means any of them.

"Allowance" means an allowance, credit, permit, right or similar asset which represents a volume of carbon dioxide (CO₂) equivalent or other greenhouse gas, and which is issued, allocated, created or recognised in accordance with the rules and regulations governing participation in a Trading Scheme, including (without limitation) an EU Allowance.

"Allowance Carbon Sale Number" means with respect to a Redemption by way of Carbon Sale of Carbon Securities of a Class and a Carbon Sale Number, the number of Allowances of the Relevant Allowance Type equal to the Carbon Entitlement of the Carbon Sale Number with respect to that Redemption.

"Allowance Security Document" means, (i) with respect to SparkChange Physical Carbon EUA ETC and the Relevant Note, the EUA Pledge; and (ii) with respect to any other Class of Carbon Securities and the Relevant Note with respect to such Class of Carbon Securities, such security document (in whatever applicable form) pursuant to which the Allowances relating to such Class are secured in favour of the Backing Issuer Security Trustee.

"AP Securityholder" means a Securityholder that is also an Authorised Participant.

"Authorised Participant" means any bank or financial institution that is party to an Authorised Participant Agreement.

"Authorised Participant Agreement" means, in respect of an Authorised Participant, the authorised participant agreement (as amended, supplemented, novated and/or replaced from time to time) entered into by the Issuer and such Authorised Participant.

"Backing Issuer" means Spark Change Jersey Issuer Limited, a company incorporated in Jersey with its registered office at 12 Castle Street, JE2 3RT, St. Helier Jersey.

"Backing Issuer Account Bank" means any Eligible Account Bank that has entered into a Backing Issuer Account Bank Agreement with the Backing Issuer.

"Backing Issuer Account Bank Agreement" means an agreement between the Backing Issuer Account Bank and the Backing Issuer.

"Backing Issuer Assets" means with respect to a class of Backing Note and the Relevant Carbon Securities, the assets that are the subject of the security constituted by each applicable Backing Issuer Security Deed and Allowance Security Document.

"Backing Issuer Programme" means the Physical Carbon Notes Programme of the Backing Issuer.

"Backing Issuer Secured EUA Account" means, with respect to the SparkChange Physical Carbon EUA ETC and the Relevant Note, a Holding Account opened by Backing Issuer in the Union Registry with the Relevant National Administrator which is secured in favour of the Security Trustee pursuant to the EUA Pledge.

"Backing Issuer Secured Allowance Account" means, with respect to the SparkChange Physical Carbon EUA ETC and the Relevant Note, the Backing Issuer Secured EUA Account.

"Backing Issuer Security Documents" means with respect to a Class of Backing Note and the Relevant Carbon Securities, the Allowance Security Document and Backing Issuer Security Deed and any other document designated as such by the Issuer and the Backing Issuer Security Trustee, as amended, supplemented, novated and/or replaced from time to time.

"Backing Issuer Security Trustee" means with respect to a Class of Backing Note and the Relevant Carbon Securities, The Law Debenture Trust Corporation p.l.c. acting in its capacity as the security trustee with respect to the Backing Issuer Assets pursuant to the applicable Backing Issuer Security Deed (which expression shall include all persons for the time being the security trustee or security trustees under such Backing Issuer Security Deed).

"Backing Note" means a Backing Note of a class which provides the Noteholder with an entitlement to Allowances equal to the Carbon Entitlement of the Relevant Carbon Securities with respect to that Backing Note, or, as the context may require, any or all securities issued by the Backing Issuer under the Backing Issuer Programme.

"Bearer Securities" has the meaning given to it in Condition 2 (*Form and Title*).

"Business Day" means, in respect of any Carbon Securities, a day which is (i) a London Business Day; (ii) a Registry Business Day, and (iii) a Jersey Business Day.

"Carbon Delivery" means in relation to a Redemption of any Carbon Securities, settlement of the Issuer's obligations in respect of such Redemption by delivery of Allowances equal to the Carbon Entitlement per Security multiplied by the number of Securities, rounded in accordance with Condition 10.11 (*Rounding*).

"Carbon Entitlement" in respect of a number of Carbon Securities of a Class, means a number of Allowances of the Relevant Allowance Type equal to the Carbon Entitlement per

Security in respect of that Class multiplied by the number of such Securities, and in respect of the calculation of a Carbon Entitlement pursuant to these Conditions, such calculation shall be subject to Clause 10.11 (*Rounding*).

"Carbon Entitlement per Security" in respect of a Class of Carbon Security, has the meaning given to it in Condition 5 (*Carbon Entitlement*).

"Carbon Sale" means in relation to the Optional Redemption (if Carbon Sale is available) or the Compulsory Redemption of any Carbon Securities, settlement of the Issuer's obligations in respect of such Redemption by sale of an amount of a number of Allowances equal to the Carbon Entitlement per Security multiplied by the number of Carbon Securities and payment of the Net Redemption Sale Proceeds as more particularly provided for in Condition 7.8 (*Carbon Sale*) or Condition 8.5 (*Compulsory Redemption Process*) (as the case may be), all subject to rounding in accordance with Condition 10.11 (*Rounding*).

"Carbon Sale Date" means in respect of any Carbon Securities and a Redemption by way of Carbon Sale, each Business Day during the Carbon Sale Period.

"Carbon Sale Maximum Period" means in respect of a Redemption by way of Carbon Sale the maximum number of Business Days starting on the First Carbon Sale Date in which a number of Allowances of the Relevant Allowance Type equal to the Carbon Entitlement of the Carbon Sale Number of Carbon Securities can be purchased by the Disposal Counterparty without at any time breaching the Liquidity Limits.

"Carbon Sale Number" means:

- (a) in respect of an Optional Redemption by way of Carbon Sale, a Securityholder and a Class of Carbon Securities, the total number of Carbon Securities of that Class held by that holder that are being Redeemed; and
- (b) in respect of a Compulsory Redemption and a Class of Carbon Securities, where such Compulsory Redemption Date is designated in accordance with:
 - (i) Condition 8.1 (*Issuer Call Redemption Event*), the total number of Carbon Securities of that Class Outstanding as at the end of the Business Day immediately preceding the Compulsory Redemption Date or such other number of such Carbon Securities as may be called for Redemption in the Issuer Call Redemption Notice;
 - (ii) Condition 8.2 (*Compulsory Redemption Events*) or Condition 8.3 (*Events of Default*), the total number of Carbon Securities of that Class Outstanding as at the end of the Business Day immediately preceding the Compulsory Redemption Date;
 - (iii) Condition 8.4 (*Compulsory Redemption for Cause*), the total number of Carbon Securities of that Class held by the Securityholder where the Issuer notifies the Securityholder that Carbon Securities of such Class are to be subject to Compulsory Redemption.

"Carbon Sale Period" means in respect of any Carbon Securities of a Class and a Redemption by way of Carbon Sale, the period:

- (a) starting on the First Carbon Sale Date; and

- (b) ending on the earlier of (1) the Carbon Sale Date on which the last of the Allowance Carbon Sale Number have been sold (provided such sales comply with the Liquidity Limits), and (2) the final Business Day in the Carbon Sale Maximum Period.

"Carbon Securities" means the Class of Carbon Securities to which these Conditions relates or, as the context may require, any or all securities issued by the Issuer under the Programme.

"Central Administrator" means the person designated by the EU Commission to operate and maintain the European Transaction Log pursuant to Article 20(1) of the EU ETS Directive.

"Certificated" or **"Certificated Form"** means not in Uncertificated Form.

"CGN" means a Global Security in classic global note form.

"Change in Law" means (a) the adoption of or any change in any applicable law, regulation, rule, order, ruling or procedure (including, without limitation, any tax law and any regulation, rule, order, ruling or procedure of any applicable regulatory authority, tax authority and/or any exchange), or (b) the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority).

"Class" means all Carbon Securities having the same ISIN or other similar identifier, including the Initial Tranche and any Further Tranche.

"Class Issue Date" means the date of issuance of the Initial Tranche of a Class of Carbon Securities, as specified in the relevant Final Terms.

"Clearing System Business Day" means a day on which the Relevant Clearing System is open for the purpose of effecting settlement of Carbon Securities.

"Clearstream" means Clearstream Banking, *société anonyme*, Luxembourg and any successor thereto.

"Common Depositary" means, in relation to a Class of Carbon Securities issued in CGN form, the common depositary for Euroclear or Clearstream, appointed in respect of such Class.

"Common Safekeeper" means, in relation to a Class of Carbon Securities issued in NGN form or in the new safekeeping structure, the common safekeeper for Euroclear or Clearstream, appointed in respect of such Class.

"Compulsory Carbon Sale Start Date" means in respect of any Carbon Securities and a Compulsory Redemption, the fifth Business Day following the Compulsory Redemption Date in respect of such Carbon Securities.

"Compulsory Redemption" means a Redemption of Carbon Securities in accordance with Condition 8 (*Compulsory Redemption*).

"Compulsory Redemption Date" means the date designated as such in accordance with Condition 8.1 (*Issuer Call Redemption Event*), Condition 8.2 (*Compulsory Redemption Events*), Condition 8.3 (*Events of Default*) or Condition 8.4 (*Compulsory Redemption for Cause*) (as the case may be).

"Compulsory Redemption Event" has the meaning given to it in Condition 8.2 (*Compulsory Redemption Events*).

"Compulsory Redemption Settlement Date" has the meaning given to it in Condition 8.6 (*Compulsory Redemption Settlement Date*).

"CREST" means the system for the paperless settlement of trades and the holding of uncertificated securities operated by EUI in accordance with the Uncertificated Regulations, as amended from time to time.

"Default Redemption Event Notice" has the meaning given in Condition 8.3 (*Events of Default*).

"Definitive Securities" means Bearer Securities in definitive form and includes any replacement Carbon Security issued pursuant to these Conditions.

"Denomination" means, in respect of a Carbon Security, an amount equal to its Principal Amount.

"Determination Agency Agreement" means the Management and Determination Agent Agreement (as amended, supplemented, novated and/or replaced from time to time) or any successor or replacement agreement between the Issuer and a Determination Agent in relation to the provision of determination agency services.

"Determination Agent" means, in respect of a Class, any entity appointed as determination agent in accordance with the terms of a Determination Agency Agreement and, as at the date hereof, means HANetf in respect of SparkChange Physical Carbon EUA ETCs.

"Determination Agent Breach" has the meaning given to it in Condition 10.6(b) (*Determination Agent*).

"Disposal Counterparty" means in relation to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities and the Relevant Note thereto, any person as may be party to a Disposal Counterparty Agreement with the Issuer and the Backing Issuer for the purpose of purchasing Allowances from the Backing Issuer with respect to such Class.

"Disposal Counterparty Agreement" means in relation to SparkChange Physical Carbon EUA ETC or any other Class of Carbon Securities and the Relevant Note thereto, any agreement entered into by the Issuer, the Backing Issuer and any other person to appoint that person as a Disposal Counterparty with respect to the sale of Allowances in relation to Carbon Securities of such Class.

"Disposal Counterparty Sale Limit" means the lower of: (1) 5% of the Average Daily Trading Volume in the "liquidation futures contract" and (2) 15% of the Average Daily Trading Volume in the "proxy spot contract", with the identity of each such contract determined in accordance with the Disposal Counterparty Agreement. For this purpose "Average Daily Trading Volume" means the average daily traded volume of the relevant contract in the two calendar month period preceding the month in which the First Carbon Sale Date occurs. The Disposal Counterparty and the Backing Issuer may agree to amend the Disposal Counterparty Sale Limit provided that at least five Business Days' notice thereof has been given to Securityholders in accordance with Condition 17 (*Notices*) prior to any Redemption by way of Carbon Sale.

"Disruption Event" has the meaning given to it in Condition 9.1 (*Disruption Events*).

"Dublin Business Day" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are open to settle payments in Dublin.

"Eligible Account Bank" means any reputable bank, financial institution or credit institution operating in the EEA and/or the UK.

"EU Allowance" means an allowance to emit one tonne of carbon dioxide (CO₂) equivalent during a specified period which is valid for meeting emissions related commitment obligations under the EU Scheme.

"EU ETS Directive" means Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended from time to time.

"EU Scheme" means the scheme for transferring EU Allowances established pursuant to the EU ETS Directive and the Registries Regulation, and as implemented by the national laws of member states of the European Union.

"EUA" means any Allowance which is fully capable of physical delivery under the ICE Endex EUA Daily Futures Contract, the EEX EUA Spot Contract or under any other spot or futures contract specified by the Issuer by notice in writing to the Securityholders in accordance with Condition 17 of the Carbon Securities.

"EUA Backing Note" means the class of Backing Note of that name issued by Backing Issuer.

"EUA Pledge" means the pledge dated on or about the date hereof and entered into by the Backing Issuer and the Backing Issuer Security Trustee with respect to the Backing Issuer Secured EUA Account and the Allowances held therein.

"EUI" means Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) incorporated in England and Wales under number 2878738.

"EUR" and **"euro"** mean the single currency of the Participating Member States.

"Euroclear" means Euroclear Bank S.A./N.V. and any successor thereto.

"European Transaction Log" means the independent transaction log provided for in Article 20(1) of the EU ETS Directive, the operation of which is further detailed in Article 6 of the Registries Regulation.

"Event of Default" has the meaning given to it in Condition 8.3 (*Events of Default*).

"Exchange Date" has the meaning given to it in Condition 3.1 (*Exchange of Bearer Securities*).

"Extraordinary Resolution" means a resolution passed at a meeting duly convened and held in accordance with schedule 7 of the Master Trust Deed by a majority of at least 75 per cent of the votes cast, provided that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent of the aggregate number of the Carbon Securities who for the time being are entitled to receive notice of a meeting held in accordance with the Master Trust Deed shall, for all purposes, be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Securityholders duly convened and held in accordance with the relevant provisions of the Master Trust Deed.

"Final Terms" means the final terms specifying the relevant issue details of the Carbon Securities.

"First Carbon Sale Date" means:

- (a) with respect to an Optional Redemption to be effected by Carbon Sale pursuant to Condition 7.8(a)(i) or Condition 7.8(a)(ii) (*Carbon Sale*), the second Business Day following the Trade Date;
- (b) with respect to an Optional Redemption to be effected by Carbon Sale pursuant to Condition 7.8(a)(iii) (*Carbon Sale*), the second Business Day following the Business Day on which the Carbon Entitlement per Security is determined; and
- (c) with respect to a Compulsory Redemption, the Compulsory Carbon Sale Start Date.

"Further Tranche" means any Tranche of a Class of Carbon Securities issued after the Class Issue Date in accordance with Condition 16 (*Issue of Further Tranches and Classes of Carbon Securities*).

"Global Bearer Security" means the Carbon Securities in bearer form represented by a global security.

"Global Registered Certificate" means a global certificate representing Carbon Securities in registered form.

"Global Security" means a Global Bearer Security or a Global Registered Certificate.

"HANetf" means HAN ETF Limited, a private limited company incorporated in England with registered number 10697042, or any successor thereto.

"Holding Account" means with respect to:

- (a) SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance; and
- (b) EUA Backing Note and any other Class of Backing Note in respect of which the Relevant Allowance Type is a type of EU Allowance,

a form of digital record maintained in a Registry (pursuant to and in accordance with the Registries Regulation) that is able to be used to record the holding and transfer of Allowances pursuant to and in accordance with the EU Scheme.

"Individual Certificate" means, in respect of Registered Securities, a definitive certificate in registered form representing such Registered Securities.

"Initial Early Redemption Event" has the meaning given to it in Condition 8.2 (*Compulsory Redemption Events*).

"Initial Tranche" means the first Tranche of a Class of Carbon Securities issued.

"ISDA Master Agreement" means in relation to SparkChange Physical Carbon EUA ETC any ISDA master agreement or other agreement for the trading of EUAs entered into by the Disposal Counterparty and the Backing Issuer.

"Issue Date" means the date of issuance of the relevant Tranche as specified in the Final Terms relating to such Tranche.

"Issuer" means HANetf ETC Securities plc, a public limited company incorporated under the laws of Ireland with company number 664945, whose registered office is at 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, D01 P767.

"Issuer AP Terms" means, in respect of an Authorised Participant, a Class of Carbon Securities and the Relevant Note, an agreement (as amended, supplemented, novated and/or replaced from time to time) entered into by the Issuer, the Backing Issuer and such Authorised Participant.

"Issuer Call Redemption Event" has the meaning given to it in Condition 8.1 (*Issuer Call Redemption Event*).

"Issuer Call Redemption Notice" has the meaning given to it in Condition 8.1 (*Issuer Call Redemption Event*).

"Issuer Insolvency Event" means each of the Events of Default set out at Condition 8.3(c) (*Events of Default*) and Condition 8.3(d) (*Events of Default*).

"Issuer Redemption Cash Account" means in respect of a Class, an account or accounts opened with the Account Bank in the name of the Issuer and operated by the Issuer into which amounts received by or on behalf of the Issuer for the purpose of effecting Redemptions and Compulsory Redemptions are paid from time to time including any Net Redemption Sale Proceeds.

"Issuer's Website" means the relevant product page relating to the Programme at www.hanetf.com or such other internet address as may be used by the Issuer and notified to Securityholders and the Trustee in accordance with Condition 17 (*Notices*).

"Issuing and Paying Agency Agreement" means an agreement entered into by the Issuer that provides for the appointment of any person as Issuing and Paying Agent.

"Issuing and Paying Agent" means in respect of a Class, any entity appointed as issuing and paying agent of the Issuer in respect of such Class.

"Jersey Business Day" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are open to settle payments in the Bailiwick of Jersey.

"Liquidity Limits" means in respect of a Redemption of SparkChange Physical Carbon EUA ETC by way of Carbon Sale the following limits on the number of Allowances that may be sold to or purchased by the Disposal Counterparty on any Carbon Sale Date:

(a) subject to (b) below (which defines a minimum and maximum number of Carbon Sale Dates for the Carbon Sale Period), the Disposal Counterparty will not purchase on any Carbon Sale Date a number of Allowances that is greater than the Disposal Counterparty Sale Limit;

(b) (if the Allowance Carbon Sale Number is 10,000 or more) the number of Allowances sold to the Disposal Counterparty on any single Carbon Sale Date must be not less than 1.00% of the Allowance Carbon Sale Number as of the First Carbon Sale Date (rounded up to the nearest whole Allowance) and not more than 10% of the Allowance Carbon Sale Number as of the First Carbon Sale Date (rounded up to the nearest whole Allowance), so that where the Allowance Carbon Sale Number is 10,000 or more sales of Allowances cannot take place over fewer than 10 or more than 100 Carbon Sale Dates.

"London Business Day" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are open to settle payments in London.

"Loss" means any loss, liability, cost, claim, damages, expense (including, but not limited to, legal costs and expenses) or demand (or actions in respect thereof), judgment, interest on any judgment, assessment, fees or amounts paid in settlement of any action or claim.

"Management and Determination Agent Agreement" means the agreement between the Issuer and HANetf dated on or about the date hereof in respect of the provision of services by HANetf to the Issuer in connection with the Programme, as amended and/or supplemented from time to time or any replacement agreement which the Issuer may enter into from time to time, in respect of the provision of such services.

"National Administrator" means the entity responsible for managing, on behalf of a member state of the European Union, a set of user accounts under the jurisdiction of such member state in the Union Registry as designated in accordance with Article 8 of the Registries Regulation.

"Net Redemption Sale Proceeds" means in respect of a Carbon Sale and a day on which payment for a purchase of Allowances by the Disposal Counterparty is due and payable, an amount denominated in the Relevant Currency equal to the Actual Redemption Sale Proceeds due on such day less all amounts which the Disposal Counterparty is entitled to deduct from the proceeds of sale in accordance with the Relevant Note.

"NGN" has the meaning given to it in Condition 2 (*Form and Title*).

"Non-AP Obligations" has the meaning given to it in Condition 7.6(d) (*Redemption Obligations*).

"Non-AP Securityholder" means a Securityholder that is not also an Authorised Participant.

"Non-Disrupted Day" means each day that is a Business Day and is not a Suspended Day or a day which falls within a Suspension Period.

"Notice Deadline" means 5.30 p.m. (London) time, provided that the Notice Deadline in respect of any Class of Carbon Securities may be adjusted by agreement between the Issuer and the Backing Issuer with effect from the fifth calendar day following the date on which notice of such adjustment is given to the holders in accordance with Condition 17 (*Notices*).

"Obligor" means each person that has an obligation to the Issuer pursuant to the Secured Property.

"Operating Procedures" means the operating procedures of the Issuer in respect of Subscription and Redemption.

"Optional Redemption" means the Redemption of Carbon Securities at the option of one or more Securityholders in accordance with the provisions of Condition 7 (*Redemption*).

"Outstanding" means, for the purposes of the Conditions, Trust Deed and Security Deed, in relation to the Carbon Securities and a day:

- (a) on the Class Issue Date, the Carbon Securities issued on such day; and
- (b) on any day thereafter, all the Carbon Securities issued on or prior to such day except:
 - (i) those that have been Redeemed in accordance with Condition 8 (*Compulsory Redemption*);
 - (ii) those that have been cancelled for any reason;
 - (iii) those in respect of which the date for Redemption has occurred and the Redemption monies have been duly paid to the Trustee or to the Issuing and Paying Agent and which remain available for payment against presentation and surrender of Carbon Securities;
 - (iv) those that have become void or in respect of which claims have become prescribed;
 - (v) those which have been issued and which are pending settlement to an Authorised Participant but in respect of which the relevant Authorised Participant(s) has not delivered in full the relevant Subscription Amount under the Authorised Participant Agreement;
 - (vi) those in respect of which a Compulsory Redemption Settlement Date or Redemption Settlement Date has occurred and in respect of which the Issuer (or the Trustee or the Issuing and Paying Agent, as the case may be) has received in full Allowances from the Backing Issuer or cash from the Disposal Counterparty (as applicable and as the case may be);
 - (vii) those that have been purchased, settled and cancelled as provided in Condition 8.1 (*Issuer Call Redemption Event*);
 - (viii) those mutilated or defaced Bearer Securities that have been surrendered in exchange for replacement Bearer Securities;

- (ix) (for the purpose only of determining how many Carbon Securities are Outstanding and without prejudice to their status for any other purpose) those Bearer Securities alleged to have been lost, stolen or destroyed and in respect of which replacement Carbon Securities have been issued; and
- (x) any Global Bearer Security to the extent that it shall have been exchanged for one or more Definitive Securities pursuant to its provisions; provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Securityholders, (2) the determination of how many Carbon Securities are Outstanding for the purposes of the Conditions, the Trust Deed and each Security Deed and (3) the exercise of any discretion, power or authority that the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Securityholders, those Carbon Securities that are beneficially held by or on behalf of the Issuer and not cancelled shall (unless no longer so held) be deemed not to remain Outstanding. For the avoidance of doubt, Carbon Securities (if any) which the Issuer has agreed on or prior to such day to Redeem but in respect of which the Carbon Entitlement or Net Redemption Sale Proceeds has not yet been delivered to or paid in full to the Issuer (or the Trustee or the Issuing and Paying Agent, as applicable) shall be deemed to be "Outstanding" on such day and Carbon Securities (if any) which the Issuer has agreed on or prior to such day to issue but in respect of which delivery of the relevant Subscription Amount has not been received in full from the relevant Authorised Participant(s) and settlement to such relevant Authorised Participant(s) has not yet occurred shall not be deemed to be "**Outstanding**" on such day.

"Participating Member State" means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"Payment Business Day" means, in respect of any Carbon Securities, any day which is a Clearing System Business Day and:

- (a) (in relation to Carbon Securities for which the Relevant Currency is euros) a TARGET Day; and
- (b) (in relation to Carbon Securities for which the Relevant Currency is not euros) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits in the principal financial centre of the Relevant Currency).

"Principal" means the Net Redemption Sale Proceeds.

"Principal Amount" means, in respect of any Carbon Security, the amount in the Relevant Currency specified in the Final Terms, as such as may be amended in accordance with these Conditions.

"Proceedings" has the meaning given to it in Condition 20.2 (*Jurisdiction*).

"Programme Document" means each of the Trust Deed, the Determination Agency Agreement, the Administration Agreement, each Disposal Counterparty Agreement, each ISDA Master Agreement, each Subscription Agreement, each Backing Issuer Security Deed, each Allowance Security Document, each Security Deed, each Issuing and Paying Agency Agreement, each Authorised Participant Agreement, and each Issuer AP Terms and **"Programme Documents"** means all such documents.

"Programme Maximum Number of Carbon Securities" means 10,000,000,000.

"Programme Party" means a party to a Programme Document (other than the Issuer).

"Prohibited Allowance Holder" means a person prohibited by applicable law or regulation from owning or taking delivery of the relevant Allowances.

"Prohibited Physical Redemption" means in respect of a Redemption that the Issuer would be prohibited by virtue of legal or regulatory reasons from making a delivery of the relevant Allowances to the Securityholder.

"Record Date" means the Business Day immediately prior to the date for payment.

"Redeeming Securityholder" means a Securityholder whose Carbon Securities are the subject of a Redemption.

"Redemption" means the redemption of Carbon Securities (i) by Optional Redemption or (ii) by a Compulsory Redemption, and **"Redeem"** and **"Redeemed"** shall be construed accordingly.

"Redemption Fees" means the Standard Redemption Fee and the Variable Redemption Fee and **"Redemption Fee"** means either of them as the context requires.

"Redemption Form" means a notice in the applicable form (which may vary depending on whether the Securityholder is an Authorised Participant or a Non-AP Securityholder and on the Redemption Mechanism) prescribed by the Issuer from time to time for the purpose of requesting Redemption of Carbon Securities.

"Redemption Mechanism" means each of:

- (a) Carbon Delivery; and
- (b) Carbon Sale.

"Redemption Settlement Date" means:

- (a) in the case of a Redemption pursuant to Condition 7 (*Redemption*), has the meaning given to it in Condition 7.10 (*Redemption Settlement Date*); and
- (b) in the case of a Compulsory Redemption, the Compulsory Redemption Settlement Date.

"Register" means a register maintained by a Registrar of persons holding the Carbon Securities.

"Registered Securities" has the meaning given to it in Condition 2 (*Form and Title*).

"Registrar" means any such person appointed by the Issuer from time to time to maintain the registers of persons holding the Carbon Securities.

"Registrar Agreement" means any such agreement entered into between the Issuer and a Registrar.

"Registries Regulation" means the Commission Delegated Regulation (EU) 2019/1122 of 12 March 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council as regards the functioning of the Union Registry (Text with EEA relevance), as amended from time to time.

"Registry" means:

- (a) with respect to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance, a registry established by the European Union or a member state of the European Union

in order to ensure the accurate accounting of the issue, holding, transfer, acquisition, surrender, cancellation and replacement of Allowances, including the Union Registry and the Holding Accounts within the Union Registry that are under the jurisdiction of a single National Administrator designated by a Member State; and

- (b) with respect to any other Class of Carbon Securities, the registry established (under the relevant Trading System) in order to ensure the accurate accounting of the issue, holding, transfer, acquisition, surrender, cancellation, and replacement of Allowances of the Relevant Allowance Type.

"Registry Agreement" means with respect to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance, the agreement between the Backing Issuer and the Relevant National Administrator governing the operation of the Backing Issuer Secured Allowance Account.

"Registry Business Day" means with respect to a class of Backing Note and the Relevant Carbon Securities, a day (other than a Saturday or Sunday) on which the transfers of Allowances to and from the Backing Issuer Secured Allowance Account will be processed by the Registry in which the Backing Issuer Secured Allowance Account is held.

"Registry Disruption Event" means with respect to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance, the absence, other than by virtue of a Registry Suspension Event, of:

- (a) the establishment of and continuing functioning of each Registry;
- (b) the establishment of and continuing functioning of the European Transaction Log; and/or
- (c) the establishment of and continuing functioning of the link between each Registry and the European Transaction Log.

"Registry Suspension Event" means with respect to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance, the suspension of some or all of the processes of a Registry or the European Transaction Log in accordance with the Registries Regulation by the relevant National Administrator or the Central Administrator (as applicable).

"Relevant Clearing System" means (i) CREST, (ii) Euroclear, (iii) Clearstream, or (iv) any other recognised clearing system in which Carbon Securities of a Class may be cleared.

"Relevant Currency" means with respect to a Class of Carbon Securities, the currency in which the Principal Amount of a Carbon Security of that Class is denominated, as specified in the Final Terms.

"Relevant Date" has the meaning given to it in Condition 12 (*Prescription*).

"Relevant National Administrator" means (i) with respect to SparkChange Physical Carbon EUA ETC and the Relevant Notes, the National Administrator of the Grand Duchy of Luxembourg and (ii) with respect to any other Class of Carbon Security in respect of which the Relevant Allowance Type is a type of EU Allowance and the Relevant Carbon Securities, the National Administrator specified in the Final Terms of the first Tranche of such Class of Relevant Carbon Securities.

"Relevant Provisions" means, in respect of the Determination Agent, the provisions of the Determination Agency Agreement, the Trust Deed, the Authorised Participant Agreement and the Conditions.

"Relevant Stock Exchange" means the London Stock Exchange and/or any other stock exchange on which Carbon Securities of a Class may be listed.

"RIS" means a regulated information service for the purposes of giving information relating to the Carbon Securities and/or the rules of the Relevant Stock Exchange chosen by the Issuer from time to time.

"Secondary Early Redemption Event" has the meaning given to it in Condition 8.2 (*Compulsory Redemption Events*).

"Secured Account" means with respect to a Class of Carbon Securities, the Issuer Redemption Cash Account with respect to that Class.

"Secured Account Redemption Event Notice" has the meaning given to it in Condition 8.2(c) (*Compulsory Redemption Events*).

"Secured Liabilities", with respect to a Class of Carbon Securities, has the meaning given to it in the Security Deed in respect of that Class.

"Secured Parties", with respect to a Class of Carbon Securities, has the meaning given to it in the Security Deed in respect of that Class.

"Secured Property" means, with respect to a Class of Carbon Securities, the assets that are the subject of the security constituted by each applicable Security Deed and any other Security Document.

"Securities Act" means The United States Securities Act of 1933 as amended.

"Securities Delivery Obligation" has the meaning given to in Condition 7.6(c) (*Redemption Obligation*).

"Security" means a mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of the Issuer or any other agreement or arrangement having a similar effect.

"Security Document" means any security document relating to a Class of Carbon Securities pursuant to which Security granted by the Issuer over the Secured Property is created or perfected (including, for the avoidance of doubt, the Security Deed) and any other document designated as such by Issuer and the Trustee, as amended, supplemented, novated and/or replaced from time to time.

"Securityholder" and **"holder"** mean the bearer of any Bearer Security or the person in whose name a Registered Security or an Uncertificated Registered Security is registered (as the case may be).

"Securityholder Cash Account" means, in respect of a Securityholder and the Redemption of Carbon Securities by Carbon Sale, a bank account to receive payments of the Net Redemption Sale Proceeds in respect of the Redemption of such Carbon Securities, which account shall be:

- (a) for an Authorised Participant, the bank account notified in writing for such purposes by the Authorised Participant to the Issuer (or the Trustee as the case may be) from time to time; or
- (b) otherwise, the bank account specified in the Redemption Form; or
- (c) in respect of a Compulsory Redemption the bank account notified by a Securityholder to the Issuer in accordance with Condition 8.5 (*Compulsory Redemption Process*).

"Securityholder Holding Account" means, in respect of a Securityholder and the Redemption of Carbon Securities by Carbon Delivery, a Holding Account with a Registry to

receive Allowances of the Relevant Allowance Type in respect of the Redemption of such Carbon Securities, which account shall be:

- (a) in respect of an Authorised Participant, the Holding Account notified in writing for such purposes by the Authorised Participant to the Issuer (or the Trustee as the case may be) from time to time; and
- (b) in respect of a Non-AP Securityholder, the Holding Account specified in the Redemption Form.

"SparkChange Physical Carbon EUA ETC" means the Class of Carbon Securities of that name backed by EUA Backing Note.

"Standard Redemption Fee" mean a fee in currency payable by the Securityholder on the Redemption of Carbon Securities pursuant to Condition 7.5 (*Redemption Fees*).

"Subscription" means an offer by an Authorised Participant to the Issuer to subscribe for Carbon Securities, being an offer on terms referred to in a Subscription Form and this document and in accordance with the provisions of the relevant Authorised Participant Agreement and "Subscribe", "Subscribed" and "Subscribing" shall be construed accordingly.

"Subscription Agreement" means in relation to a Class of Carbon Securities and the Relevant Note, a subscription agreement entered into between the Issuer and the Backing Issuer under which the Issuer subscribes for such Relevant Note.

"Subscription Amount" means, in relation to a Subscription Form, an amount per Carbon Security equal to the Carbon Entitlement per Security as at the relevant Trade Date.

"Subscription Fee" means the fee payable by an Authorised Participant on a Subscription of Carbon Securities as specified in the Operating Procedures.

"Subscription Form" means a request from an Authorised Participant delivered to the Issuer to issue Carbon Securities.

"Subscription Settlement Date" means the second Business Day after the Trade Date.

"Subscription Suspension Event" means the delivery by the Issuer of a notice in writing to each Authorised Participant, the Issuing and Paying Agent and the Determination Agent stating that with effect from the date specified in such notice Subscription of the Carbon Securities shall be suspended.

"Suspended Day" and **"Suspension Period"** have the respective meanings given to them in Condition 9.2(a) (*Determination of Disruption Events and Suspension Notices*).

"Suspension Notice" has the meaning given to it in Condition 9.2 (*Determination of Disruption Events and Suspension Notices*).

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

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system or any successor thereto for the purpose of settlement of payments in euro.

"Tax" means any tax, duty, assessment or charge of whatsoever nature (including, without limitation, any tax on income, profits, gains, net wealth, asset values or turnover, value added tax, stamp duty, stamp duty reserve tax, excise, severance, sales, use, transfer, documentary, recording tax or duty or any other similar tax, duty or charge) imposed, levied, collected, withheld or assessed by any government, applicable tax authority or jurisdiction.

"Threshold Event Date" has the meaning give to it in Condition 7.9(a) (*Suspension of Redemptions*).

"Total Expense Ratio" has the meaning given to it in Condition 5.4 (*Total Expenses Ratio*).

"Trade Date" means:

- (a) subject to Condition 9.2 (*Determination of Disruption Events and Suspension Notices*), in respect of an Optional Redemption of Carbon Securities, the Business Day on which a Redemption Form is determined to be valid; and
- (b) subject to Condition 9.2 (*Determination of Disruption Events and Suspension Notices*), in respect of a Subscription of Carbon Securities, the Business Day on which a Subscription Form is determined to be valid.

"Trading Scheme" means (a) with respect to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance, the EU Scheme; and (b) with respect to any other Class of Carbon Securities, the scheme for the transferring of Allowances of the Relevant Allowance Type.

"Trading Scheme Authority" means (a) with respect to SparkChange Physical Carbon EUA ETC and any other Class of Carbon Securities in respect of which the Relevant Allowance Type is a type of EU Allowance, the European Union (b) with respect to any other Class of Carbon Securities, the competent authority or other entity responsible for operating the Trading Scheme (including, without limitation, any national or international body responsible for its oversight or regulation).

"Tranche" means, in relation to a Class of Carbon Securities issued on any date, the Carbon Securities that are issued on the same Issue Date with the same Principal Amount.

"Transfer Agency Agreement" means an agreement entered into by the Issuer and the Backing Issuer that provides for the appointment of any person as Transfer Agent.

"Transfer Agent" means in respect of a Class, any entity appointed as transfer agent of the Issuer in respect of such Class.

"Trusted Status" means with respect to a Holding Account, that such account is included with the list of "trusted accounts" maintained by the Union Registry to which Holding Accounts may make transfers of Allowances and meets any other security or other requirements of the Union Registry enabling the transfer to that account of Allowances.

"uncertificated", "Uncertificated", "uncertificated form" and "Uncertificated Form" means recorded on the Register as being held in uncertificated form, title to which is to be transferred by means of the Relevant Clearing System.

"Uncertificated Registered Securities" has the meaning given to it in Condition 2 (*Form and Title*).

"Uncertificated Regulations" means the Uncertificated Securities Regulations 2001 and the Irish Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996), as amended by the Irish Companies Act 1990 (Uncertificated Securities) (Amendment) Regulations 2005 (S.I. No. 693 of 2005) and such other regulations made under section 239 of the Irish Companies Act 1990 having force within Ireland as are applicable to Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) and/or the CREST "relevant system" (as defined in such regulations) and are from time to time in force.

"Union Registry" means the Registry referred to as the "Community Registry" in Article 19(1) of the EU ETS Directive.

"Variable Redemption Fee" mean a fee in Allowances payable by the Securityholder on the Redemption of Carbon Securities pursuant to Condition 7.5(c) (*Redemption Fees*).

1.2 Interpretation

The following rules shall apply to the interpretation of these Conditions unless the context otherwise requires:

- (a) headings to Conditions, paragraphs and other provisions of these Conditions shall not affect the interpretation of these Conditions;
- (b) any reference to a person or persons includes reference to any individual, corporation, partnership, joint venture, association, public body, governmental authority or other entity;
- (c) words in the singular shall also include the plural and vice versa;
- (d) in relation to a Class of Carbon Security, Class of Backing Note or Allowance Type (the **"Base Type"**) referred to elsewhere in these Conditions, any reference to a **"Relevant Note"**, **"Relevant Allowance Type"** or **"Relevant Carbon Securities"** (as the case be) shall be construed as a reference to the Class of Backing Note, Allowance Type or Class of Carbon Security (as the case may) set out in the same row in the table below as the Base Type:

| Class of Carbon Security | Class of Backing Note | Allowance Type |
|-------------------------------------|-----------------------|----------------|
| SparkChange Physical Carbon EUA ETC | EUA Backing Note | EUAs |

- (e) any reference to these Conditions or to any agreement or document includes a reference to these Conditions or, as the case may be, such agreement or document, as amended, varied, novated, supplemented or replaced from time to time;
- (f) any reference to a statute, statutory provision, regulation, directive or rule of any regulatory **authority** shall, unless the context otherwise requires, be construed as a reference to such statute, statutory provision, regulation, directive or rule as the same may from time to time be amended, modified, extended, consolidated, re-enacted or replaced; and
- (g) unless otherwise indicated, any reference in these Conditions to a time is a reference to the prevailing time in London, England.

2 FORM AND TITLE

The Carbon Securities may be issued in:

- (a) bearer form (including in new global note (**"NGN"**) form and in CGN form) and serially numbered (**"Bearer Securities"**);
- (b) in registered form (including in global registered form using the new safekeeping structure and in CGN form) (**"Registered Securities"**); or
- (c) in dematerialised uncertificated registered form which shall not be exchangeable for Bearer Securities (**"Uncertificated Registered Securities"**),

in each case in the Denomination and Relevant Currency specified in the Final Terms.

If it is stated in the Final Terms that the form of some or all of the Carbon Securities is "**Bearer**", such Carbon Securities are Bearer Securities. If it is so stated that the form of some or all of the Carbon Securities is "**Registered**", such Carbon Securities are Registered Securities. If it is so stated that the form of some or all of the Carbon Securities is "**Uncertificated Registered**", such Carbon Securities are Uncertificated Registered Securities. Unless otherwise stated in the Final Terms, the form of all of the Carbon Securities of a particular Class on issue will be the same.

In respect of Bearer Securities relating to a Class to be issued in global form, such Bearer Securities, will (a) if the Bearer Securities are intended to be issued in NGN form, as stated in the Final Terms relating to such Class, be delivered on or prior to the original Issue Date to a Common Safekeeper for Euroclear and Clearstream; and (b) if the Bearer Securities are intended to be issued in CGN form, as stated in the Final Terms relating to such Class, be delivered on or prior to the original Issue Date to a Common Depositary for Euroclear and Clearstream.

In respect of Registered Securities relating to a Class to be issued in global form, the Global Registered Certificate in respect of such Registered Securities will (a) if the Registered Securities are intended to be issued in global registered form using the new safekeeping structure, be registered in the name of a nominee for, and shall be deposited on its Issue Date with a Common Safekeeper on behalf of, Euroclear and Clearstream; and (b) if the Registered Securities are intended to be issued in CGN form, be registered in the name of a nominee for, and shall be deposited on its Issue Date with a Common Depositary on behalf of, Euroclear and Clearstream.

All Registered Securities of the same Class shall have the same Denomination. Bearer Securities shall not be exchangeable for Uncertificated Registered Securities.

Title to the Bearer Securities shall pass by delivery. Title to the Registered Securities shall pass by registration in the Register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Registrar Agreement.

Uncertificated Registered Securities shall be held in uncertificated registered form in accordance with the Uncertificated Regulations and as such are dematerialised and not constituted by any physical document of title. Uncertificated Registered Securities shall be cleared through CREST and are participating securities for the purposes of the Uncertificated Regulations. Notwithstanding anything to the contrary in the Conditions, for so long as the Uncertificated Registered Securities are participating securities: (a) the Register shall be maintained at all times outside of the United Kingdom; (b) the Uncertificated Registered Securities may be issued in Uncertificated Form in accordance with and subject as provided in the Uncertificated Regulations; and (c) for the avoidance of doubt, these Conditions in respect of the Uncertificated Registered Securities shall remain applicable notwithstanding that they are not endorsed on any certificate or document of title.

Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Carbon Security shall be deemed to be and may be treated as the absolute owner of such Carbon Security for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Carbon Security shall be overdue and notwithstanding any notice of ownership, theft or Loss thereof or any writing thereon made by anyone and no person will be liable for so treating the holder.

3 **TRANSFERS OF REGISTERED SECURITIES AND UNCERTIFICATED REGISTERED SECURITIES**

3.1 **Exchange of Bearer Securities**

The Global Bearer Security relating to Bearer Securities is exchangeable (free of charge to the holder) on or after the Exchange Date in whole but not in part for Definitive Securities if the Global Bearer Security is held on behalf of a Relevant Clearing System and the Relevant Clearing System is closed for business for a continuous period of 14 calendar days (other

than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so.

"Exchange Date" means a day falling not less than 60 calendar days after the date on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located.

Any such exchange may be effected on or after an Exchange Date by the holder of the Global Bearer Security surrendering the Global Bearer Security to or to the order of the Issuing and Paying Agent. In exchange for the Global Bearer Security, the Issuer shall deliver, or procure the delivery of, duly executed and authenticated Definitive Securities in an aggregate number equal to the number of Carbon Securities represented by the Global Bearer Security submitted for exchange, security printed in accordance substantially in the form required under the Trust Deed.

Registered Securities may not be exchanged for Bearer Securities and Bearer Securities of one Denomination may not be exchanged for Bearer Securities of another Denomination. Bearer Securities may not be exchanged for Registered Securities.

3.2 **Transfer of Registered Securities in definitive form**

One or more Registered Securities may be transferred upon the surrender (at the specified office of the Registrar) of the Individual Certificate representing such Registered Securities to be transferred, together with the form of transfer endorsed on such Individual Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar may reasonably require. In the case of a transfer of part only of a holding of Registered Securities represented by one Individual Certificate, a new Individual Certificate shall be issued to the transferee in respect of the part transferred and a further new Individual Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Securityholders. A copy of the current regulations will be made available by the Registrar to any Securityholders upon request.

3.3 **Exercise of options or partial Redemption in respect of Registered Securities**

In the case of an exercise of an Issuer's or a Securityholder's option in respect of, or a Redemption of a part of, a holding of Registered Securities represented by a single Individual Certificate, a new Individual Certificate shall be issued to the holder in respect of the balance of the holding not subject to the exercise of such option or, as the case may be, Redeemed. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar.

3.4 **Delivery of new Individual Certificates**

Each new Individual Certificate to be issued pursuant to Conditions 3.2 (*Transfer of Registered Securities in definitive form*) and 3.3 (*Exercise of options or partial Redemption in respect of Registered Securities*) will be available for delivery within 5 Dublin Business Days of surrender of the relevant Individual Certificate and, if applicable, receipt of the relevant request for exchange, form of transfer or notice of exercise together with such other evidence (if any) as may be required pursuant to the relevant Condition. Delivery of new Individual Certificate(s) shall be made at the specified office of the Registrar to whom surrender of such Individual Certificate and, if applicable, delivery of such request, form of transfer or notice of exercise shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, notice of exercise or otherwise in writing, shall be mailed at the risk of the holder entitled to the new Individual Certificate to such address as may be so specified.

Exchange and transfer of Carbon Securities on registration or transfer (as contemplated by this Condition 3.4 (*Delivery of new Individual Certificates*)) may be subject to a charge by or on behalf of the Issuer, the Issuing and Paying Agent, the Registrar, or any relevant agent of the Issuer and/or payment by the relevant Securityholder (or the giving by the relevant Securityholder of such indemnity as the Registrar may require in respect thereof) of any Tax or other governmental charges which may be imposed in relation to it.

3.5 **Closed periods**

No Securityholder may require the transfer of a Registered Security to be registered (i) during the period of 15 calendar days ending on the due date for Redemption of that Carbon Security, (ii) during the period of 15 calendar days prior to any date on which Carbon Securities may be Redeemed pursuant to Condition 7 (*Redemption*) (as applicable) or by the Issuer at its election pursuant to Condition 8.1 (*Issuer Call Redemption Event*), (iii) after any such Carbon Security has been drawn for Redemption in whole or in part, or (iv) during the period of 7 calendar days ending on (and including) any Record Date.

3.6 **Exchange of Uncertificated Registered Securities**

All transactions in respect of Uncertificated Registered Securities (including, without limitation, transfers of the Carbon Securities) in the open market or otherwise must be effected through an account with EUI. All transfers of the Carbon Securities shall be subject to and made in accordance with the Uncertificated Regulations and the rules, procedures and practices in effect of the Registrar and CREST. The Uncertificated Regulations and such rules, procedures and practices may change from time to time. No provision of the Conditions shall (notwithstanding anything to the contrary herein) apply or have effect to the extent that it is in any respect inconsistent with: (i) the holding of title to the Carbon Securities in Uncertificated Form, (ii) the transfer of title to Uncertificated Registered Securities by means of registration in the Register, or (iii) the Uncertificated Regulations.

If at any time the Carbon Securities cease to be held in Uncertificated Form and/or accepted for clearance through CREST, or notice is received by or on behalf of the Issuer that the Carbon Securities will cease to be held in Uncertificated Form and cleared through CREST and/or CREST is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or CREST announces an intention permanently to cease business or does in fact do so, the Carbon Securities shall continue to be in registered form and the Issuer, the Registrar, the Issuing and Paying Agent and any other relevant Programme Party may agree such procedures as they determine necessary in relation to the transfer of Uncertificated Registered Securities and shall as soon as reasonably practicable give notice thereof to the Securityholders in accordance with Condition 17 (*Notices*).

The provisions of the second paragraph of this Condition 3.6 (*Exchange of Uncertificated Registered Securities*) shall apply equally in the case where a holder ceases to be a CREST member, but for such purposes only the affected holder will need to be notified of the procedures adopted.

If the rules and procedures of the Registrar and/or for so long as the Uncertificated Registered Securities are held in CREST the rules and procedures of CREST include any closed period in which no Securityholder may require the transfer of an Carbon Security to be registered in the Register, such closed periods shall apply to Uncertificated Registered Securities. Details of any such closed period will be available from the Registrar.

4 **CONSTITUTION AND STATUS**

Each Class of Carbon Securities is constituted by the applicable Trust Deed and secured by the applicable Security Deed, and each applicable Security Document. The Carbon Securities of each Class are secured, limited recourse obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 6 (*Security*) and recourse in respect of which is limited in the manner described in

Condition 6.4 (*Limited recourse and non-petition*). Each Carbon Security has a Principal Amount set out in the Final Terms and without prejudice to the provisions of Condition 7 (*Redemption*) but subject always to the provisions of Condition 6.4 (*Limited recourse and non-petition*), a Securityholder may elect to receive on Redemption an amount in cash equal to the Principal Amount in lieu of the amount otherwise specified in Condition 7 (*Redemption*). The Issuer acknowledges in the Trust Deed its indebtedness in respect of the aggregate Principal Amount.

5 CARBON ENTITLEMENT

5.1 Calculation and publication of Carbon Entitlement per Security

The Administrator shall determine the Carbon Entitlement per Security in respect of each calendar day and each Class of Carbon Security, and the Issuer shall publish such Carbon Entitlement per Security in respect of each calendar day during the term of the Carbon Securities on the Issuer's Website up to (and including) the Compulsory Redemption Date in respect of all of the Outstanding Carbon Securities of such Class.

5.2 Initial Carbon Entitlement per Security

As at the Issue Date of the Initial Tranche of SparkChange Physical Carbon EUA ETC and until the first trading day on a stock exchange, such Class of Carbon Securities shall have a Carbon Entitlement per Security of 1.000000000 EUAs.

5.3 Calculation of Carbon Entitlement per Security

Subject to Condition 5.2 (*Initial Carbon Entitlement per Security*), the Carbon Entitlement per Security on a calendar day shall be a number of Allowances of the Relevant Allowance Type per Carbon Security (calculated to nine decimal places with 0.0000000005 Allowances rounded upwards, and subject to a floor of zero) calculated by the Administrator as follows for each Class of Carbon Security:

$$CE_{(i,t)} = CE_{(i,t-1)} \times \{1 - TER_{(i,t)}\}^{(1/365)}$$

Where:

"i" means the Relevant Class of Carbon Security;

"t" means the applicable day;

"CE_(i,t)" means the Carbon Entitlement per Security in respect of the relevant calendar day for the Relevant Class;

"CE_(i,t-1)" means the Carbon Entitlement per Security on the calendar day prior to the applicable day t for the Relevant Class; and

"TER_(i,t)" means the Total Expense Ratio for the Relevant Class, expressed as a constant decimal.

5.4 Total Expenses Ratio

- (a) The "Total Expense Ratio" is the rate per annum specified as such in the Final Terms in respect of each Class of Carbon Securities. The Total Expense Ratio in respect of a Class is applied to the Carbon Entitlement per Security for such Class on a daily basis to determine a daily deduction of a number of Allowances from such Carbon Entitlement per Security. The initial Total Expense Ratio for each Class shall be set out in the Final Terms of the first Tranche of Carbon Securities for that Class.

- (b) The Total Expense Ratio shall cease to apply to a Class of Carbon Securities on the Compulsory Redemption Date relating to such Class.
- (c) The Issuer may vary the Total Expense Ratio in respect of a Class provided that no increase in the Total Expense Ratio in respect of a Class will take effect unless the Securityholders of such Class have been given at least 30 calendar days' prior notice in accordance with Condition 17 (*Notices*).
- (d) The Issuer shall publish the Total Expense Ratio in respect of each Class of Carbon Securities from time to time on the Issuer's Website.

5.5 **Total Expense Ratio Allowances**

Any accrued Allowances representing the reduction in the aggregate Carbon Entitlement for all Securities in issue due to the daily application of the Total Expense Ratio to the Carbon Entitlement per Security will be transferred from the relevant Backing Issuer Secured Allowance Account and will be sold, and their proceeds paid to the order of the Backing Issuer.

6 **SECURITY**

6.1 **Enforcement of Security constituted by the Security Documents**

The Security constituted by the applicable Security Documents in respect of each Class shall become enforceable upon the occurrence of an Event of Default.

6.2 **Realisation of Security constituted under each Security Document**

At any time after the Security constituted by any Security Document has become enforceable, the Trustee may, at its discretion, and shall, if so directed in writing by (i) the holders of at least one-fifth in number of the Carbon Securities of the relevant Class then Outstanding, or (ii) by an Extraordinary Resolution of the Securityholders of the relevant Class, in each case subject to its having been prefunded and/or secured and/or indemnified (without prejudice to any further demand) to its satisfaction against all liabilities which may be incurred in connection with acting on such directions, direct the Security Trustee to enforce the Security constituted by the relevant Security Document.

To do this, the Security Trustee shall once directed to do so by the Trustee, (i) enforce any relevant Programme Document relating to the Carbon Securities of such Class in accordance with its or their terms and/or take action against the relevant Obligor(s), (ii) direct the Backing Issuer Security Trustee to enforce the Security constituted by a relevant Backing Issuer Security Document, (iii) take action against the Issuer, and/or (iv) take possession of and/or realise all or part of the assets over which the Security constituted by the relevant Security Document shall have become enforceable and may in its discretion, sell, call in, collect and convert into money all or part of such assets, in such manner, at such time and on such terms as it thinks fit, in each case without any liability as to the consequence of such action and without having regard to the effect of such action on individual Securityholders.

The Security Trustee may, in writing, appoint a receiver or receivers over all or part of the assets over which the Security constituted by the relevant Security Document shall have become enforceable and may remove any receiver so appointed and appoint another in its place. No delay or waiver of the right to exercise these powers shall prejudice their future exercise.

Neither the Security Trustee nor any receiver appointed by it or any attorney or agent of the Security Trustee shall, by reason of taking possession of any assets or any other reason and whether or not as mortgagee in possession, be liable to account for anything except actual receipts or be liable for any Loss or damage arising from the realisation of such assets or from any act or omission to such assets or otherwise unless such Loss or damage shall be caused by its own fraud, gross negligence or wilful misconduct.

The Security Trustee shall not be required to take any action in relation to the Security constituted by a Security Document which may be illegal or contrary to any applicable law or regulation or cause it to expend or risk its own funds or otherwise incur any liability (including any personal liability) in the performance of its duties or in the exercise of any of its rights, powers and discretions, without first being indemnified and/or secured and/or prefunded (without prejudice to any further demand) to its satisfaction against all liabilities which may be incurred in connection with such action.

6.3 **Application of proceeds of enforcement of Security**

Pursuant to the terms of the Trust Deed, the Trustee will apply any amounts received or recovered under the applicable Trust Deed and the proceeds derived from the realisation of the assets that are the subject of the Security constituted by the relevant Security Documents (whether by way of liquidation or enforcement) as follows:

- (i) firstly, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts properly incurred by or payable to the Trustee, the Security Trustee or any receiver in respect of the Carbon Securities under or pursuant to the Security Documents (which shall include, without limitation, any Taxes required to be paid by the Trustee and/or the Security Trustee (other than any income, corporation or similar Tax in respect of the Trustee's and/or the Security Trustee's remuneration), the costs of enforcing or realising all or some of the Security constituted by the Security Documents);
- (ii) second, in payment or satisfaction of any fees, expenses or other amounts due pursuant to the Issuing and Paying Agency Agreement (including payment of any amounts owing for reimbursement in respect of any proper payment of amounts paid to Securityholders and default interest (if any) made to the Securityholders);
- (iii) third, in payment of any amounts owing to HANetf pursuant to the Management and Determination Agent Agreement;
- (iv) fourth, in payment of any amounts owing to the Securityholders *pari passu* and rateably; and
- (v) fifth, in payment of any balance to the Issuer for itself.

6.4 **Limited recourse and non-petition**

In respect of any claim against the Issuer in connection with any relevant Class of Carbon Securities or otherwise (whether arising under the relevant Trust Deed, the Programme Documents, the general law or otherwise), the Programme Parties and the Securityholders shall have recourse only to the Secured Property in respect of such relevant Class of Carbon Securities, and not to any other assets of the Issuer. If, following realisation in full of the Secured Property (whether by way of liquidation or enforcement) and application of available cash sums as provided in this Condition 6 (*Security*), the Trust Deed and any Security Deed, as applicable, any outstanding claim against the Issuer, whether secured or unsecured, remains unpaid, then such outstanding claim shall be extinguished and no debt shall be owed by the Issuer in respect thereof. Following the extinguishment of any such claim, none of the Programme Parties, the Securityholders or any other person acting on behalf of any of them shall be entitled to take any further steps against the Issuer or any of its officers, shareholders, corporate service providers or directors to recover any further sum in respect of the extinguished claim and no debt shall be owed to any such persons by the Issuer in respect of such further sum.

None of the Programme Parties or the Securityholders or any person acting on behalf of any of them may, at any time, bring, institute or join with any other person in bringing, instituting or joining insolvency, administration, bankruptcy, winding-up, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its assets (other than in respect of the Secured Property in respect of the Carbon Securities in

question), and none of them shall have any claim arising with respect to the sums, assets and/or property attributable to any other securities issued by the Issuer (save for any further securities which form a single Class with the Carbon Securities).

The provisions of this Condition 6.4 (*Limited recourse and non-petition*) shall survive notwithstanding any Redemption of the Carbon Securities or the termination or expiration of any Programme Document.

6.5 Issuer's rights as beneficial owner of Secured Property

Unless otherwise directed in a Security Document at any time before the Security constituted by a Security Document in respect of a Class of Carbon Securities becomes enforceable, the Issuer may without the prior written consent of the Trustee or Security Trustee:

- (a) take such action in relation to the Secured Property relating to the Carbon Securities as may not be prohibited by the Programme Documents; and
- (b) exercise any rights incidental to the ownership of the assets which are the subject of the Security constituted by the relevant Security Document and are exercisable by the Issuer and, in particular (but, without limitation, and without responsibility for their exercise), any voting rights in respect of such property and all rights to enforce any such ownership interests in respect of such property,

provided that the Issuer shall not exercise any rights with respect to such assets if it would be prejudicial to any Security in respect of such Carbon Securities or if it is directed to the contrary by the Trustee or by an Extraordinary Resolution. If such direction is given, the Issuer shall act only in accordance with such direction.

7 REDEMPTION

7.1 Redemption right

Each Carbon Security shall carry:

- (a) if Carbon Delivery applies, a right on Redemption pursuant to this Condition 7 (*Redemption*) to delivery of a number of Allowances equal to the Carbon Entitlement per Security as further specified in Condition 7.7 (*Carbon Delivery*); and
- (b) if Carbon Sale applies, a right on Redemption pursuant to this Condition 7 (*Redemption*) or pursuant to a Compulsory Redemption to payment of any amount equal to the pro-rata share in respect of that Carbon Security in the Net Redemption Sale Proceeds of the Carbon Sale as further specified in Condition 7.8 (*Carbon Sale*) or Condition 8.5 (*Compulsory Redemption Process*) (as the case may be).

7.2 Redemption by Authorised Participants

A Securityholder who is also an Authorised Participant may (subject to these Conditions) require the Issuer to Redeem all or any part of its holdings in Carbon Securities by submitting a valid Redemption Form. Carbon Delivery shall apply to such Redemption save that Carbon Sale will apply in the circumstances specified in Condition 7.8 (*Carbon Sale*).

7.3 Redemption by Non-AP Securityholders

A Non-AP Securityholder may (subject to these Conditions) require the Issuer to Redeem all or any part of its holdings in Carbon Securities by submitting a valid Redemption Form. Carbon Delivery shall apply to such Redemption save that Carbon Sale shall apply in the circumstances specified in Condition 7.8 (*Carbon Sale*).

7.4 Redemption Forms

- (a) A Redemption Form:
 - (i) must be in writing;
 - (ii) must specify the number and Class of any Carbon Securities to be Redeemed;
 - (iii) must:
 - (A) in respect of a Redemption Form submitted by a Non-AP Securityholder, be signed by the Securityholder or by an authorised signatory on behalf of it; or
 - (B) in respect of a Redemption Form submitted by an Authorised Participant, be authenticated by such other method as described in the Operating Procedures; and
 - (iv) is irrevocable once it has been submitted to the Issuer.
- (b) A Redemption Form shall only be valid if:
 - (i) it is in the form specified by the Issuer with respect to the type of Securityholder (Securityholder that is also an Authorised Participant or Non-AP Securityholder) and the applicable Redemption Mechanism;
 - (ii) it complies with the requirements of Conditions 7.4(a)(i) (*Redemption Forms*) to 7.4(a)(iii) (*Redemption Forms*);
 - (iii) the Redemption does not constitute a Prohibited Physical Redemption;
 - (iv) it is received by the Issuer between 4.30 p.m. (London time) and the Notice Deadline on any Business Day (save that the Issuer may in its sole and absolute discretion decide to treat a Redemption Form received on a Business Day after the Notice Deadline as if it had been received before the Notice Deadline);
 - (v) in the case of a Redemption by a Non-AP Securityholder, the Securityholder has paid the Redemption Fee referred to at Condition 7.5 (*Redemption Fees*);
 - (vi) it is confirmed as valid by the Issuer (or the Administrator acting on behalf of the Issuer) by 5 p.m. on the Business Day on which it is received (or deemed to be received);
 - (vii) the Securityholder has complied with all compliance and identification checks reasonably required by the Issuer;
 - (viii) the Redemption Form is received or is deemed to have been received before the occurrence of a Compulsory Redemption Event;
 - (ix) it is not invalid by virtue of a suspension of Redemptions pursuant to Condition 7.9 (*Suspension of Redemptions*);
 - (x) the Carbon Entitlement in respect of the Carbon Securities of a Class to be Redeemed by the Securityholder is at least 10,000 Allowances;
 - (xi) in the case of a Redemption by a Non-AP Securityholder by Carbon Delivery, the Redemption Form specifies a Securityholder Holding Account into which Allowances of the Relevant Allowance Type can be deposited and such account has Trusted Status; and

- (xii) the acceptance of such Redemption Form will not cause the number of Carbon Securities which remain Outstanding following such Redemption to be less than 10 Carbon Securities.
- (c) The Issuer shall be deemed to have received a Redemption Form upon it or the Administrator having received it.
- (d) If the Issuer (or the Administrator on its behalf) determines that a Redemption Form is valid, it shall confirm that fact to the Securityholder as soon as reasonably practicable. No Carbon Securities may be Redeemed pursuant to a Redemption Form that the Issuer has not confirmed as valid.
- (e) Once it has received a valid Redemption Form from a Securityholder in relation to Carbon Securities and confirmed that fact to the Securityholder, the Issuer shall take all steps necessary to give effect to such Redemption Form as required by this Condition 7 (*Redemption*).
- (f) The Issuer may change or vary the procedures for the submission of Redemption Forms on not less than 5 calendar days' prior notice to the Securityholders in accordance with Condition 17 (*Notices*) and these Conditions shall be interpreted accordingly. Where the Issuer has an obligation under these Conditions with respect to the submission of Redemption Forms it may delegate the performance of that obligation on its behalf to the Administrator.

7.5 Redemption Fees

- (a) On an Optional Redemption of Carbon Securities by an AP Securityholder, the Standard Redemption Fee payable by a Securityholder shall be the amount specified in the Operating Procedures.
- (b) On an Optional Redemption of Carbon Securities by a Non-AP Securityholder, the Standard Redemption Fee payable by the Securityholder shall be an amount equal to the cost to the Issuer of complying with the Redemption Form, which shall be notified to the Securityholder at the time of the Redemption, and shall not be greater than €3,000 or such other amount as may be notified in accordance with Condition 17 (*Notices*). The Issuer may agree to receive such Redemption Fee in a currency other than the Relevant Currency converted at the then prevailing exchange rate. Any such Redemption Fee shall be payable in cash and shall not be capable of being set-off against any amount due to the Securityholder on Redemption.
- (c) On an Optional Redemption of Carbon Securities of a Class, the Issuer may charge a Variable Redemption Fee in an amount of Allowances of the Relevant Allowance Type if the Determination Agent determines that (or there is a material risk that) some Allowances of the Relevant Allowance Type may have a different market value than other such Allowances. In such circumstances, the amount of any Variable Redemption Fee shall be determined by the Determination Agent and shall set at a level considered by the Determination Agent to be appropriate to protect the integrity of the Programme and prevent the Redeeming Securityholder obtaining an advantage from such a circumstance at the expense of other Securityholders. Where Carbon Delivery applies to an Optional Redemption of Carbon Securities of a Class, it is a condition to the performance by the Issuer of its obligation to Redeem Carbon Securities that the Issuer may deduct the Variable Redemption Fee from the Carbon Entitlement of the Carbon Securities of such Class being Redeemed or other Allowances due to the Securityholder on Redemption.
- (d) On a Compulsory Redemption of Carbon Securities by the Issuer pursuant to Condition 8.4 (*Compulsory Redemption for Cause*), a Standard Redemption Fee shall be payable by the Securityholder in an amount equal to the cost to the Issuer incurred in respect of the Redemption, being an amount not greater than the amount specified in the Operating Procedures or such other amount as may be notified in accordance with

Condition 17 (*Notices*). The Issuer shall give notice to Securityholders of Carbon Securities subject to such Compulsory Redemption of the amount of those costs and their allocation to particular Securityholders at the time of the Redemption. The Issuer may agree to receive such Redemption Fee in a currency other than the Relevant Currency converted at the then prevailing exchange rate available to, and as certified by, the Issuer. Any such Redemption Fee shall be payable in cash and shall not be capable of being set-off against any amount due to the Securityholder on Redemption. No Redemption Fee is payable with respect to a Compulsory Redemption save pursuant to Condition 8.4 (*Compulsory Redemption for Cause*).

- (e) Save where Condition 7.5(b) (*Redemption Fees*) applies, it is a condition to the performance by the Issuer of its obligation to Redeem Carbon Securities where Carbon Sale applies that the Issuer may deduct the Standard Redemption Fee from the pro-rata share of the Net Redemption Sale Proceeds or other amount due to the Securityholder on Redemption and that if it does not so deduct the Standard Redemption Fee from such amount the Securityholder shall pay the Standard Redemption Fee in accordance with this Condition 7.5 (*Redemption Fees*). Save where Condition 7.5(b) (*Redemption Fees*) applies, the Issuer may set-off the amount of the Redemption Fee payable under this Condition 7.5 (*Redemption Fees*) against the pro-rata share of the Net Redemption Sale Proceeds or other amount due to the Securityholder on Redemption.

7.6 Redemption Obligations

- (a) Upon a valid Redemption Form having been submitted and its validity having been confirmed by the Issuer (or the Administrator on its behalf) in respect of Carbon Securities, those Carbon Securities may not be transferred by the Securityholder except where such transfer is to the Issuer, and the Issuer may refuse to recognise any other purported transfer.
- (b) Where a Redemption Form has been submitted for the Redemption of Carbon Securities, the Securityholder of the Carbon Securities subject to the Redemption must:
 - (i) (if the Carbon Securities subject to the Redemption are in Uncertificated Form), transfer the Carbon Securities into an appropriate account with the Relevant Clearing System and give correct instructions in accordance with the Redemption Form; and
 - (ii) (if the Carbon Securities subject to the Redemption are in Certificated Form), deliver the Carbon Securities to be Redeemed and any certificates representing them to the Issuer in such manner as the Issuer may agree.
- (c) In order for the Issuer to effect a Redemption on the Redemption Settlement Date of an AP Securityholder, the AP Securityholder must have complied in full with its obligations under Condition 7.6(b) (*Redemption Obligations*) (its "**Securities Delivery Obligation**") by 3.00 p.m. London time on the second Business Day following the Trade Date. Any failure by the AP Securityholder to comply with its Securities Delivery Obligation by that time shall not cause the Redemption of such Carbon Securities to be invalid but the AP Securityholder shall not be entitled to deliveries or payments in connection with the Redemption unless and until the Securities Delivery Obligation has been complied with. No interest or other amount shall be payable in connection with late deliveries or payments resulting from a failure to comply with the Securities Delivery Obligation.
- (d) In order for the Issuer to effect a Redemption of a Non-AP Securityholder, the Issuer may require that the Non-AP Securityholder comply with certain requirements relating to the delivery of the Carbon Securities being Redeemed and may set other requirements relating to security, identity and Redemption Fees not otherwise specified in these Conditions (these requirements together, the "**Non-AP Obligations**"). Any failure by the Non-AP Securityholder to comply with its Non-AP Obligations shall not

cause the Redemption of such Carbon Securities to be invalid but the Non-AP Securityholder shall not be entitled to deliveries or payments in connection with the Redemption unless and until the Non-AP Obligations have been complied with. No interest or other amount shall be payable in connection with late deliveries or payments resulting from a failure to comply with the Non-AP Obligations.

- (e) If Carbon Securities are Redeemed in accordance with this Condition 7 (*Redemption*) or Condition 8 (*Compulsory Redemption*), the Issuer shall have the right to cancel the entry in the Register in respect of the Carbon Securities being Redeemed upon: (i) delivery of the Carbon Entitlement to the relevant Securityholder in respect of the Carbon Securities being Redeemed, or (ii) payment of the amount due to the relevant Securityholder pursuant to Condition 7.8 (*Carbon Sale*) or Condition 8.5 (*Compulsory Redemption Process*).
- (f) The Issuer may, at any time, notify a Securityholder that the Issuer may have to withhold or deduct from any payment (if applicable) that corresponds to the Redemption Form an amount for or on account of, any present or future Taxes as required by law (as modified by the practice of any relevant governmental revenue authority) then in effect and such notice shall specify any form or document to be delivered by beneficial owners of Carbon Securities that may allow the Issuer to make such payment without any such withholding or deduction or with such withholding or deduction at a reduced rate. If such forms or documents are not provided to the Issuer by the relevant Securityholder or if it is not the beneficial owner of the Carbon Securities held by such Securityholder and which are to be Redeemed, then any such payment will be reduced (and the matching obligation of the Issuer to deliver or to procure the delivery of the Carbon Entitlement per Security), or other amount due to that Securityholder will also be reduced, by the amount of the withholding or deduction.

7.7 Carbon Delivery

- (a) If Carbon Securities of a Class are required to be Redeemed by Carbon Delivery in accordance with this Condition 7 (*Redemption*), the Issuer shall, upon receipt of the relevant valid Redemption Form and satisfaction of the Securities Delivery Obligation and its obligations with respect to the delivery of the Backing Note backing such Carbon Securities, instruct Backing Issuer pursuant to the Relevant Note to transfer Allowances attributable to or forming part of the Backing Issuer Assets in respect of the Relevant Notes from the relevant Backing Issuer Secured Allowance Account to the applicable Securityholder Holding Account in an amount equal to the Carbon Entitlement of the Carbon Securities held by that holder that are being Redeemed, calculated as of the Trade Date, to be delivered to such account on the Redemption Settlement Date.
- (b) If Carbon Securities are Redeemed by Carbon Delivery, all title to and risk in such Allowances shall pass to the Redeeming Securityholder upon delivery to the Securityholder Holding Account. Neither the Issuer nor the Trustee shall be liable for any failure by the Backing Issuer to effect a delivery of the required Allowances to the Securityholder Holding Account. If such failure occurs, the Issuer shall to the extent reasonably practicable assign to the Redeeming Securityholder its claims in respect of such Allowances in satisfaction of all claims of such Securityholder in respect of the Carbon Securities to be Redeemed and the Securityholder shall have no further claims in respect of such Redemption against the Issuer or the Secured Property.

7.8 Carbon Sale

- (a) Carbon Sale will apply if:
 - (i) Carbon Sale is specified in the Final Terms as being an available Redemption Mechanism in case of Optional Redemption and a Securityholder elects in the Redemption Form for Carbon Sale to apply to such Optional Redemption;

- (ii) in the case of a Redemption by a Non-AP Securityholder, the Securityholder does not certify in the Redemption Form that it is not a Prohibited Allowance Holder; or
 - (iii) the Allowances to which the Securityholder is entitled on Redemption are not successfully delivered to the Securityholder (unless this results from the fault of the Issuer) and are not claimed by such Securityholder by the 30th calendar day after the Redemption Settlement Date (whereupon the Carbon Entitlement per Security will be determined as of the first Business Day following the expiry of such 30 day period).
- (b) If Carbon Sale is the applicable Redemption Mechanism to the Optional Redemption of Carbon Securities by one or more Securityholders, the Issuer will:
 - (i) instruct the Backing Issuer pursuant to the Backing Note to give notice to the Disposal Counterparty under the Disposal Counterparty Agreement to purchase as soon as reasonably practicable given market conditions and in any event within the Carbon Sale Period a number of Allowances attributable to or forming part of the Backing Issuer Assets equal to the Allowance Carbon Sale Number of each relevant Class; and
 - (ii) direct the Backing Issuer to deliver Allowances in such numbers and on such days so as to give effect to the Redemption in accordance with the these Conditions and the Disposal Counterparty Agreement, provided that the Issuer accepts and agrees that the Backing Issuer shall not make such delivery if the Disposal Counterparty has failed to pay any Net Redemption Sale Proceeds due and payable on a day prior to the applicable Business Day and such failure is continuing.
- (c) The Issuer will remit to each relevant Securityholder through the Relevant Clearing System or to the Securityholder Cash Account its pro-rata share of the aggregate total of the Net Redemption Sale Proceeds received by the Issuer (less any Redemption Fee in accordance with Condition 7.5 (*Redemption Fees*)).
- (d) If Carbon Sale applies the Securityholder of the Carbon Securities being Redeemed acknowledges and agrees:
 - (i) to accept its pro-rata share of the aggregate Net Redemption Sale Proceeds received by the Issuer less any unpaid Redemption Fee in full settlement of the obligations of the Issuer in respect of the Redemption of such Carbon Securities;
 - (ii) that the Issuer and the Trustee make no representations or warranties as to the price at which Allowances will be sold or the amount of the proceeds of sale received or realised from the sale of Allowances;
 - (iii) that in the event that the Disposal Counterparty fails to pay any part of the Net Redemption Sale Proceeds in accordance with the terms agreed pursuant to the Disposal Counterparty Agreement the liability of the Issuer to Redeem such Carbon Securities by way of Carbon Sale shall be reduced by the amount of the deficiency in the payment received; and
 - (iv) that neither the Issuer nor the Trustee shall be liable for any delay, failure or misconduct by the Backing Issuer or the Disposal Counterparty in respect of any purchase of Allowances pursuant to the Disposal Counterparty Agreement, but in the event of any such failure, delay or misconduct, the Issuer shall to the extent practicable assign to the Redeeming Securityholder its claims in relation to such Allowances in satisfaction of all claims of such Securityholder in respect of the Carbon Securities to be Redeemed and the Securityholder shall have no further claims against the Issuer or the Secured Property.

7.9 Suspension of Redemptions

- (a) If on any Business Day (a "**Threshold Event Date**") the Determination Agent determines that the market value of the Carbon Entitlement per Security has fallen to less than 300 per cent of the Principal Amount of the Carbon Securities:
 - (i) the Issuer may at any time after the Threshold Event Date, for so long as the Determination Agent determines that the market value of the Carbon Entitlement per Security continues to be less than 300 per cent of the Principal Amount of the Carbon Securities, suspend the right to request Redemption of Carbon Securities pursuant to Condition 7 (*Redemption*); and
 - (ii) the Issuer shall give notice convening a meeting of Securityholders to take place on a date not more than 30 calendar days after the Threshold Event Date for the purpose of considering an Extraordinary Resolution which would have the effect of reducing the Principal Amount of the Carbon Securities to an amount which the Determination Agent determines is not less than 2 per cent of the market value of the Carbon Entitlement per Security as at the time of suspension of Redemptions, in which event the suspension will cease only if such Extraordinary Resolution is passed,

in each case, subject as provided in this Condition 7 (*Redemption*), the Issuer may at its discretion terminate any such suspension at any time.

- (b) The following provisions shall apply where Redemptions have been suspended pursuant to Condition 7.9(a) (*Suspension of Redemptions*):
 - (A) the Issuer shall give notice of any such suspension and of the termination of any such suspension to the parties to the relevant Programme Documents and the Securityholders in accordance with Condition 17 (*Notices*), as soon as reasonably practicable, but the failure to give any such notice shall not prevent the exercise of such discretions;
 - (B) any such suspension may continue for a period of up to 60 calendar days, and may continue thereafter at the discretion of the Issuer if the Extraordinary Resolution referred to in Condition 7.9(a)(ii) (*Suspension of Redemptions*) above has not been passed; and
 - (C) any suspension shall not affect any Redemption pursuant to a Redemption Form confirmed as valid on a date which had passed before the suspension commenced, but any Redemption Form in respect of Carbon Securities submitted or deemed to be received on a Business Day when the right to request Redemption of the Carbon Securities is suspended pursuant to this Condition 7.9 (*Suspension of Redemptions*) shall be invalid.

7.10 Redemption Settlement Date

In relation to any Redemption pursuant to this Condition 7 (*Redemption*), the Redemption Settlement Date will be the second Business Day following the applicable Trade Date, provided that in:

- (a) the case of a Redemption by Carbon Delivery where the Redeeming Securityholder is not also an Authorised Participant, the Redemption Settlement Date shall be the second Business Day following the date on which the Issuer (or the Administrator on its behalf) notifies the Redeeming Securityholder that it has complied with all applicable Non-AP Obligations (or that there are no Non-AP Obligations); and
- (b) the case of Redemption by Carbon Sale the Redemption Settlement Date shall be the second Business Day following receipt by the Issuer in full cleared funds of the

aggregate of the Net Redemption Sale Proceeds with respect to the Carbon Sale Period (and if such day is not also a Payment Business Day, the Redemption Settlement Date will be the next Payment Business Day).

8 COMPULSORY REDEMPTION

8.1 Issuer Call Redemption Event

The Issuer may, on giving an irrevocable notice to the relevant Securityholders in accordance with Condition 17 (*Notices*), elect to Redeem all or some only of the Carbon Securities of a Class and designate a Compulsory Redemption Date for such purposes, provided that the date designated as the Compulsory Redemption Date shall not be earlier than 30 calendar days following the date of the relevant notice (such notice an "**Issuer Call Redemption Notice**"). In the event that the Issuer elects to Redeem only some of the Outstanding Carbon Securities of a Class pursuant to an Issuer Call Redemption Notice, a pro-rata portion of each Securityholder's Carbon Securities of such Class shall be subject to such Redemption.

For the purposes of Condition 8.2 (*Compulsory Redemption Events*), a Compulsory Redemption Event in the form of an "**Issuer Call Redemption Event**" will occur on the Compulsory Redemption Date designated in the Issuer Call Redemption Notice (or if such day is not a Business Day on the first following Business Day). The Issuer shall give a copy of the Issuer Call Redemption Notice to each of the relevant Programme Parties on the same date as such notice is given to the Securityholders.

8.2 Compulsory Redemption Events

Each of the following events shall be a compulsory Redemption event in respect of the Carbon Securities of a Class (each a "**Compulsory Redemption Event**"). Upon the occurrence of a Compulsory Redemption Event, the Issuer shall notify the Backing Issuer within 1 Business Day of such Compulsory Redemption Event:

- (a) **Threshold Redemption Event:** if on any Business Day falling on or after the 60th calendar day following a Threshold Event Date, the market value (as determined by the Determination Agent) of the Carbon Entitlement per Carbon Security of a Class is less than 175 per cent of the Principal Amount of such Carbon Securities, the Issuer shall designate a Compulsory Redemption Date in respect of the Class of Carbon Securities;
- (b) **Termination of appointment of Agent or Authorised Participants:** if any of the Determination Agent, the Administrator, the Issuing and Paying Agent, the Registrar, the Transfer Agent, the Disposal Counterparty in relation to a Class of Carbon Securities, the Account Bank in relation to a Class of Carbon Securities or all of the Authorised Participants in relation to the Carbon Securities resign their appointment or their appointment is terminated for any reason and no successor or replacement has been appointed at the time that such resignation or termination takes effect in accordance with the applicable Programme Document, and the Issuer gives notice (an "**Agent Redemption Event Notice**") to the relevant Programme Parties and the relevant Securityholders in accordance with Condition 17 (*Notices*), a Compulsory Redemption Date will occur on the tenth Business Day after the date of the Agent Redemption Event Notice;
- (c) **Termination of Registry Agreement:** if any Registry Agreement is terminated or any Backing Issuer Secured Allowance Account is closed (or required to be closed) and no replacement Registry Agreement has been entered into or Backing Issuer Secured Allowance Account opened (as the case may be) at the time that such termination or closure takes effect in accordance with the applicable Programme Document, and the Issuer gives notice (an "**Secured Account Redemption Event Notice**") to the relevant Programme Parties and the relevant Securityholders in accordance with Condition 17 (*Notices*), a Compulsory Redemption Date will occur on the fifth Business Day after the date of the Secured Account Redemption Event Notice;

- (d) **Change in Law or Regulation Redemption Event:** if on or after the Class Issue Date due to a Change in Law:
- (i) it has (or the Issuer reasonably expects that it will) become illegal for:
 - (A) the Issuer to perform its obligations under the Carbon Securities; or
 - (B) the Backing Issuer to perform its obligations under the Backing Note; or
 - (ii) the Issuer would (or would expect) that:
 - (A) it will incur a materially increased cost in performing its obligations under the Carbon Securities; or
 - (B) the Backing Issuer will incur a materially increase cost of performing its obligations under the Backing Note,

(including, in each case and without limitation, any increase in any applicable Taxes, any decrease in any applicable tax benefit and/or any other costs or liability to Tax of the Issuer relating to any change in any applicable tax law or regulation),
- then the Issuer may give the relevant Programme Parties and the relevant Securityholders in accordance with Condition 17 (*Notices*) notice that the Carbon Securities are to be Redeemed and designate a Compulsory Redemption Date for such purposes, provided that the date designated as the Compulsory Redemption Date shall not be earlier than the fifth London Business Day following the date of the relevant notice;
- (e) **Invalid Allowances:** if on or after a Class Issue Date it is announced in an official written public pronouncement by a Trading Scheme Authority that all or any Allowances of the Relevant Allowance Type and/or issued in a specified phase of the Trading Scheme or by a particular competent authority are not valid or transferable under the Trading Scheme or shall not be so valid or transferable upon the passage of time, the occurrence of any event or both, the Issuer may give the relevant Programme Parties and the relevant Securityholders in accordance with Condition 17 (*Notices*) notice that a proportionate number of Carbon Securities to the Allowances affected by the pronouncement are to be Redeemed and designate a Compulsory Redemption Date for such purposes, provided that the date designated as the Compulsory Redemption Date shall not be earlier than the fifth London Business Day following the date of the relevant notice;
- (f) **Abandonment of Trading Scheme:** if on or after a Class Issue Date the Trading Scheme is, as a result of official written public pronouncement by a Trading Scheme Authority, to be discontinued, the Issuer may give the relevant Programme Parties and the relevant Securityholders in accordance with Condition 17 (*Notices*) notice that the Carbon Securities are to be Redeemed and designate a Compulsory Redemption Date for such purposes, provided that the date designated as the Compulsory Redemption Date shall not be earlier than the fifth London Business Day following the date of the relevant notice;
- (g) **Issuer Call Redemption Event:** an Issuer Call Redemption Event occurs pursuant to Condition 8.1 (*Issuer Call Redemption Event*).

Notwithstanding anything to the contrary in the Conditions or any Programme Document, if at any time following the occurrence of a Compulsory Redemption Event (the "**Initial Early Redemption Event**") an event or circumstance which would otherwise constitute or give rise to a Compulsory Redemption Event occurs (the "**Secondary Early Redemption Event**") in respect of which the Compulsory Redemption Date relating thereto occurs (or would occur) prior to the date that would have been the Compulsory Redemption Date in respect of the

Initial Early Redemption Event, the Secondary Early Redemption Event shall prevail and all references to the "**Compulsory Redemption Event**" in the Conditions and the Programme Documents shall be construed accordingly.

8.3 Events of Default

If any of the following events (each, an "**Event of Default**") occurs, the Trustee at its discretion may, or will if so directed in writing by holders of at least one-fifth in number of the Carbon Securities of a Class then Outstanding or if so directed by an Extraordinary Resolution of a Class of Carbon Securities (provided that in each case the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer (copied to each relevant Programme Party) (such notice a "**Default Redemption Event Notice**") that such relevant Class of Carbon Securities are, and they shall immediately become, due and payable:

- (a) the Issuer defaults in the payment of any sum due in respect of a Class of Carbon Securities or any of them for a period of 14 calendar days or more;
- (b) the Issuer does not perform or comply with any one or more of its obligations (other than a payment obligation) under such Class of Carbon Securities, the Trust Deed, the Security Deed or any other Programme Document relating to that Class, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 calendar days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer by the Trustee (and, for these purposes, a failure to perform or comply with an obligation shall be deemed to be remediable notwithstanding that the failure results from not doing an act or thing by a particular time);
- (c) any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution;
- (d) an examiner is appointed in respect of the Issuer;
- (e) any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the Backing Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Backing Noteholder(s); or
- (f) the Backing Issuer seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets.

The Issuer will, as soon as reasonably practicable, after receipt of a Default Redemption Event Notice, give notice thereof to the applicable Securityholders of such Class.

8.4 Compulsory Redemption for Cause

The Issuer may, in its absolute discretion, at any time give written notice to a Securityholder that any Carbon Securities of a Class held by that Securityholder are to be subject to Compulsory Redemption and specifying a Business Day (being not less than 7 calendar days and not more than 14 calendar days following the date of the notice) to be the Compulsory Redemption Date in respect of such Carbon Securities, if the Issuer considers (in its sole discretion) (i) that such Carbon Securities are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those Carbon Securities, or (ii) that the ownership or holding or continued ownership or holding of those Carbon Securities (whether on its own or in conjunction with any other circumstance appearing to the Issuer to be relevant) would, in the

reasonable opinion of the Issuer, cause a pecuniary or tax disadvantage to the Issuer or any other Securityholders which it or they might not otherwise have suffered or incurred.

8.5 **Compulsory Redemption Process**

- (a) If a Compulsory Redemption Date is designated in accordance with these Conditions, the Carbon Securities shall be Redeemed by Carbon Sale and the provisions of this Condition 8.5 (*Compulsory Redemption Process*) shall apply.
- (b) The Issuer (or in the case of a Compulsory Redemption pursuant to Condition 8.3 (*Events of Default*) the Trustee acting on the Issuer's behalf) shall instruct the Security Trustee to direct to Backing Issuer Security Trustee to:
 - (i) instruct the Backing Issuer pursuant to the Backing Note to give notice to the Disposal Counterparty under the Disposal Counterparty Agreement to purchase in accordance with the Disposal Counterparty Agreement as soon as reasonably practicable given market conditions and in any event within the Carbon Sale Period a number of Allowances attributable to or forming part of the Backing Issuer Assets equal to the Allowance Carbon Sale Number of each relevant Class to be sold by Carbon Sale; and
 - (ii) direct the Backing Issuer to deliver Allowances in such numbers and on such days so as to settle sales of Allowances entered into between the Backing Issuer and the Disposal Counterparty on the agreed Business Days so as to give effect to the Compulsory Redemption in accordance with these Conditions and the Disposal Counterparty Agreement, provided that the Issuer accepts and agrees that the Backing Issuer shall not make a delivery of Allowances if the Disposal Counterparty has failed to pay any Net Redemption Sale Proceeds due and payable prior to the applicable Business Day and such failure is continuing.
- (c) The Issuer will remit to each relevant Securityholder through the Relevant Clearing System or to the Securityholder Cash Account its pro-rata share of the aggregate total of the Net Redemption Sale Proceeds received by the Issuer in respect of the Compulsory Redemption (less any Redemption Fee in accordance with Condition 7.5 (*Redemption Fees*)).
- (d) the Securityholder of the Carbon Securities being Redeemed acknowledges and agrees:
 - (i) to accept its pro-rata share of the aggregate total of the Net Redemption Sale Proceeds received by the Issuer in respect of the Compulsory Redemption less any unpaid Redemption Fee in full settlement of the obligations of the Issuer in respect of the Redemption of such Carbon Securities;
 - (ii) to notify the Issuer of the Securityholder Cash Account so as to enable payment by the Issuer of the Net Redemption Sale Proceeds;
 - (iii) that the Issuer and the Trustee make no representations or warranties as to the price at which Allowances will be sold, the timing of any such sale or the amount of the proceeds of sale received or realised from the sale of Allowances;
 - (iv) that in the event that the Disposal Counterparty fails to pay any part of the Net Redemption Sale Proceeds in accordance with the terms agreed pursuant to the Disposal Counterparty Agreement the liability of the Issuer to Redeem such Carbon Securities by way of Carbon Sale shall be reduced by the amount of the deficiency in the payment received; and
 - (v) that neither the Issuer nor the Trustee shall be liable for any delay, failure or misconduct by the Backing Issuer or the Disposal Counterparty in respect of any purchase of Allowances pursuant to the Disposal Counterparty Agreement, but

in the event of any such failure, delay or misconduct, the Issuer shall to the extent practicable assign to the Redeeming Securityholder its claims in relation to such Allowances in satisfaction of all claims of such Securityholder in respect of the Carbon Securities to be redeemed and the Securityholder shall have no further claims against the Issuer or the Secured Property.

8.6 **Compulsory Redemption Settlement Date**

In relation to any Compulsory Redemption, the "**Compulsory Redemption Settlement Date**" shall be the second Payment Business Day following the receipt by the Issuer in full cleared funds of the aggregate of the Net Redemption Sale Proceeds with respect to the Carbon Sale Period provided that if such day is not also a Payment Business Day, the Compulsory Redemption Settlement Date will be the next Payment Business Day.

9 **DISRUPTION EVENTS**

9.1 **Disruption Events**

The Determination Agent (or, in the case of a service provider disruption in respect of the Determination Agent in accordance with Condition 9.1(b) (*Disruption Events*), the Issuer) may (but is not obliged to), with respect to any day, determine that one or more of the following disruption events has occurred or exists on such day with respect to a Class of Carbon Securities (each such event a "**Disruption Event**"):

- (a) Carbon Trading Disruption: either:
 - (i) trading and/or settlement in the Relevant Allowance Type or futures, forward or options relating thereto is subject to a material suspension or material limitation on any primary exchange or trading facility for the trading of such Relevant Allowance Type or such futures, forwards or options; or
 - (ii) any primary exchange or trading facility for the trading of the Relevant Allowance Type or futures, forward or options relating thereto is not open for trading for any reason (including a scheduled closure); or
 - (iii) trading in the Relevant Allowance Type on such over-the-counter market or any primary exchange or trading facility for the trading of such Relevant Allowance Type or futures, forwards or options relating thereto has been permanently discontinued or has disappeared;
- (b) Service Provider Disruption: save as otherwise agreed in the relevant Programme Document(s), if any of the Determination Agent, the Administrator, all of the Authorised Participants, the Account Bank and/or the Disposal Counterparty resigns or their appointment is terminated for any reason and a successor or replacement has not yet been appointed, for such time until a successor or replacement has been appointed or an Agent Redemption Event Notice has been given under Condition 8.2(b) (*Compulsory Redemption Events*);
- (c) Registry Disruption: the occurrence of a Registry Suspension Event or Registry Disruption Event;
- (d) Backing Issuer Secured Account Closure: the Backing Issuer Secured Allowance Account is closed (or required to be closed) or the Registry Agreement is terminated and a replacement or successor Backing Issuer Secured Allowance Account or Registry Agreement (as the case may be) has not yet been opened or entered into, for such time until a replacement or successor has been opened or entered into or a Secured Account Redemption Event Notice has been given under Condition 8.2(c) (*Compulsory Redemption Events*); and/or

- (e) Backing Issuer Secured Account Disruption: any Allowances held as Backing Issuer Assets with respect to the Relevant Note has been lost or is inaccessible, other than where permitted in accordance with the Conditions and the Programme Documents.

9.2 Determination of Disruption Events and Suspension Notices

- (a) If the Determination Agent, on any day, determines that a Disruption Event has occurred or exists with respect to a Class, it may (but shall not be obliged to) on the immediately following Business Day give notice of the postponement and/or suspension of:
 - (i) any request for the Subscription and/or Redemption of Carbon Securities of such Class;
 - (ii) the settlement of any Subscription and/or Redemption of Carbon Securities of such Class; and/or
 - (iii) any Compulsory Redemption Date (whether or not such date has yet been designated), any Compulsory Redemption Settlement Date and/or the delivery of any Allowances or the payment of any amount (including any Net Redemption Sale Proceeds) in connection therewith,

to the Issuer, the Backing Issuer, the Authorised Participants, the Administrator, the Disposal Counterparty, the Trustee and the Security Trustee, specifying:

- (A) the Disruption Event which has occurred or is existing on the relevant day;
- (B) whether the suspension and/or postponement relating to such Disruption Event will be in respect of a single day (a "**Suspended Day**") or for as long as the Disruption Event continues (a "**Suspension Period**"); and
- (C) which of the dates and/or events set out in Conditions 9.2(a)(i) (*Determination of Disruption Events and Suspension Notices*) to 9.2(a)(iii) (*Determination of Disruption Events and Suspension Notices*) will be postponed and/or suspended on such Suspended Day or during such Suspension Period, as applicable (and, in determining this, the Determination Agent shall consider whether the relevant Disruption Event would disrupt the actions required to be performed by the Issuer, any Authorised Participant and/or any other Programme Party in connection with a Subscription of Carbon Securities and/or a Redemption of Carbon Securities),

(such notice, a "**Suspension Notice**"). If the Suspension Notice is in respect of a Suspension Period, such period will end when the Determination Agent notifies the Issuer, the Backing Issuer, the Authorised Participants, the Administrator, the Trustee, the Security Trustee and the Administrator that such suspension and/or postponement is over.

- (b) The Determination Agent is not under any obligation to monitor whether or not a Disruption Event has occurred or is continuing on any day with respect to a Class of Carbon Securities unless a Suspension Notice has been given in respect of a Suspension Period in which case the Determination Agent's obligation to monitor the relevant Disruption Event will continue until it has determined that such Disruption Event has ceased (following which it will give notification of the end of the Suspension Period in accordance with Condition 9.2(a)) (*Determination of Disruption Events and Suspension Notices*). The Determination Agent shall have no liability to the Issuer, the Trustee, the Security Trustee, the Backing Issuer Security Trustee, the Backing Issuer, any Securityholder, the Disposal Counterparty, any Authorised Participant or any other person for any determination or non-determination that it makes in respect of the occurrence or existence of a Disruption Event.

- (c) The Issuer shall, as soon as reasonably practicable after receipt by it of a Suspension Notice, give notice thereof to the Securityholders in accordance with Condition 17 (*Notices*).

9.3 **Postponement relating to the Redemption of the Carbon Securities**

- (a) If, in respect of a Disruption Event, the Determination Agent has specified in the related Suspension Notice that the Trade Date, Compulsory Redemption Date, Carbon Sale Date and/or Redemption Settlement Date (a "**Disruption Postponable Date**") shall be postponed until following the end of the Suspended Day or Suspension Period, then if any Disruption Postponable Date does occur on the Suspended Day or during the Suspension Period, such Disruption Postponable Date shall be deemed to have been postponed until the first following Non-Disrupted Day, provided that if no such Non-Disrupted Day has occurred on or prior to the 10th Business Day following such Disruption Postponable Date, the Issuer, acting in good faith and in consultation with the Determination Agent, shall determine an appropriate method for Redeeming the Carbon Securities and determining the Trade Date, Compulsory Redemption Date, Carbon Sale Date and/or Redemption Settlement Date, as applicable, for the purposes of such Redemption of the Carbon Securities (a "**Disrupted Redemption Method**"). For the avoidance of doubt, if any Disruption Postponable Date is postponed in accordance with this Condition 9.3(a) (*Postponement relating to the Redemption of the Carbon Securities*), then any other dates or periods determined by reference to such Disruption Postponable Date that have yet to occur or conclude as at the time of such postponement shall also be postponed or adjusted accordingly.
- (b) The Issuer shall, as soon as reasonably practicable following determination of any Disrupted Redemption Method, notify each relevant Programme Party and the relevant Securityholders of the details of such Disrupted Redemption Method in accordance with Condition 17 (*Notices*).
- (c) No additional amount shall be payable or deliverable to any Authorised Participant or any Securityholder in connection with any postponement to the timing, or any amendment to the method, in each case in accordance with Condition 9.3(a) (*Postponement relating to the Redemption of the Carbon Securities*), of Redemption of the Carbon Securities.

10 **PAYMENTS, CALCULATIONS, AGENTS AND RECORDS**

10.1 **Payments net of Taxes**

All payments or deliveries in respect of the Carbon Securities shall be made net of and after allowance for any withholding or deduction for, or on account of, any Taxes. In the event that any withholding or deduction for, or on account of, any Tax applies to payments or deliveries in respect of the Carbon Securities, the Securityholders will be subject to such Tax or deduction and shall not be entitled to receive amounts to compensate for any such Tax or deduction. No Event of Default shall occur as a result of any such withholding or deduction.

10.2 **Payments**

- (a) Payments of Principal in respect of Definitive Securities will, subject to Condition 10.3 (*Payments subject to fiscal laws*), be made against presentation and surrender of the relevant Carbon Securities at the specified office of the Issuing and Paying Agent outside the United States, by a cheque payable in the Relevant Currency drawn on, or, at the option of the holder, by transfer to, an account denominated in such currency with a Bank. "**Bank**" means a bank in the principal financial centre of the currency of payment or, in the case of euros, a city in which banks in general have access to TARGET2.
- (b) For as long as the Carbon Securities are represented by a Global Security deposited with a Relevant Clearing System and held by the Relevant Clearing System or a

Common Depositary, Common Safekeeper or nominee, as applicable, on behalf of the Relevant Clearing System, the obligations of the Issuer under the Conditions to make payments or deliveries in respect of the Carbon Securities will be discharged by payment to, or to the order of, the holder of the Global Security, subject to and in accordance with the terms of such Global Security. Each of the persons shown in the records of the Relevant Clearing System as owning Carbon Securities represented by such Global Security must look solely to the Relevant Clearing System for his share of any payment made by the Issuer to, or to the order of, the holder of the Global Security. Payments made to any person shown in the records of the Relevant Clearing System as owning any Carbon Security represented by the Global Security shall be subject to and made in accordance with the rules of the Relevant Clearing System.

10.3 Payments subject to fiscal laws

All payments and/or deliveries (as applicable) in respect of the Carbon Securities are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Securityholders in respect of such payments.

10.4 Calculations

- (a) The Determination Agent will, as soon as reasonably practicable on such date and/or at such time as the Determination Agent is required in accordance with the Determination Agency Agreement and the Conditions and any other Relevant Provisions, perform such duties and obligations as are required to be performed by it in accordance therewith.
- (b) The calculation by the Determination Agent of any amount, price, rate or value required to be calculated by the Determination Agent under the Relevant Provisions shall be made in good faith and shall (in the absence of manifest error) be final and binding on the Issuer, the Securityholders and the Programme Parties.

10.5 Calculation by an alternative agent

If at any time after the Security in respect of a Class of Carbon Securities has become enforceable pursuant to Condition 6.1 (*Enforcement of Security constituted by the Security Documents*) and the Determination Agent does not make any calculation relating to the Carbon Entitlement per Security or any Redemption amount when required pursuant to the Conditions and the Programme Documents then the Issuer will appoint an alternative agent on its behalf to make any calculation in place of the Determination Agent. Any such calculation shall, for the purposes of the Conditions and the Programme Documents be deemed to have been made by the Determination Agent. In doing so, the appointed agent shall apply the provisions of the Conditions and/or the relevant Programme Document(s), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in the circumstances. The Trustee shall not be liable (whether directly or indirectly, in contract, in tort or otherwise) to the Issuer, the Securityholders or any Programme Party for any calculations (or any delay or failure in making any calculation) so made and will not be obliged to make such determination itself.

10.6 Determination Agent

- (a) Subject as provided in the Conditions and the Determination Agency Agreement, the Issuer shall use all reasonable efforts to procure that there shall at all times be a Determination Agent for so long as any of the Carbon Securities are Outstanding. If the Determination Agent resigns or its appointment is terminated for any reason, the Issuer shall use all reasonable efforts to appoint a reputable entity that provides services of a similar type to those required of the Determination Agent under the Relevant Provisions or a leading bank or investment banking firm (acting through its principal London office or any other office actively involved in such market) engaged in the interbank market

(or, if appropriate, money, swap, commodity or over-the-counter commodity futures and options or index options market) that the Issuer reasonably determines is capable of making the calculation(s) required to be made by the Determination Agent under the Relevant Provisions to act as such in its place.

- (b) The Determination Agent shall not be liable (whether directly or indirectly, in contract, in tort or otherwise) to the Issuer, any Securityholder, any other Programme Party or any other person for any Loss incurred by any such person that arises out of or in connection with the performance by the Determination Agent of its obligations under the Determination Agency Agreement, the Conditions and the other Relevant Provisions provided that nothing shall relieve the Determination Agent from any Loss arising by reason of acts or omissions constituting bad faith, fraud or gross negligence of the Determination Agent (any such act or omission, a "**Determination Agent Breach**").
 - (i) If the Determination Agent would, but for the operation of this Condition 10.6(b) (*Determination Agent*), be held liable for any Loss arising as the result of a Determination Agent Breach, the Determination Agent shall nevertheless incur no liability to the Issuer, any Securityholder, any other Programme Party or any other person if such Determination Agent Breach results solely and directly from either (i) the failure by any other Programme Party to provide any notice, instruction or direction which such Programme Party is required or permitted to give under the Conditions or any relevant Programme Document or Security Document, or (ii) a delay in the delivery by any other Programme Party of any notice, instruction or direction which such Programme Party is required or permitted to give to the Determination Agent under the Conditions or any relevant Programme Document or Security Document.
 - (ii) If the Determination Agent would, but for the operation of this Condition 10.6(b) (*Determination Agent*), be held liable for any Loss arising as the result of a Determination Agent Breach, the Determination Agent shall nevertheless incur no liability to the Issuer, any Securityholder, any other Programme Party or any other person if such Determination Agent Breach results solely and directly from the reliance by the Determination Agent upon a rate, amount, quotation, value or other calculation or determination notified to the Determination Agent pursuant to the Conditions and/or any relevant Programme Document or Security Document which is made by another Programme Party in accordance with the Conditions and the terms of any relevant Programme Document or Security Document.
- (c) The Determination Agent has no obligation towards or relationship of agency or trust with any Securityholder.
- (d) The Determination Agent has no duties or responsibilities except those expressly set forth in the Conditions, the Determination Agency Agreement and the other Relevant Provisions and no implied or inferred duties or obligations of any kind will be read into the Determination Agency Agreement against or on the part of the Determination Agent. The Determination Agent will not, and will not be deemed to, assume or be liable for the obligations or duties of the Issuer or any other person under the Conditions, the Trust Deed or any other Programme Document or Security Document unless otherwise agreed pursuant to the Relevant Provisions.

10.7 Appointment of Agents

Save as provided below, the Agents act solely as agents of the Issuer. The Agents do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Issuer reserves the right at any time with the prior written approval of the Trustee and in accordance with the provisions of the relevant Administration Agreement, the Determination Agency Agreement, the Issuing and Paying Agent Agreement, the Disposal Counterparty Agreement, any Transfer Agency Agreement and/or any Registrar Agreement, as applicable,

to vary or terminate the appointment of the Administrator, the Determination Agent, the Disposal Counterparty, the Issuing and Paying Agent or any Registrar or Transfer Agent and to appoint additional or other Registrars, Transfer Agents, Administrators, Issuing and Paying Agents, Disposal Counterparties or Determination Agents. Without prejudice to the provisions for the automatic termination of the appointment of an Agent in connection with the occurrence of an insolvency or similar event or proceedings in the relevant Programme Documents or Security Documents, the Issuer shall use reasonable endeavours to at all times maintain (i) an Administrator, (ii) a Disposal Counterparty in respect of each Class, (iii) a Determination Agent, (iv) an Issuing and Paying Agent, and (v) such other agents as may be required by any stock exchange on which the Carbon Securities may be listed, in each case, as approved by the Trustee. Notice of any change of Agent or any change to the specified office of an Agent shall promptly be given to the Securityholders by the Issuer in accordance with Condition 17 (*Notices*).

Pursuant to the terms of the Trust Deed, at any time after an Event of Default has occurred in relation to the Carbon Securities, the Trustee may (i) by notice in writing to the Issuer, the Administrator, the Registrar, the Transfer Agent, the Disposal Counterparty, the Issuing and Paying Agent and/or the Determination Agent, require any and all of such Agents, until notified by the Trustee to the contrary, so far as permitted by applicable law to (a) act as agent of the Trustee under the Trust Deed and the Carbon Securities mutatis mutandis on the terms of the Administration Agreement, Registrar Agreement, Transfer Agency Agreement, Disposal Counterparty Agreement, Issuing and Paying Agent Agreement or Determination Agency Agreement, as applicable (with consequential amendments as necessary) and except that the Trustee's liability for the indemnification, remuneration and all other expenses of such Agents (if any) shall be limited to the amounts for the time being held by the Trustee in respect of the Carbon Securities on the terms of the Trust Deed and which are available (after application in accordance with the relevant order of priority set out in Condition 6.3 (*Application of proceeds of enforcement of Security*) to discharge such liability); or (b) deliver the Carbon Securities and all monies, documents and records held by them in respect of the Carbon Securities to or to the order of the Trustee or as the Trustee directs in such notice; and (ii) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Carbon Securities to or to the order of the Trustee and not to the Administrator and/or the Registrar (as the case may be) with effect from the receipt of any such notice by the Issuer.

10.8 **Business Day convention and non-Payment Business Days**

- (a) If any date for payment in respect of any Carbon Security is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day or to any interest or other sum in respect of such postponed payment.
- (b) If any date referred to in the Conditions would otherwise fall on a day that is not a Business Day, then such date shall be postponed to the next day that is a Business Day.

10.9 **Records**

For so long as the Carbon Securities are represented by a Global Security in NGN form, the records of the Relevant Clearing Systems (which expression in this Condition 10.9 (*Records*) means the records that each Relevant Clearing System holds for its customers which reflect the amount of such customers' interests in the Carbon Securities) shall be conclusive evidence of the number of the Carbon Securities represented by the Global Security and, for these purposes, a statement issued by the Relevant Clearing System (which statement shall be made available to the bearer upon request) stating the number of Carbon Securities represented by the Global Security at any time shall be conclusive evidence of the records of the Relevant Clearing System at that time.

10.10 **Negotiability of Global Bearer Security**

If the Carbon Securities are Bearer Securities represented by a Global Bearer Security, the Global Bearer Security is a bearer document and negotiable and accordingly:

- (a) is freely transferable by delivery and such transfer shall operate to confer upon the transferee all rights and benefits appertaining hereto and to bind the transferee with all obligations appertaining hereto pursuant to these Conditions;
- (b) the holder of the Global Bearer Security is and shall be absolutely entitled as against all previous holders to receive all amounts by way of amounts payable or deliverable upon Redemption or otherwise payable or deliverable in respect of the Global Bearer Security and the Issuer waives as against such holder and any previous holder of the Global Bearer Security all rights of set-off or counterclaim that would or might otherwise be available to it in respect of the obligations evidenced by the Global Bearer Security; and
- (c) payment upon due presentation of the Global Bearer Security will operate as a good discharge against such holder and all previous holders of the Global Bearer Security.

10.11 **Rounding**

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (i) any number of Allowances to be delivered to the Issuer shall be rounded up to the nearest whole number of Allowances, (ii) any number of Allowances to be delivered by the Issuer shall be rounded down to the nearest whole number of Allowances, (iii) all amounts of cash in the Relevant Currency to be paid to the Issuer shall be rounded up to the nearest EUR 0.01 (if the Relevant Currency is EUR) or as specified in the Final Terms (if the Relevant Currency is not EUR), and (iv) all amounts of cash in EUR to be paid by the Issuer shall be rounded down to the nearest EUR 0.01 (if the Relevant Currency is EUR) or as specified in the Final Terms (if the Relevant Currency is not EUR), in each case as may be adjusted by the Issuer (or the Determination Agent on its behalf) from time to time, including to reflect changes in rounding conventions in the trading of the relevant Allowances or payments in the Relevant Currency.

11 **RESTRICTIONS**

So long as any of the Carbon Securities of any Class remain Outstanding, the Issuer shall not, without the prior written consent of the Trustee and HANettf:

- (a) engage in any business activities, save that the Issuer may without consent engage in any of the following activities (or any other business activity which relates to or is incidental thereto):
 - (i) issue, enter into, amend, redeem, exchange or repurchase and cancel or reissue or resell all or some only of the Carbon Securities of any Class under the Programme as may be provided in these Conditions and the Trust Deed and the Programme Documents and in connection therewith enter into or amend any Programme Documents or Security Documents accordingly;
 - (ii) acquire and own rights, property or other assets which are to comprise Secured Property for a Class of Carbon Securities issued under the Programme so as to enable it to discharge its obligations under such Class, and any relevant Programme Document or Security Document relating to such Class;
 - (iii) perform its respective obligations under any Carbon Securities issued under the Programme, and any relevant Programme Document or Security Document entered into by it in connection with such Class, and any agreements incidental to the granting of Security relating to any such Class of Carbon Securities or incidental to the issue and constitution of any Class of Carbon Securities issued under the Programme;
 - (iv) engage in any activity in relation to the Secured Property or any other Programme Document or Security Document contemplated or permitted by the

Conditions or such Programme Document or Security Document relating to any Class of Carbon Securities;

- (v) subject as provided in the relevant Trust Deed, the applicable Security Deed, any other applicable Security Document and in the Conditions relating to any Class of Carbon Securities enforce any of its rights whether under the relevant Trust Deed, the applicable Security Deed, any other Programme Document, Security Document or otherwise under any agreement entered into in relation to any Class of Carbon Securities or any Secured Property relating to any such Class;
- (vi) issue unsecured debt securities, on the conditions that (i) the proceeds of such debt securities shall be used by the Issuer to disburse loans to the holder(s) of such debt securities; and (ii) the holder of such debt securities shall have no right to enforce the obligations of the Issuer thereunder;
- (vii) issue secured debt securities or other secured indebtedness under any programme unconnected to this Programme (being "**Separate Programme Debt**"), provided that such Separate Programme Debt(s):
 - A. are limited recourse obligations of the Issuer under such programme; and
 - B. are not secured by the same Security as is constituted under any Security Document of this Programme; and
- (viii) perform any other act incidental to or necessary in connection with any of the above (which shall include, without limitation, the appointment of auditors and any other administrative or management functions necessary to maintain the Issuer and/or to keep it operating and/or to comply with any laws, regulations or rules applicable to it);
- (b) cause or permit the terms of the Security granted under the Trust Deed or the applicable Security Deed and the order of priority specified in the Conditions, the Trust Deed and the applicable Security Deed, as applicable, to be amended, terminated or discharged (other than as contemplated by the relevant Trust Deed, Security Deed, and/or the Conditions relating to such Class of Carbon Securities);
- (c) release any party to the relevant Trust Deed, the applicable Security Deed or any other relevant Programme Document or Security Document relating to a Class of Carbon Securities from any existing obligations thereunder (other than as contemplated by the relevant Trust Deed, Security Deed, and/or the Conditions relating to such Class of Carbon Securities);
- (d) have any subsidiaries;
- (e) sell, transfer or otherwise dispose of any assets that are the subject of the Security constituted by the Trust Deed or each relevant Security Deed or any other part of the Secured Property in respect of any Class of Carbon Securities or Secured Property or any right or interest therein or thereto or create or allow to exist any charge, lien or other encumbrance over such Secured Property (to the extent it relates to the Issuer) except in accordance with the Conditions of the relevant Carbon Securities of any such Class, the relevant Trust Deed for any such Class, the applicable Security Deed and any other Programme Document or Security Document relating to any such Class as may be applicable;
- (f) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of any of the Conditions, the relevant Trust Deed, any Security Deed or any other Programme Document or Security Document relating to any Class of Carbon Securities (other than as contemplated or permitted by the Conditions and the relevant Programme Documents or Security Documents);

- (g) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (other than as contemplated by the relevant Trust Deed, any Security Deed and the Conditions for any Class of Carbon Securities);
- (h) have any employees;
- (i) issue any shares (other than such shares in the capital of the Issuer as were issued at the time of its incorporation) or make any distribution to its shareholders;
- (j) declare any dividends;
- (k) open or have any interest in any account with a bank or financial institution unless such account (i) relates to a Class of Carbon Securities, any Secured Property relating to a Class of Carbon Securities or any party thereto and the Issuer's interest in such account is simultaneously charged in favour of the Security Trustee, so as to form part of the relevant Secured Property relating to such Class of Carbon Securities, or (ii) is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it;
- (l) purchase, own, or otherwise acquire any real property (including office premises or like facilities);
- (m) guarantee, act as surety for or become obligated for the debts of any other entity or person or enter into any agreement with any other entity or person whereby it agrees to satisfy the obligations of such entity or person or any other entity or person;
- (n) acquire any securities or shareholdings whatsoever from its shareholders or enter into any agreements whereby it would be acquiring the obligations and/or liabilities of its shareholders;
- (o) except as contemplated by any relevant Programme Document, Security Document, the Conditions relating to a Class of Carbon Securities, and/or the agreements contemplated by Condition 11(f) (*Restrictions*) above, advance or lend any of its moneys or assets, including, but not limited to, the rights, property or other assets comprising the Secured Property for any such Class of Carbon Securities, to any other entity or person;
- (p) subject as provided in paragraph (a) above, incur any other indebtedness for borrowed moneys, other than (subject to Conditions 6 (*Security*) and 16 (*Issue of Further Tranches and Classes of Carbon Securities*)) issuing further Carbon Securities under the Programme (which may or may not form a single Class with the Carbon Securities of any Class and may or may not be guaranteed by a third party) and creating or incurring further obligations relating to such Carbon Securities, provided that:
 - (i) if such further Carbon Securities are not to form a single Class with any other Class of Carbon Securities, such further Carbon Securities and obligations are secured on assets of the Issuer other than (i) the assets which are the subject of the Security constituted by the relevant Trust Deed relating to any other Class of Carbon Securities, and (ii) the Issuer's share capital; and
 - (ii) such further Carbon Securities and obligations are secured *pari passu* upon the assets which are the subject of the Security constituted by the relevant Security Document relating to the Class of Carbon Securities with which such Carbon Securities are to form a single Class, all in accordance with Condition 16 (*Issue of Further Tranches and Classes of Carbon Securities*) of the relevant Class of Carbon Securities,

provided that the Issuer shall not take any action (even where the prior written consent of the Trustee and HANetf is obtained) if such action is, in the opinion of the Issuer,

inconsistent with the objects of the Issuer as specified in its memorandum and articles of association.

12 **PRESCRIPTION**

Claims against the Issuer for payment under the Conditions in respect of the Carbon Securities shall be prescribed and become void unless made within 10 years from the date on which the payment of Principal in respect of the Carbon Securities first became due or (if any amount of the money payable was improperly withheld or refused) the date on which payment in full of the amount Outstanding was made or (if earlier) the date 7 calendar days after that on which notice is duly given to the Securityholders that, upon further presentation of the Security being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation (such date the "**Relevant Date**") save that if the Carbon Securities are in global bearer form claims in respect of Principal in respect of the relevant Global Bearer Security shall become void unless the Global Bearer Security is presented for payment within a period of 10 years from the appropriate Relevant Date.

13 **ENFORCEMENT**

13.1 Only the Trustee may, at its discretion and without further notice, take (or, as the case may be, instruct the Security Trustee to take) such action or step or institute such proceedings against the Issuer as it may think fit to enforce the rights of the holders of the relevant Class of Carbon Securities against the Issuer, whether the same arise under general law, the relevant Security Document, the Class of Carbon Securities, any other Programme Document or otherwise, but, in each case, it need not take any such action or step or institute such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or in writing by holders of at least one-fifth in number of the relevant Class of Carbon Securities then outstanding (or in the case of an Issuer Insolvency Event, by the holders of at least one-fifth in number of all the Carbon Securities then Outstanding) (in each case accordance with the relevant Security Document) and (ii) it shall have been prefunded and/or secured and/or indemnified to its satisfaction. None of the holders of the relevant Class of Carbon Securities shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects or is unable to do so within 60 days and such failure, neglect or inability is continuing. The Trustee, the Securityholders and the Programme Parties acknowledge and agree that only the Security Trustee may enforce the Security over the Secured Property including but not limited to the rights under the Relevant Note, at the direction of the Trustee and in accordance with, and subject to the terms of, the relevant Security Document.

13.2 The Securityholders acknowledge and agree that only the Security Trustee, may enforce the Security over the Secured Property in accordance with, and subject to the terms of, the Trust Deed and each relevant Security Deed.

13.3 The Security Trustee shall not be required to take any action in relation to the Security constituted by any Security Deed which may (i) be illegal or contrary to any applicable law or regulation, or (ii) cause it to expend or risk its own funds or otherwise incur any liability (including any personal liability) in the performance of its duties or in the exercise of any of its rights, powers and discretions, without first being indemnified and/or secured and/or prefunded to its satisfaction.

14 **MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER, SUBSTITUTION AND RESTRICTIONS**

14.1 **Meetings of Securityholders**

The Trust Deed contains provisions for convening meetings of the Securityholders to each Class of Carbon Securities to consider any matter affecting their interests, including modification by Extraordinary Resolution of the relevant Class of Carbon Securities (including

these Conditions or the provisions of the Trust Deed insofar as the same may apply to such Class of Carbon Securities).

The quorum at any such meeting for passing an Extraordinary Resolution will be two or more Securityholders of the relevant Class of Carbon Securities or agents present in person holding or representing in the aggregate more than 50 per cent of the number of the Carbon Securities of such Class for the time being Outstanding or, at any adjourned such meeting, two or more Securityholders of the relevant Class of Carbon Securities or agents present in person being or representing Securityholders of such Class, whatever the number of the Carbon Securities of such Class so held or represented, and an Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders, of such Class whether present or not, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or Redemption of the Carbon Securities of such Class, (ii) to reduce or cancel the Principal Amount payable on Redemption of, the Carbon Securities of such Class, (iii) to change any method of calculating the Net Redemption Sale Proceeds or Carbon Entitlement per Security, (iv) to change the currency or currencies of payment or Principal Amount of the Carbon Securities, (v) to take any steps which as specified in the Trust Deed may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vi) to modify the provisions concerning the quorum required at any meeting of Securityholders of such Class or the majority required to pass an Extraordinary Resolution, (vii) to modify the provisions of the Trust Deed concerning this exception, or (viii) to modify any other provisions specifically identified for this purpose in the Trust Deed, or an applicable relevant Security Deed, will only be binding if passed at a meeting of the Securityholders of such Class, the quorum at which shall be two or more Securityholders of the relevant such Class of Carbon Securities or agents present in person holding or representing in the aggregate not less than 75 per cent of the number of Carbon Securities of the relevant such Class of Carbon Securities for the time being Outstanding, or at any adjourned meeting, two or more Securityholders of such Class or agents present in person being or representing in the aggregate not less than 10 per cent of the number of the Carbon Securities of such Class so held or represented (provided that at an adjourned meeting convened for the purpose of reducing the Principal Amount of the Carbon Securities following a Threshold Event Date, the quorum shall be two or more Securityholders of the relevant Class of Carbon Securities or agents whatever the number of Carbon Securities so held or represented). The holder of a Bearer Security or Registered Security in global form representing all of the Carbon Securities for the time being Outstanding will be treated as being two persons for the purposes of such quorum requirements. A resolution in writing signed by or on behalf of the holders of not less than 75 per cent of the aggregate number of the Carbon Securities of the relevant Class of Carbon Securities for the time being Outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of Securityholders of such Class.

14.2 **Modification of the relevant Programme Documents and Security Documents**

- (a) Subject to Condition 14.3(f) (*Substitution*), each of the Trustee and the Security Trustee may agree, without the consent of the Securityholders, to (i) any modification to these Conditions, the Trust Deed and/or any other Programme Document to which the Trustee or, as applicable, the Security Trustee is a party which is, in the opinion of the Trustee or, as applicable, the Security Trustee, of a formal, minor or technical nature or is made to correct a manifest error or is necessary or desirable for the operational functioning of the Programme, provided that the Issuer has certified in writing to the Trustee that any such modification is in its opinion not materially prejudicial to the interests of any Class of Securityholder (ii) any modification to these Conditions, the Trust Deed and/or any other Programme Document to which the Trustee or, as applicable, the Security Trustee is a party which is made in connection with the accession of a new Authorised Participant to the Programme (an "**AP Modification**") provided that the Issuer has certified in writing to the Trustee or, as applicable, the Security Trustee that any such modification (a) is in its opinion not materially prejudicial to the interests of any Class of Securityholder, and (b) has been drafted solely for the purposes of an AP Modification, upon which certification the Trustee and/or, as applicable, the Security Trustee may rely without any obligation to investigate or verify

or form its own opinion, (iii) any modification to these Conditions, the Trust Deed and/or any other Programme Document to which the Trustee or, as applicable, the Security Trustee is a party which is made to address a risk to the Programme arising in connection with a Change in Law affecting the regulatory treatment or operation of a relevant Trading Scheme (a "**Trading Scheme Modification**") provided that the Issuer has certified in writing to the Trustee or, as applicable, the Security Trustee that any such modification (a) is in its opinion not materially prejudicial to the interests of any Class of Securityholder, and (b) has been drafted solely for the purposes of addressing a risk to the Programme arising in connection with a Trading Scheme Modification, upon which certification the Trustee and/or, as applicable, the Security Trustee may rely without any obligation to investigate or verify or form its own opinion, and (iv) any other modification, and any waiver or authorisation of any breach or proposed breach of any of these Conditions or any of the provisions of the Trust Deed and/or any other Programme Document to which the Trustee or, as applicable, the Security Trustee is a party that is in the opinion of the Trustee or, as applicable, the Security Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver will be binding on the Securityholders and, if the Trustee or, as applicable, the Security Trustee so requires, such modification will be notified by the Issuer to the Securityholders in accordance with Condition 17 (*Notices*) as soon as reasonably practicable.

- (b) Without prejudice to 14.2(a)(ii), the Issuer may agree without the consent of the Trustee and the Security Trustee to enter into an Authorised Participant Agreement with a new Authorised Participant.

14.3 Substitution

The Trustee may, without the consent of the Securityholders, but subject to the prior consent of each Authorised Participant, agree to the substitution, in place of the Issuer (or of any previous substitute) as the principal debtor under the Trust Deed, the other Programme Documents or Security Documents to which it is a party and the Carbon Securities of each Class, of any other company (incorporated in any jurisdiction) (any such substitute company being the "**Substituted Obligor**"), if the following conditions are satisfied:

- (a) a deed is executed or undertaking given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the Trust Deed, any Security Deed and the Carbon Securities of each Class (with such consequential amendments as the Trustee may deem appropriate) as if the Substituted Obligor had been named in the Trust Deed, each Security Deed and the Carbon Securities as the principal debtor in place of the Issuer;
- (b) the Substituted Obligor assumes all rights, obligations and liabilities in relation to the Secured Property, acknowledges the Security created in respect thereof pursuant to the Trust Deed and any Security Deed and takes all such action as the Trustee may require so that the Security constitutes a valid charge, pledge or other security interest over the Secured Property as was originally created by the Issuer for the obligations of the Substituted Obligor;
- (c) if any director of the Substituted Obligor certifies that it will be solvent immediately after such substitution, the Trustee need not have regard to the Substituted Obligor's financial condition, profits or prospects or compare them with those of the Issuer;
- (d) the Trustee will be satisfied (if it requires, by reference to legal opinions) that (a) all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Obligor of liability as principal debtor in respect of, and of its obligations under, the Carbon Securities of each Class and any Programme Document and Security Document have been obtained; and (b) such approvals and consents are at the time of substitution in full force and effect;

- (e) the Issuer and the Substituted Obligor will execute and the Issuer shall procure that each relevant Programme Party will execute such other deeds, documents and instruments (if any) as the Trustee may require in order that such substitution is fully effective and comply with such other requirements in the interests of the Securityholders as the Trustee may direct;
- (f) in connection with any proposed substitution of the Issuer, the Trustee may, without the consent of the holders of the Carbon Securities, agree to a change of the law from time to time governing such Carbon Securities and/or the Supplemental Trust Deed and/or the Trust Deed and/or any Security Deed, provided that such change of law, in the opinion of the Trustee, would not be materially prejudicial to the interests of such Securityholders;
- (g) the Issuer and the Substituted Obligor comply with such other requirements as the Trustee may direct in the interests of the Securityholders; and
- (h) a legal opinion satisfactory to the Trustee is provided concerning any proposed substitution.

An agreement by the Trustee pursuant to this Condition 14.3 (*Substitution*) and the Trust Deed will, if so expressed, release the Issuer (or a previous substitute) from any or all of its obligations under the Trust Deed, the Carbon Securities and the other relevant Programme Documents and Security Documents. The Substituted Obligor shall give notice of the substitution to the Securityholders within 14 calendar days of the execution of such documents and compliance with such requirements.

On completion of the formalities set out in this Condition 14.3 (*Substitution*) and the Trust Deed, the Substituted Obligor shall be deemed to be named in these Conditions, the Trust Deed, the other Programme Documents and Security Documents and the Carbon Securities as the principal debtor in place of the Issuer (or of any previous substitute) and these Conditions, the Trust Deed, the other Programme Documents and Security Documents and the Carbon Securities shall be deemed to be amended as necessary to give effect to the substitution.

14.4 Entitlement of the Trustee and Security Trustee

In accordance with the terms of the Trust Deed, in connection with the exercise of its functions under the relevant Programme Documents, the Trustee will have regard to the interests of the Securityholders as a Class and will not have regard to the consequences of such exercise for individual Securityholders and the Trustee will not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer any indemnification or payment in respect of any Tax consequence of any such exercise upon individual Securityholders.

So long as the Carbon Securities are in global form and such Global Security is held by or on behalf of the Relevant Clearing System, in considering the interests of Securityholders, the Trustee may have regard to any information provided to it by the Relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to any such Global Security and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

14.5 Prohibition on U.S. persons

Carbon Securities may not be legally or beneficially owned by any U.S. person at any time nor offered, sold or delivered within the United States or to U.S. persons. The Issuer has the right, at its option, to refuse to recognise any such transfer or to compel any legal or beneficial owner of Carbon Securities who contravenes such prohibition to void the transfer of such Carbon Securities to such legal or beneficial owner or to redeem any such Carbon Securities held by such legal or beneficial owner. Transfers may be voided by the Issuer by compelling a sale by such legal or beneficial owner or by the Issuer selling such Carbon Securities on behalf of such legal or beneficial owner at the lesser of the purchase price therefore or the

market value (as determined by the Determination Agent) of the Carbon Entitlement per Security prevailing at the time such transfer is voided. Terms used in this Condition 14.5 (*Prohibition on U.S. persons*) have the meanings given to them by Regulation S under the Securities Act.

14.6 **ERISA prohibition**

Carbon Securities may not be legally or beneficially owned by any entity that is, or that is using the assets of, (a)(i) an "**Employee Benefit Plan**" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) that is subject to the fiduciary responsibility requirements of Title I of ERISA, (ii) any plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") applies (a "**Plan**"), or (iii) an entity whose constituent assets include "**Plan Assets**" (as determined pursuant to the "**Plan Assets Regulation**" issued by the United States Department of Labor at 29 C.F.R. Section 2510.3-101 as modified by Section 3(42) of ERISA) by reason of any such Employee Benefit Plan's or Plan's investment in the entity or (b) a non-U.S. plan, governmental plan, church plan or other plan that is subject to any federal, state, local, non-U.S. or other law or regulation that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (a "**Similar Law**") unless its acquisition and holding and disposition of such Security, or any interest therein, has not and will not constitute a violation of such Similar Law. The Issuer has the right, at its option, to refuse to recognise any such transfer or to compel any legal or beneficial owner of Carbon Securities who contravenes such prohibition to void the transfer of such Carbon Securities to such legal or beneficial owner or to redeem any such Carbon Securities held by such legal or beneficial owner. Transfers may be voided by the Issuer by compelling a sale by such legal or beneficial owner or by the Issuer selling such Carbon Securities on behalf of such legal or beneficial owner at the lesser of the purchase price therefore or the market value (as determined by the Determination Agent) of the Carbon Entitlement per Security prevailing at the time such transfer is voided. Terms used in this Condition 14.6 (*ERISA prohibition*) have the meanings given to them by the Code.

15 **REPLACEMENT OF CARBON SECURITIES**

If a Carbon Security in bearer form is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in London, or such other Agent as the case may be, as may, from time to time, be designated by the Issuer for the purpose and notice of whose designation is given to Securityholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Carbon Security is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Carbon Security) and otherwise as the Issuer may require. Mutilated or defaced Carbon Securities must be surrendered before replacements will be issued.

16 **ISSUE OF FURTHER TRANCHES AND CLASSES OF CARBON SECURITIES**

16.1 **Further Tranches and Classes**

- 16.1.1 Subject to Condition 6 (*Security*), the Issuer may, from time to time (without the consent of the Trustee or any Securityholder), in accordance with the Trust Deed, the Conditions and the Authorised Participant Agreement(s), create and issue further securities either having the same terms and conditions as the Carbon Securities in all respects and so that such further issue shall be consolidated and form a single Class with the Carbon Securities or upon such terms as the Issuer may determine at the time of their issue and/or incur further obligations relating to such securities.
- 16.1.2 Only an Authorised Participant may request that the Issuer issue additional Tranches of the Carbon Securities by delivering a valid Subscription Form subject to and in accordance with the terms of the relevant Authorised Participant Agreement.

The Issuer will only accept a Subscription Form and issue Carbon Securities if:

- (a) a Subscription Form is determined to be valid by or on behalf of the Issuer;
- (b) the acceptance of such Subscription Form will not cause the Programme Maximum Number of Carbon Securities to be exceeded; and
- (c) all conditions precedent to an issue of the Carbon Securities (including, without limitation, payment of the Subscription Fee) are satisfied.

- 16.1.3 Upon the receipt by the Issuer of the Subscription Amount pursuant to a valid Subscription Form, the Issuer shall within 1 Business Day remit the Subscription Amount to the Backing Issuer.
- 16.1.4 In any event, the Issuer is entitled to reject any Subscription Form at any time, at its absolute discretion.
- 16.1.5 Without prejudice to Condition 9 (*Disruption Events*), the Issuer may suspend the issuance of further Carbon Securities at any time. If a Subscription Suspension Event occurs, the Issuer shall not accept any Subscription Forms for the Carbon Securities with effect from the date of suspension specified in the relevant notice to the Determination Agent and the Authorised Participants until such time (if any) as the Issuer notifies such Programme Parties that it shall recommence the issue of Further Tranches of the Carbon Securities. The effective date of any such suspension will be specified in the related notice and will be a day not earlier than the Business Day following the date of such notice. The Issuer shall give notice to Securityholders in accordance with Condition 17 (*Notices*) of any such suspension as soon as reasonably practicable after giving any notice of suspension of Subscriptions.
- 16.1.6 In relation to any Subscription Form which has been accepted by or on behalf of the Issuer but in respect of which the Subscription Settlement Date has not yet occurred as at the date of the occurrence of an Event of Default, each such Subscription Form shall automatically be cancelled with effect from the date of the occurrence of such Event of Default.
- 16.1.7 In relation to any Subscription Form which is valid but in respect of which the Carbon Securities are pending issue and settlement to the relevant Authorised Participant as at the Compulsory Redemption Date or the date of delivery of an Event of Default Redemption Notice (due to the Subscription Settlement Date not having occurred at such date, the relevant Authorised Participant not having delivered in full the relevant Subscription Amount on a Subscription Settlement Date falling prior to such date, or otherwise), any such Subscription Form shall automatically be cancelled with effect from such Compulsory Redemption Date or date of delivery of an Event of Default Redemption Notice (as applicable).
- 16.1.8 If at any time after the occurrence of the Subscription Settlement Date in respect of which the relevant Authorised Participant has not delivered the related Subscription Amount a Compulsory Redemption Event occurs or an Event of Default Redemption Notice is delivered, the Carbon Securities issued on any such Subscription Settlement Date which are pending settlement to the relevant Authorised Participant shall automatically be cancelled with effect from the date of the occurrence of such Compulsory Redemption Date or date of delivery of an Event of Default Redemption Notice (as applicable). Carbon Securities requested for issue and Subscribed for by an Authorised Participant may be held on an inventory basis by such Authorised Participant and offered for sale and/or sold over a period of time.
- 16.1.9 Any new securities forming a single Class with the Carbon Securities and which are expressed to be constituted by the Trust Deed and secured by the Security Deed relating to such Class will, upon the issue thereof by the Issuer, be constituted by the Trust Deed and secured by the Security Deed without any further formality and irrespective of whether or not the issue of such securities contravenes any covenant or other restriction in the Trust Deed and shall be secured by the Secured Property (as increased and/or supplemented in connection with such issue of such new securities) and references in these Conditions to "**Secured Parties**",

"Secured Property", "Secured Liabilities" and "Carbon Securities" shall be construed accordingly.

16.2 Consolidation and division of Tranches and Classes

The Issuer may consolidate or divide all of the Carbon Securities into Carbon Securities of the same Class but with a proportionately larger or smaller Principal Amount and Carbon Entitlement (if applicable). Such consolidation or division shall be effected by deed or instrument supplemental to the Trust Deed.

Whenever as a result of consolidation of Carbon Securities a Securityholder would become entitled to a fraction of a Carbon Security the Issuer will Redeem such fractional Carbon Security.

17 NOTICES

17.1 All notices to holders of Carbon Securities shall be valid if:

- (a) they are published on the website of one or more RIS(s) approved for such purposes by the applicable Relevant Stock Exchange(s) and any such notices shall be conclusively presumed to have been received by the holders; or
- (b) for so long as the Carbon Securities are listed on any Relevant Stock Exchange, they are published in accordance with the rules and regulations of such Relevant Stock Exchange or other relevant authority; or
- (c) for so long as the Carbon Securities are in global form, notices required to be given in respect of the Carbon Securities represented by a Global Security are given by their being delivered (so long as the Global Security is held on behalf of a Relevant Clearing System) to the Relevant Clearing System, or otherwise to the holder of the Global Security, rather than by publication as required above. Any such notice shall be deemed to have been given to the holders of the Carbon Securities on the Payment Business Day immediately following the day on which the notice was given to the Relevant Clearing System.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

18 RELEVANT CLEARING SYSTEM

None of the Issuer, the Trustee or the Agents will have any responsibility for the performance by the Relevant Clearing System (or its participants or indirect participants) of any of their respective obligations under the rules and procedures governing their operations.

19 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Carbon Securities under the Contracts (Rights of Third Parties) Act 1999 but that does not affect any right or remedy of a third party that exists or is available apart from that Act.

20 GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Trust Deed, each relevant Security Deed and the Carbon Securities (including any Global Security), and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

20.2 **Jurisdiction**

The courts of England shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Carbon Securities and, accordingly, any legal action or proceedings arising out of or in connection with any Carbon Securities ("**Proceedings**") may be brought in such courts.

21 **SERVICE OF PROCESS**

The Issuer irrevocably appoints HAN ETF Limited of City Tower, 40 Basinghall Street, London, England, EC2V 5DE as its process agent to receive, for it and on its behalf, service of process in any Proceedings in England. Service of process on such process agent shall be deemed valid service upon the Issuer whether or not it is forwarded to and received by the Issuer. The Issuer shall inform the Trustee in writing of any change in its process agent's address within 28 calendar days of such change. If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent in England reasonably acceptable to the Trustee and to deliver to it a copy of the substitute process agent's written acceptance of that appointment, within 14 calendar days. The Issuer: (a) agrees to procure that so long as any of the Carbon Securities remain liable to prescription, there shall be in force an appointment of such person approved by the Trustee with an office in London with authority to accept service as aforesaid, and (b) agrees that nothing in the Conditions or the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SECTION 15 – TAX

A. General

- 15.1 This section contains a general discussion of the anticipated tax treatment of Securityholders in certain jurisdictions in respect of Carbon Securities. This section is limited to the jurisdiction of incorporation of the Issuer, the United Kingdom, Germany and Italy. The discussion is based on laws, regulations, rulings and decisions (and interpretations thereof) currently in effect, all of which are subject to change. Any such change may have retroactive effect. The discussion is intended for general information only, and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Carbon Securities. The tax legislation of any prospective investor's jurisdiction and/or the Issuer's country of incorporation may have an impact on the amount received by investors upon the sale or redemption of the Carbon Securities.
- 15.2 Prospective investors should be aware that the acquisition, holding, transfer or disposal of the Carbon Securities, and/or receipt of payments under Carbon Securities may result in tax consequences to any investor. The tax consequences of an investment in the Carbon Securities may differ depending on (i) the structure and/or location of the relevant Securityholders; (ii) the tax laws of the prospective investor's jurisdiction; and/or (iii) the tax laws of the Issuer's country of incorporation. Prospective investors should consult their own professional advisers concerning any possible tax consequences in relation to the acquisition, holding or disposal of Carbon Securities. Neither the Issuer nor any other Programme Party makes any representation or warranty as to the tax consequences of the acquisition, holding or disposal of the Carbon Securities (or any activities relating to such trading activity).
- 15.3 The following statements are by way of a general guide to potential investors only and do not constitute legal or tax advice. Potential investors are therefore advised to consult their professional advisers concerning the income and other possible taxation consequences of purchasing, holding, selling or otherwise disposing of the Carbon Securities under the laws of their jurisdiction.
- 15.4 Securityholders and potential investors should note that the following statements on taxation are based on advice received by the Issuer regarding the law and practice in force in the relevant jurisdiction at the Prospectus Date and proposed regulations and legislation in draft form. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in Carbon Securities is made will endure indefinitely.

B. Taxation - United Kingdom

- 15.5 This section summarises certain limited aspects of the UK tax treatment of holding Carbon Securities. They are based on current UK law and HM Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. Unless otherwise stated, this summary relates solely to Securityholders (i) who are individuals acting in a private capacity and domiciled and resident in the UK for tax purposes, (ii) which are within the charge to UK corporation tax and holding Carbon

Securities as an investment or (iii) which are UK open-ended investment companies or authorised unit trust schemes. The statements in this summary are intended only as a general guide, and they should be treated with appropriate caution. Any person who is contemplating acquiring Carbon Securities (whether or not pursuant to the Programme) is strongly recommended to consult their independent professional adviser immediately.

The Issuer

- 15.6 The Directors intend that the affairs of the Issuer should be managed and conducted so that it should not become resident in the UK for UK tax purposes. Accordingly, and provided that the Issuer does not carry on a trade in the UK through a permanent establishment situated therein for UK corporation tax purposes or through a branch or agency situated in the UK which would bring the Issuer within the charge to UK income tax, the Issuer will not be subject to UK corporation tax or income tax on income and capital gains arising to it. The Directors intend that the affairs of the Issuer are conducted so that no such permanent establishment, branch or agency will arise insofar as this is within their control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment, branch or agency coming into being will at all times be satisfied.

Withholding tax

- 15.7 Any payments made by the Issuer to Securityholders will not be interest, annual payments, or royalties and so the requirement to withhold does not arise. Consequently, no payments made by the Issuer to Securityholders in respect of Carbon Securities should be required to be made under deduction or withholding for or on account of UK tax.

Capital gains tax (for individual Securityholders)

- 15.8 If the Carbon Securities are not treated as deeply discounted securities for UK tax purposes (otherwise than by relying on the exemption for "excluded indexed securities"), any gains accruing to a Securityholder upon the sale, redemption or other disposal of Carbon Securities will be taxed as income and not as a capital gain, unless the Issuer achieves certification as a "reporting fund".
- 15.9 Based on HM Revenue and Customs practice, the Issuer has grounds to believe that the Carbon Securities should not be treated as "deeply discounted securities" for UK tax purposes (otherwise than by relying on the exemption for "excluded indexed securities"), however investors should obtain their own tax advice in relation to this.
- 15.10 The Issuer has received certification from HM Revenue & Customs as a "reporting fund" with effect for its first accounting period. While it is expected that certification as a "reporting fund" will be obtained and maintained for all accounting periods, this cannot be guaranteed.
- 15.11 Note that, under the reporting fund rules, the Issuer is required to report to Securityholders all of the net income attributable to the Carbon Securities. However,

it is not expected that any such reportable income will arise in respect of the Carbon Securities.

- 15.12 A copy of the annual report required to be made to Securityholders under the reporting fund rules will be provided by the Issuer on the following website: <https://hanetf.com/issuer-financial-statements>.

Income tax (for individual Securityholders)

- 15.13 If the Carbon Securities are treated as "deeply discounted securities" for UK tax purposes, any profit arising to an individual Securityholder on transfer or redemption of a Carbon Security will be subject to income tax and not to capital gains tax.

Corporation tax

- 15.14 In general, a Securityholder which is subject to UK corporation tax will be treated for tax purposes as realising profits, gains or losses in respect of Carbon Securities on a basis reflecting the treatment in its statutory accounts, in accordance with generally accepted accounting practice. These profits, gains or losses (which will include any profits, gains or losses on a disposal or redemption of Carbon Securities and which may include fluctuations in value relating to foreign exchange gains and losses) will be treated as income profits or losses for the purposes of a Securityholder's corporation tax computation.

UK open-ended investment companies and authorised unit trust schemes

- 15.15 Although UK open-ended investment companies and authorised unit trust schemes are generally subject to UK corporation tax (currently at the basic income tax rate of 20 per cent.), they are exempt from tax on capital gains. Part 2 of The Authorised Investment Funds (Tax) Regulations 2006 (S.I. No. 2006/964) provides an exemption for capital profits, gains or losses accruing to UK open-ended investment companies and authorised unit trust schemes (other than qualified investor schemes which do not meet the genuine diversity of ownership condition) on creditor loan relationships and derivative contracts. In this respect, capital profits, gains or losses are those which, in accordance with UK generally accepted accounting practice, fall to be dealt with in the statement of total return (under the heading of "net capital gains/losses") in accordance with the relevant Statement of Recommended Practice. In addition, Part 2B of those Regulations treats all capital profits, gains and losses (determined in accordance with UK generally accepted accounting practice, as described above) arising to a UK open-ended investment company or authorised unit trust, which meets the genuine diversity of ownership condition, from an "investment transaction" (which includes loan relationships and derivative contracts) as a non-trading transaction and thus not taxable as income. These Parts of the Regulations will determine whether any profits, gains or losses arising to a Securityholder which is a UK open-ended investment company or authorised unit trust scheme (other than a qualified investor scheme which does not meet the genuine diversity of ownership condition) in respect of Carbon Securities will be exempt from tax.

Stamp duty and stamp duty reserve tax (SDRT)

- 15.16 Provided that the Register is not kept by or on behalf of the Issuer in the UK, neither stamp duty nor SDRT will be payable on the issue or the subsequent transfer of, or agreement to transfer, Carbon Securities in Uncertificated Form. As at the Prospectus Date, the Issuer does not intend to keep the Register (or procure that it is kept) in the UK.
- 15.17 In the case of Carbon Securities held in Certificated Form, provided that (i) the Register is not kept by or on behalf of the Issuer in the UK; (ii) any instrument of transfer is not executed in the UK; and (iii) any instrument of transfer does not relate to any property situated or to any matter or thing done or to be done in the UK, neither stamp duty nor SDRT will be payable on the issue or subsequent transfer of Carbon Securities.
- 15.18 No stamp duty or SDRT will be payable on the issue or subsequent transfer of any Carbon Securities issued in bearer form, provided that those Carbon Securities are not issued in the UK.
- 15.19 The Redemption of Carbon Securities will not give rise to stamp duty or SDRT.

Inheritance tax (for individual Securityholders)

- 15.20 For the purposes of inheritance tax, a Carbon Security may form part of the value of the estate of a Securityholder who is an individual domiciled (or treated as domiciled) in the United Kingdom and inheritance tax may (subject to certain exemptions and reliefs) become payable in respect of the value of a Carbon Security on a gift of that Carbon Security by, or on the death of, such a Securityholder. Such a tax charge may be subject to appropriate provisions in any applicable double taxation treaty.

C. Taxation – Ireland

- 15.21 The following is a summary of certain Irish tax consequences of the purchase, ownership and disposition of the Carbon Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Carbon Securities. The summary relates only to the position of persons who are the absolute beneficial owners of the Carbon Securities and may not apply to certain other classes of persons such as dealers in securities.
- 15.22 The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Prospectus, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Carbon Securities should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Carbon Securities including, in particular, the effect of any state or local tax laws.

Withholding taxes

- 15.23 It is not anticipated that the Issuer will make payments in respect of the Carbon Securities prior to their Redemption and, as a result, Irish withholding tax should not be a consideration before that time.
- 15.24 It is anticipated that the Issuer should not be required to deduct any amounts for or on account of Irish tax from any payment made on Redemption of the Carbon Securities provided that payments are once-off in nature, are paid by or through a paying agent that is not in Ireland, or are held through a clearing system, and the Carbon Securities are quoted on a recognised stock exchange on the payment date.

Organisation for Economic Co-operation and Development ("OECD") Common Reporting Standard and the Directive on Administrative Co-operation

- 15.25 Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with other participating tax authorities in which the investors of the reporting financial institutions are tax resident on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures.
- 15.26 The Directive on Administrative Co-operation ("**DAC**") provides a similar regime for automatic exchange of information within the EU. Ireland has implemented both the CRS and the DAC. As a result, the Issuer is required to comply with the CRS/DAC due diligence and reporting requirements, as adopted by Ireland.
- 15.27 Securityholders may be required to provide additional information to the Issuer to enable the Issuer to satisfy its obligations under the CRS/DAC. Failure to provide requested information may subject an investor to liability for any resulting penalties or other charges and/or mandatory redemption of Carbon Securities.

D. Taxation – Germany

- 15.28 The following is a brief summary of some important principles of German tax law that may be of relevance for Securityholders acquiring, redeeming, holding or selling Carbon Securities. The summary does not fully cover all aspects of German tax law that may be of relevance to Carbon Securities. The summary is based on German tax law as of the date of this Prospectus. It should also be noted that the taxation of Securityholders may change at any time as a result of new legislation, court practice or decrees issued by the relevant taxation authorities, potentially with retroactive effect.
- 15.29 **German Securityholders interested in acquiring the Carbon Securities should consult their tax advisors with regard to any tax consequences that may be**

involved in acquiring, redeeming, holding, selling or otherwise transferring the Carbon Securities. Only a tax advisor is able to adequately assess the individual tax situation of a specific investor.

Tax Residents

- 15.30 Natural and legal persons who are resident, have their habitual abode, have their statutory seat or principal place of management in Germany are subject to resident taxation in Germany (*unbeschränkte Steuerpflicht*).

No Current Income

- 15.31 There will be no current income in the form of interest or similar payments under the Carbon Securities.

Taxation of capital gains derived from the disposition of Carbon Securities or from the redemption of Carbon Securities held as personal assets

- 15.32 Private individuals who are tax resident in Germany and who hold the Carbon Securities as personal assets (*Privatvermögen*) are subject to German personal income tax (*Einkommensteuer*) with regard to income derived from the Carbon Securities as follows:
- 15.33 There is currently no case law or administrative guidance on the tax treatment of capital gains on the disposition or redemption of Carbon Securities so that the tax consequences are unclear. However, the German Federal Fiscal Court (*Bundesfinanzhof*, "BFH") rendered a number of decisions on the tax treatment of certificates representing the right to acquire a certain amount of gold. Basically the court stipulated that in case of these instruments the holder should be treated as if they had acquired the gold directly and that they should not be taxed on capital investment income (*Einkünfte aus Kapitalvermögen*) but rather on private capital gains which are generally tax exempt if the asset is held more than 12 months. There are some arguments to analogously apply the case law on gold certificates to Carbon Securities. The relevant provision sec. 23 para. 1 sent. 1 no. 2 sent. 1 EStG which is applicable to gold certificates according to the court's case law does not differentiate between tangible and intangible assets so that it should not be harmful that Carbon Entitlement is – in contrast to gold - an intangible assets. Furthermore, private individuals can opt for Carbon Delivery as payment in kind which typically should not fall under definition of income from capital investment.

On 12 May 2015 the BFH rendered decisions (VIII R 35/14, BStBl. II 2015, p. 834; VIII R 4/15, BStBl. II 2015, p. 835; VIII R 19/14, BFH/NV 2015, p. 1559) stating that the disposition or redemption of gold securities is not subject to the German flat tax regime for investment income (*Abgeltungssteuer*). These decisions of the 8. Chamber (*Senat*) of the BFH were confirmed by a subsequent decision of the 9. Chamber on 6. February 2018 (IX R 33/17, BStBl. II 2018, p. 525). Furthermore, on 16 June 2020 the same Chamber of the BFH ruled that its former decisions shall continue to be applicable even if the private individuals were entitled to demand payment of the proceeds from the sale of the gold instead of delivery in order to fulfil the delivery claim (VIII R 7/17, BStBl. II 2021, p. 9).

- 15.34 The BFH has expressly stipulated that this qualification is not jeopardized if in particular situations – e.g. in case of regulatory restrictions for the acquisition of gold – only a claim for repayment of money is available.
- 15.35 The BFH also mentions that it is not relevant whether or not the gold securities are traded on a regulated stock exchange or whether they are privately traded.
- 15.36 The tax administration has endorsed this position in the general decree on the application of the flat tax on investment income (*Abgeltungssteuer*) (decree of the Federal Ministry of Finance (*Bundesfinanzministerium*, "**BMF**") of 19 May 2022, IV C 1 - S 2252/19/10003 :009), BStBl. I 2022, p. 742, as amended by decrees of 20. December 2022 (IV C 1 - S 2252/19/10003:011, BStBl. I 2023, p. 46 and of 11 July 2023, IV C 1 - S 2252/19/10003:013, BStBl. I 2023 p. 1471; the "**Decree**"). According to the Decree (marg. nr. 57 ss), the gold entitlement would only qualify as a regular claim for repayment of a certain amount of money (*Kapitalforderung*), which would be subject to the flat tax on investment income (*Abgeltungssteuer*) if these claims are not backed by gold (or other relevant raw material) or if the terms and conditions of such gold (or other raw material) securities provide that the Issuer can either settle the claim by delivery of gold or by payment of a certain amount of money. Otherwise, the security is considered a claim for physical delivery of the relevant raw material. The German tax administration has also confirmed that it will apply the case law on physical gold certificates to certificates representing an entitlement to a certain amount of virtual currencies or other token provided that the holder has a claim for delivery of the underlying assets, BMF decree of 10 May 2022, IV C 1-S 2256 / 19 / 10003, BStBl. I 2022, P. 668, marg. nr. 85 ss.

And thus we expect Carbon Securities would be treated the same as gold securities.

Income

- 15.37 If the above mentioned case law of the BFH on gold securities and the view taken by the German tax administration on virtual currencies and tokens can be applied accordingly on Carbon Securities their sale in general qualifies as a taxable event for the Securityholder in case such sale of the Carbon Securities occurs within 12 months after their purchase, sec. 23 para. 1 sent. 1 no. 2 sent. 1 EStG (so-called *privates Veräußerungsgeschäft*). If a Securityholder has purchased more than one Carbon Security at different dates, the Carbon Security first purchased will be deemed to be first sold. A sale after the end of the 12-month holding period will not be a taxable transaction and profits therefore will be tax free, but losses are not tax-deductible against other sources of income.
- 15.38 According to the case law of the BFH, the delivery of gold in case of redemption of the gold securities does not qualify as a taxable disposition of the gold securities (dec. of 6. February 2018, IX R 33/17, BStBl. II 2018, p. 525). The BFH takes the view that a disposition within the meaning of sec. 23 EStG requires the transfer of an asset for consideration. In case of the redemption, according to the view of the BFH, there is no such transfer for consideration because the investor only receives gold already attributed to them under the terms and conditions of the gold securities. Commercially the Securityholder is in the same position as before the redemption. A taxation of any

appreciation of the gold would thus not be justified. If this case law of the BFH is applied accordingly to Carbon Securities the Carbon Delivery should not qualify as a taxable disposition of the Carbon Securities since the Securityholder is still in the same economic position as before the redemption. There is a remaining risk that the tax administration might view the Carbon Securities differently to gold securities and virtual currency, and might treat the redemption as a taxable event if it occurs within the 12 months holding period after the acquisition of the Carbon Securities.

- 15.39 Should the sale of the Carbon Securities qualify as a taxable event because it occurs within the 12 months holding period the taxable income (profit or loss) corresponds to the difference between the sales proceeds and acquisition cost. Should the tax administration not follow the BFH decision of 6. February 2018, then in the case of a redemption during the holding period the taxable income would be determined as the difference between the cash value of the emissions allowance at the time of redemption and the acquisition cost.
- 15.40 A profit arising during the 12 months holding period will not be taxed if – after off-setting with profits or losses from other transactions falling under sec. 23 EStG – it does not exceed 1,000 EUR. Losses from transactions falling under sec. 23 EStG can only be off-set against profits resulting from other transactions falling under this provision in the same calendar year. Under certain conditions, a carry back or carry forward of losses exceeding that threshold to previous or future years for set-off against profits from transactions falling under sec. 23 EStG can be achieved.

Sale of physical Allowances after delivery

- 15.41 In case of delivery of physical Allowances the profit derived from a subsequent sale of emissions allowance generally is subject to personal income tax at ordinary rates (up to 45% plus solidarity surcharge of 5.5% thereon and church tax if applicable) provided the emissions allowance is sold within twelve months after the purchase of the Carbon Securities. Taking into account the case law of the BFH (in particular dec. of 6 February 2018), the emissions allowance may be considered to be acquired at the time the Securityholder acquired the Carbon Securities rather than on the subsequent date of the actual delivery of the emissions allowance. However, it needs to be noted that there currently is no published guidance of the tax administration or case law on this particular point. The decision of 6 February 2018 does not make an explicit statement about this specific issue. The sale of emissions allowance on a date after the twelve months holding period expired is not a taxable transaction.
- 15.42 A profit arising during the holding period will not be taxed if – after off-setting with profits or losses from other transactions falling under sec. 23 EStG – it does not exceed 600 EUR. Losses from transactions falling under sec. 23 EStG can only be off-set against profits resulting from other transactions falling under this provision in the same calendar year. Under certain conditions a carry back of excess losses that threshold to previous years can be achieved.

Withholding Tax

- 15.43 Proceeds resulting from transactions falling under sec. 23 EStG are not subject to withholding tax.

Tax Assessment

- 15.44 Taxable profits resulting from transactions falling under sec. 23 EStG need to be reported by the investor in his personal tax return. The applicable tax rate is determined according to the progressive income tax schedule which reaches 45% in the highest bracket (plus 5.5% solidarity surcharge thereon and, if applicable church tax).

Risk of non-applicability of case law of BFH

- 15.45 Should the case law of the BFH on gold securities not be applicable on Carbon Securities the capital gains from the sale and redemption of Carbon Securities would be expected to be taxed as investment income (irrespective of any holding period) at a 25% flat tax plus 5.5% solidarity surcharge thereon and, if applicable to the individual Securityholder, church tax at a rate of 8% or 9%.
- 15.46 The flat tax is generally collected by way of withholding and the tax withheld shall generally satisfy the individual Securityholder's tax liability with respect to the Securities. If, however, no or insufficient tax was withheld, the Securityholder will have to include the income received with respect to the Securities in their annual income tax return. The flat tax will then be collected by way of tax assessment. The Securityholder may also opt for inclusion of investment income in their income tax return if the aggregated amount of tax withheld on investment income during the year exceeded their aggregated flat tax liability on investment income (e.g. because of available losses carried forward or foreign tax credits). If the Securityholder's individual progressive income tax rate which is applicable on all taxable income including the investment income is lower than 25%, they may opt to be taxed at their individual progressive rates with respect to their investment income.
- 15.47 Capital losses from the sale or redemption of the Securities held as private assets should generally be tax-recognised irrespective of the holding period of the Securities. However, where no (or only de minimis) payments are made to the Securityholders on the maturity or Redemption Date of the Securities, any capital losses might not be recognised by the German tax authorities. Any tax recognised capital losses may not be used to offset other income like employment or business income but may only be offset against other investment income. Capital losses not utilised in one annual assessment period may be carried forward into subsequent assessment periods for set-off against investment income, but may not be carried back into preceding assessment periods.
- 15.48 Individual investors are entitled to a saver's lump sum tax allowance for investment income of up to EUR 1,000 per year (EUR 2,000 for Securityholders who are jointly assessed spouses). The saver's lump sum tax allowance is also taken into account for purposes of withholding tax if the Securityholder has filed a withholding tax

exemption request (*Freistellungsauftrag*) with the respective domestic paying agent. The deduction of related expenses for tax purposes is not permitted.

Taxation of capital gains derived from the sale of Carbon Securities or from the redemption of Carbon Securities held as business assets

- 15.49 In case of tax resident Securityholders (individuals and legal persons) which hold the Carbon Securities as business assets (*Betriebsvermögen*) (directly or through a partnership), any capital gain will be subject to personal income tax (up to 45% plus solidarity surcharge of 5.5% thereon and, church tax if applicable) or corporate income tax at a rate of 15% (plus solidarity surcharge of 5.5% thereon) irrespective of any holding period. In addition, trade tax (*Gewerbesteuer*) might be levied. The trade tax rate depends on a local multiplier which is assessed by the competent municipality and may be partly creditable against the income tax burden of an individual as a lump sum credit.
- 15.50 The same applies in case of delivery of physical emissions allowance upon redemption of the Carbon Securities, and any future disposition of physical emission allowances.

Non-resident Taxation

- 15.51 Profits derived by a non-resident Securityholder from the disposition of the Carbon Securities, from the redemption of the Carbon Securities or from the disposition of the physical emissions allowance will not be taxed in Germany unless (i) the Carbon Securities or the physical emissions allowance belong to the assets of a permanent establishment (including a permanent representative) or another fixed place of business maintained by the non-resident Securityholder in Germany or (ii) the income can be attributed to other German sourced income (e.g. rent income derived from domestic property).
- 15.52 Should a non-resident Securityholder be subject to German taxation, then the same principles applicable to tax resident Securityholders would apply.

Gift or inheritance tax

- 15.53 A transfer of the Carbon Securities by way of gift or on death will be subject to German gift or inheritance tax if the Securityholder, or their heir, donee or other beneficiary, is a German resident for German gift or inheritance tax purposes according to the specific rules of the German Gift and Inheritance Tax Act (*Erbschaftsteuergesetz*). This may in particular be the case if the Securityholder, heir, donee or other beneficiary is:
- (a) an individual having at the time of the donation or death their residence or habitual abode in Germany or if the individual is a German citizen who has not been living abroad for more than 5 years without having a residence in Germany; or
 - (b) a corporation having its seat or central place of management in Germany; or

- (c) the Carbon Securities constitute business assets attributable to a permanent establishment or a permanent representative in Germany.

Other taxes

- 15.54 No stamp, issue, registration or similar direct or indirect taxes or duties will be payable in Germany in connection with the issue, delivery or execution of the Carbon Securities, the Global Bearer Certificates or any interest therein. No net asset tax is currently levied in Germany.
- 15.55 Due to reverse-charge mechanism under Sec. 13b para. 2 No. 6 German Value Added Tax Act (*Umsatzsteuergesetz*, "**VAT**") a recipient of Carbon Security or Carbon Delivery who qualifies as taxable person for VAT purposes (*Unternehmer*) should be liable for VAT.

OECD Common Reporting Standard

- 15.56 Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions and automatically exchange with exchange partners on an annual basis financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.
- 15.57 Germany has enacted a law implementing the CRS, which has entered into force on 1 January 2016 and provides for the exchange of information in relation to the calendar year 2016 and later.
- 15.58 In the event that Securityholders hold the Carbon Securities through a German financial institution (as meant in the German implementation of the CRS), Securityholders may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the German implementation of the CRS.

E. Taxation – Italy

General

- 15.59 The information set out below is a summary of certain limited aspects of the Italian tax consequences of the acquisition, ownership and disposition of Carbon Securities and it does not purport to be a comprehensive description of all the tax issues that may be relevant to a decision to purchase Carbon Securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Italy. This summary is based on the tax laws of Italy as in effect on the date of this Prospectus, as well as current regulations, Italian Tax Authority

("Agenzia delle Entrate") positions, rulings and decisions of other authorities available on or before such date and now in effect.

- 15.60 All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary. Because it is a general summary, holders of Carbon Securities should consult their own tax advisers as to the Italian or other tax consequences of the purchase, holding and disposition of Carbon Securities including, in particular, the application to their specific situations of the tax aspects discussed below, as well as the application of state, local, EU, foreign or other tax laws.
- 15.61 This summary assumes that (i) the Issuer is not a tax resident nor deemed to be a tax resident of Italy according to Article 73, paragraph 3 of Presidential Decree No. 917 of 22 December 1986 (Testo Unico delle Imposte sui Redditi, also known as "TUIR") and that (ii) the Issuer does not have (and will not have at any time) a permanent establishment in Italy as defined under Article 162 of TUIR.
- 15.62 SparkChange Physical Carbon EUA ETC is a Class of Carbon Securities, also known as Exchange Traded Commodities (ETC), designed to track the price of allowances, credits, permits, rights or similar assets which represents a volume of carbon dioxide equivalent or other greenhouse gas, which is issued, allocated, created or recognised in accordance with the rules and regulations governing participation in a trading scheme for the transferring of such allowances, credits, permits, rights or similar assets (as described in paragraph 1.22).
- 15.63 With Ruling No. 72/E of 12 July 2010 the Agenzia delle Entrate has established that Exchange Traded Commodities (ETC) should be treated as **derivative financial instruments** for Italian tax purposes, because they are characterized by the following aspects: (i) value is dependent on an underlying asset, group of assets, or benchmark; (ii) price is derived from fluctuations in the underlying asset; and (iii) settlement could be carried out through the delivery of the underlying asset, rather than in cash.

Tax on income and capital gains deriving from "derivative financial instruments"

- 15.64 For the purposes of Italian tax law and based on current tax authorities' approach, Carbon Securities are subject to the tax regime of derivative financial instruments (or bundles of derivative financial instruments) as defined by art. 67, par. 1, lett. c-quarter of TUIR.
- 15.65 Italian tax regime applicable to derivative financial instruments received by a Securityholder is determined according to the following criteria: (i) net cash proceeds received from a redemption or sale of the Carbon Securities, (ii) the sum paid at the time of subscription or purchase and (iii) the legal nature of the Securityholder.
- 15.66 If the Securityholder is (a) an Italian resident corporations or similar commercial entity, or (b) an Italian individuals engaged in entrepreneurial activities to which the Carbon Securities are effectively connected (*"detenzione collegata all'esercizio"*

dell'impresa”), (c) a permanent establishments in Italy of non-Italian resident to which the Carbon Securities are effectively connected (as well as unrealised gains reported in the statutory financial statement), proceeds from the sale or redemption of the Carbon Securities received shall be included in the relevant holder’s taxable income, which is subject to corporate income tax (“*Imposta sul reddito delle società – IRES*”, currently applicable at an ordinary rate of 24 per cent., increased by 3.5 per cent for insurance companies, banks and some financial intermediaries, including, without limitation, parent companies of banking groups, fund management companies and investment firms, while the above-specified ordinary rate is reduced to 12 per cent for companies that start activities in the “*Special Economic Zones – ZES*” of Italy, as determined by the Italian government) for cases (a) and (c) or to personal income taxation (as business income), for case (b), according to the ordinary rules.

In addition, in certain cases, depending on the status and the type of activity of the holder (e.g. securities trading activity), proceeds from the sale or redemption of the Carbon Securities may also be relevant for the purpose regional income tax on productive activities (“*Imposta regionale sulle attività produttive – IRAP*”);

- 15.67 If the Securityholder is (a) *Italian resident individuals not engaged in entrepreneurial activities to which the Carbon Securities are effectively connected* or (b) *a non-commercial entities according to Article 5 of Legislative Decree no. 461 of 21 November 1997, as defined under the combined provisions of Articles 67 of TUIR and Article 3 of Law Decree no. 66 of 2014*, gains realised upon the sale for consideration or redemption of the Carbon Securities are considered as “other income” (*redditi diversi*) and are generally subject to a substitute tax (*imposta sostitutiva*) currently at the rate of 26 per cent.

In particular, Italian tax law provides for the application of a substitute tax of 26% (as final taxation) on gains of a financial nature through three alternative regimes:

- (a) The so-called “*Regime della dichiarazione*”, as required by Article 5 of Legislative Decree no. 461 of 21 November 1997, the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity.

Imposta sostitutiva on capital gains is applied, on a cumulative basis, on all capital gains realised in a fiscal year, net of any incurred capital loss. In regard with the sum of capital gain or loss, it is evident that all disposals of Carbon Securities and other financial instruments triggering have to be subject to the same tax regime.

In addition, these individuals and non-commercial entities must report the overall capital gains realised, net of any relevant incurred capital loss, in the annual Italian tax return and file it to the Italian tax authorities. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years;

- (b) The so-called “*Regime del Risparmio Amministrato*”, according to Article 6 of Legislative Decree no. 461 of 21 November 1997, is carried out through the

provision of non-discretionary administration/Backing Issuer services to the relevant taxpayer and allows to pay the *imposta sostitutiva* separately on the capital gains realised upon each sale or redemption of the Carbon Securities under this regime.

Such a separate taxation of each capital gain is allowed only if: (a) the Carbon Securities being deposited with an Italian bank, or an investment firm as a *Società di Intermediazione Mobiliare (SIM)* or with one of certain other authorised financial intermediaries, (b) each relevant capital gain being realised through such intermediary, and (c) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Carbon Security holder. The financial intermediary, on the basis of the information provided by the taxpayer, accounts for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Carbon Securities (as well as in respect of capital gains realised at revocation of its mandate and upon other specific circumstances which are deemed to trigger an assignment under this regime), net of any incurred capital loss, and is required to pay the relevant amount of tax to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Carbon Securities holder.

Under the Regime del *Risparmio Amministrato*, where a sale or redemption of Carbon Securities results in a capital loss, such loss may be used to reduce the subsequent capital gains realised in the same tax year and up to the following fourth.

All gains that have been subject to the Regime del *Risparmio Amministrato* do not have to be included in the yearly income tax return of the holder of Carbon Securities;

- (c) The so-called “*Regime del Risparmio Gestito*”, according to Article 7 of Legislative Decree no. 461 of 21 November 1997, is performed through the management of an authorised Italian financial intermediary, providing discretionary portfolio management services, who directly applies the *imposta sostitutiva*.

The tax base is represented by the computation of the annual increase in value of the managed assets accrued, which include the increase or decrease in the fair market value of the Carbon Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities, even if not realised, at year end.

Under the Regime del *Risparmio Gestito*, any depreciation of the managed assets accrued at year end may be carried forward and deducted against future increase in value of the managed assets in the four succeeding years. All gains that have been subject to the Regime del *Risparmio Gestito* do not have to be included in the yearly income tax return of the holder of Carbon Securities.

Capital gains in respect of the Carbon Securities realized upon sale, transfer or redemption by Italian resident individuals not engaged in entrepreneurial activities to which the Carbon Securities are effectively connected could also be exempted from taxation, including the 26 per cent imposta sostitutiva, if the Carbon Securities are included in a long-term individual savings account ("*Piano Individuale di Risparmio a lungo termine – PIR*" or also "*Alternative PIR*") that, combining the Carbon Securities with PIR eligible financial instruments, comply with (i) Article 1 (paragraphs 100 – 114) of Law no. 232 of 2016, as amended, and/or with (ii) the Law Decree no 34 of 2020, converted into Law no. 77 of 2020. For the avoidance of doubts, Carbon Securities are not, per se, PIR eligible financial instruments, but may be entitled to the tax exemption only if the Carbon Securities are included in a bucket of non-PIR eligible financial instruments that doesn't exceed 30% of the total assets within the PIR and do not exceed the threshold for individual securities in a PIR;

- 15.68 If the Securityholder is an *Italian resident collective investment schemes (e.g. UCITS)*, the increase or decrease in the fair market value of the Carbon Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities, other than real estate investment funds, and hedge funds are not subject to taxation at the fund's level;
- 15.69 If the Securityholder is an *Italian pension fund* (subject to the regime provided for by Articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree 21 April 1993, no. 124 as further substituted by Legislative Decree no. 252 of 5 December 2005, as amended), the increase or decrease in the fair market value of the Carbon Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities are included in the determination of the yearly NAV accrued appreciation or depreciation of the assets under management that is subject to a substitute tax (imposta sostitutiva) currently at a rate of 20 per cent, reduced to 12.50 per cent for the portion of the appreciation of the assets under management attributable to bonds issued by Italy or "white list" countries;
- 15.70 If the Securityholder is a *Non-Italian resident without a permanent establishment in Italy to which the Carbon Securities are effectively connected*, it is not subject to income tax in Italy on the proceeds realised on the sale of the Carbon Securities, provided that:
 - (a) the Carbon Securities have not been deposited in Italy; or
 - (b) the Carbon Securities have been deposited in Italy and are traded on a regulated market; or
 - (c) the Carbon Securities have been deposited in Italy but are not traded on a regulated market and the beneficial owner of the proceeds from the Carbon Securities: (i) complies with certain filing requirements; and (ii) is a resident of a country which is included in the list of jurisdictions allowing exchange of information with the Italian tax authorities as provided under the relevant list which is contained in a specific Ministerial Decree and in the following periodical updating.

Inheritance and gift taxes

- 15.71 Law no. 286 of 24 November 2006, which has converted into law, with amendments, Law Decree no. 262 of 3 October 2006, has introduced inheritance and gift tax to be paid at the transfer of assets (such as the Carbon Securities) and rights by reason of death or gift.
- 15.72 As regards the inheritance and gift tax to be paid at the transfer of the Carbon Securities by reason of death or gift, the following rates apply:
- (a) transfers in favour of spouses and direct descendants or direct relatives are subject to an inheritance and gift tax of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000.00 for each beneficiary;
 - (b) transfers in favour of brothers and sisters are subject to an inheritance and gift tax of 6 per cent. on the value of the inheritance or the gift exceeding EUR 100,000.00 for each beneficiary;
 - (c) transfers in favour of relatives up to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax of 6 per cent. on the entire value of the inheritance or the gift;
 - (d) any other transfer is subject to an inheritance and gift tax of 8 per cent. on the entire value of the inheritance or the gift; and
 - (e) transfers in favour of seriously disabled persons are subject to an inheritance and gift tax at the relevant rate as described above on the value of the inheritance or the gift exceeding EUR 1,500,000.00 for each beneficiary.
- 15.73 The payment of the gift and inheritance taxes should be made directly by the relevant taxpayer and not by means of withholding by a tax agent.
- 15.74 Moreover, an anti-avoidance rule is provided by Law no. 383 of 18 October 2001 for any gift of assets (such as the Carbon Securities) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Legislative Decree no. 461 of 21 November 1997 (see section 15.67 above). In particular, if the beneficiary of the gift sells the Carbon Securities for consideration within five years from the receipt thereof as a gift, the same beneficiary is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift had never taken place.

Securities Transfer and Registration Tax

- 15.75 According to Article 37 of Law Decree no. 248 of 31 December 2007, as converted with amendments into Law no. 31 of 28 February 2008, the transfer of the Carbon Securities is not subject to Italian stock exchange tax.
- 15.76 Contracts relating to the transfer of Carbon Securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to a fixed registration tax at a rate of €200.00; (ii) private deeds are subject to registration tax at a rate of

€200.00 only if they are voluntary registered or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

Financial Transaction Tax (Tobin tax)

- 15.77 Having regard to Article 1, paragraphs 491 to 499 of the Law No 228 of 24 December 2012 and to Decree of the Minister of Economy and Finance of 21 February 2013, the transfer of the Carbon Securities is not subject to the application of the tax Financial Transaction Tax.

Stamp Duty

- 15.78 Pursuant to Article 19(1) of Law Decree No. 201 of 6 December 2011 ("**Decree 201**"), as converted into Law no. 214 of 22 December 2011, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries, carrying out their business activity within the Italian territory, to their clients for the Carbon Securities deposited therewith. The stamp duty applies at the current rate of 0.2 per cent. This stamp duty is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount of the Carbon Securities held. The stamp duty has a cap of euro 14.000 if the taxpayer is different from a natural person.

Wealth Tax on securities deposited abroad

- 15.79 Pursuant to Article 19, paragraph 18, of Decree 201, Italian (a) *resident individuals*, (b) *non-commercial entities* (e.g. *trusts, foundations, etc.*) and (c) *non-commercial partnerships* (i.e. *Società Semplice*) holding the Carbon Securities outside the Italian territory are required to pay a wealth tax ("*Imposta sul valore delle attività finanziarie detenute all'estero – IVAFE*") at the current rate of 0.2 per cent (or of 0.4 per cent if the Carbon Securities are held in States or territories deemed with privileged taxation identified by the Ministerial Decree of May 4, 1999, as amended).
- 15.80 The IVAFE's tax base is the market value of the Carbon Securities at the end of the relevant year or at the end of the holding period, if on 31 December the Carbon Securities are no longer held. When market value figure is not available, IVAFE is calculated on the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the IVAFE due).

Tax Monitoring

- 15.81 Pursuant to Law Decree no 167 of 28 June 1990, converted into Law no. 227 of 4 August 1990, as amended, Italian (a) *tax resident individuals*, (b) *non-commercial entities* (e.g. *trusts, foundations, etc.*) and (c) *non-commercial partnerships* (i.e. *Società Semplice*), whose, during the fiscal year, hold Carbon Securities abroad must disclose to the Italian tax authorities filling the Italian tax return.
- 15.82 Tax monitoring is not due when Carbon Securities are placed in custody or administration with an authorised Italian financial intermediary (e.g. Italian banks,

fiduciary companies). In this event also IVAFE is not due, as Stamp Duty (see. Par. 15.78) becomes applicable.

OECD Common Reporting Standards

- 15.83 Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in 2017.
- 15.84 Italy has enacted Law No. 95 of 18 June 2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation), which has entered into force on 1 January 2016 and provides for the exchange of information from the calendar year 2016 onwards.
- 15.85 In the event that Carbon Securities are held through an Italian financial institution (as meant in the Ministerial Decree of 28 December 2015 implementing Law 95/2015), the holders of the Carbon Securities may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

SECTION 16 – CLEARING AND SETTLEMENT

A. Issue

- 16.1 The Carbon Securities may be issued:
- (a) in bearer form, including in NGN form, and in CGN form and serially numbered Bearer Securities;
 - (b) in registered form, including in global registered form using the new safekeeping structure and in CGN form) as Registered Securities;
 - (c) in dematerialised uncertificated registered form which shall not be exchangeable for Bearer Securities, as Uncertificated Registered Securities.
- 16.2 All Registered Securities of the same Class shall have the same Principal Amount. Bearer Securities shall not be exchangeable for Uncertificated Registered Securities.

B. Form and Title

- 16.3 Title to the Bearer Securities shall pass by delivery.
- 16.4 Title to the Registered Securities shall pass by registration in the Register.
- 16.5 Uncertificated Registered Securities shall be held in uncertificated registered form in accordance with the Uncertificated Regulations and as such are dematerialised and not constituted by any physical document of title.

C. Relevant Clearing System

- 16.6 Custodial or safekeeping links have been established with the Relevant Clearing System. At the date of this Prospectus, settlement of transactions in the Carbon Securities will take place within Euroclear and Clearstream.

D. CREST

- 16.7 To the extent that Carbon Securities are issued in Uncertificated Form, settlement of transaction in the Carbon Securities will take place within the CREST system, as further described in Condition 3.6 (***Exchange of Uncertificated Registered Securities***).

E. What is CREST?

- 16.8 CREST is a paperless multi-currency electronic settlement platform enabling securities (including debt securities) to be:
- (a) evidenced otherwise than by written instrument; and
 - (b) transferred electronically without a written instrument with effective delivery versus payment.

- 16.9 The Register in respect of such Carbon Securities will be held in Ireland and governed by Irish law, in particular the Companies Act, 1990 (Uncertificated Securities) Regulations 1996 of Ireland (S.I. No. 68/1996) (as amended), which means that there will be a written instrument evidencing the CREST Carbon Securities, but any CREST Carbon Securities that are shown in the relevant Register as being Uncertificated Carbon Securities will be settled within the CREST system.
- 16.10 CREST Carbon Securities will only be shown in the relevant Register as being Certificated Carbon Securities if:
- (a) the CREST system is closed for a continuous period of 14 calendar days or more;
 - (b) CREST announces an intention permanently to cease business or does in fact do so;
 - (c) a holder ceases to be a CREST member; or
 - (d) if the CREST Securities need to be in the form of Certificated Securities for any other reason the Issuer deems necessary (for example, if it were required to effect a listing on another stock exchange or to permit trading on another electronic trading platform).

F. Euroclear and Clearstream

- 16.11 Euroclear and Clearstream each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants.
- 16.12 Euroclear and Clearstream provide to their respective participants ("**Participants**"), services including:
- (a) safekeeping and administration;
 - (b) clearance and settlement of internationally traded securities; and
 - (c) securities lending and borrowing.
- 16.13 Persons who clear through or maintain a custodial relationship with a Participant can access these services either directly or indirectly.
- 16.14 Distributions of principal with respect to book-entry interests in the Carbon Securities held through Euroclear and Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of the relevant Participant in accordance with the Relevant Clearing System's procedures applicable to Carbon Securities traded on the relevant platform.
- 16.15 Where the Final Terms indicate that a Class of Carbon Securities is "intended to be held in a manner which would allow Eurosystem eligibility", such designation simply

means that the Carbon Securities are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper (and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper) and does not necessarily mean that the Carbon Securities will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied of Eurosystem eligibility. At the date of this Prospectus, Euroclear will be the Common Safekeeper.

- 16.16 Where the Final Terms indicate that a Class of Carbon Securities is not "intended to be held in a manner which would allow Eurosystem eligibility", should the Eurosystem eligibility criteria be amended in the future such that the Carbon Securities are capable of meeting them, the Carbon Securities may then be deposited with one of the ICSDs as Common Safekeeper (and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper). Note that this does not necessarily mean that the Carbon Securities will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied of Eurosystem eligibility.

G. Records

- 16.17 Carbon Securities may be accepted for clearance through any Relevant Clearing System (which are the entities in charge of keeping the records). Carbon Securities will be cleared through the Relevant Clearing System in whole numbers of Carbon Securities only (for these purposes a Carbon Security may be referred to as a unit by the Relevant Clearing System).
- 16.18 The International Securities Identification Number (ISIN) for each Class Securities will be set out in the applicable Final Terms.
- 16.19 The address of CREST is Euroclear UK & Ireland Limited, 33 Cannon Street, London, EC4M 5SB.
- 16.20 The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.
- 16.21 The address of Clearstream is 42 Avenue JF Kennedy L-1855 Luxembourg.

SECTION 17 – SELLING RESTRICTIONS

- 17.1 The Carbon Securities are not subject to any restrictions on transferability. The following restrictions on offer and sales apply.
- 17.2 Only Authorised Participants may subscribe for Carbon Securities from the Issuer. The Authorised Participant(s) in respect of each Class of Carbon Securities will be specified in the relevant Final Terms.
- 17.3 This document has been approved as a base prospectus by the Central Bank as competent authority under the Prospectus Regulation and as a base prospectus by the FCA in its capacity as competent authority under the UK Prospectus Regulation.
- 17.4 The Issuer has requested the Central Bank to provide the competent authorities in Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain and Sweden, with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation.
- 17.5 The Issuer may in due course request the Central Bank to provide competent authorities in additional EEA States with such certificates. The provisions set out in this section "**Selling Restrictions**" should be construed accordingly.

A. Non-Exempt Offers

- 17.6 This Prospectus has been prepared on a basis that permits offers that are not made within an exemption from the requirement to publish a prospectus under (i) Article 1(4) of the Prospectus Regulation ("**Non-exempt Offers**") in **Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain and Sweden**; and (ii) Article 1(4) of the UK Prospectus Regulation (also a "**Non-exempt Offer**") in the **United Kingdom** (each a "**Non-exempt Offer Jurisdiction**" and together, the **Non-exempt Offer Jurisdictions**"). Any person making or intending to make a Non-exempt Offer of Carbon Securities on the basis of this Prospectus must do so only with the Issuer's consent as described below.
- 17.7 In the context of any Non-exempt Offer of Carbon Securities, the Issuer accepts responsibility, in the Non-exempt Offer Jurisdiction, for the content of this Prospectus in relation to any person who purchases any Carbon Securities in a Non-exempt Offer made by an Authorised Participant, where that offer is made during the Offer Period (as defined below).
- 17.8 Except in the circumstances described below, the Issuer has not authorised the making of any offer by any offeror and the Issuer has not consented to the use of this Prospectus by any other person in connection with any offer of the Carbon Securities in any jurisdiction. Any offer made without the consent of the Issuer is unauthorised and neither the Issuer nor, for the avoidance of doubt, HANetf, accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

- 17.9 **If, in the context of a Non-exempt Offer, a prospective Securityholder is offered Carbon Securities by a person which is not an Authorised Participant, the prospective Securityholder should check with such person whether anyone is responsible for this Prospectus for the purpose of the relevant Non-exempt Offer and, if so, who that person is. If a prospective Securityholder is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents, that prospective Securityholder should take legal advice.**
- 17.10 **The Issuer consents to the use of this Prospectus (as supplemented at the relevant time, if applicable) in connection with any Non-exempt Offer of a Tranche of Carbon Securities in the Non-exempt Offer Jurisdiction during the Offer Period by any Authorised Participant named in the relevant Final Terms or any other financial intermediary in respect of the relevant Class of Carbon Securities which is an investment firm authorised in accordance with FSMA (an "Authorised Offeror"), provided that such Authorised Offeror complies with the selling restrictions set out herein.**
- 17.11 **Any Authorised Offeror using this Prospectus must state on its own website that it uses this Prospectus in accordance with the consent and conditions contained in this Prospectus.**
- B. Arrangements Between a Securityholder and the Authorised Participant who will distribute the Carbon Securities**
- 17.12 Neither the Issuer nor, for the avoidance of doubt, HANetf has any responsibility for any of the actions of any Authorised Participant (or any such other person purporting to be an Authorised Offeror), including compliance by an Authorised Participant with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.
- 17.13 **A prospective Securityholder intending to acquire or acquiring any Carbon Securities from an Authorised Participant will do so, and offers and sales of the Carbon Securities to such prospective Securityholders by an Authorised Participant will be made, in accordance with any terms and other arrangements in place between that Authorised Participant and such prospective Securityholder including as to price, allocations and settlement arrangements. These terms shall be provided to such prospective Securityholder by that Authorised Participant at the time the offer is made.** The Issuer will not be a party to any such arrangements with such prospective Securityholder and, accordingly, this Prospectus does not contain such information. None of the Issuer or, for the avoidance of doubt, HANetf or other Authorised Participant has any responsibility or liability for such information contained in any such arrangements between the prospective Securityholder and that Authorised Participant.
- 17.14 The Issuer has consented to the use of this Prospectus, and has accepted responsibility for the content of this Prospectus, with respect to subsequent resale or final placement by way of public offer of the Carbon Securities in any of Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden and the United Kingdom by any Authorised Offeror.

Such consent applies to any such resale or final placement by way of public offer during the period of 12 months from the Prospectus Date (the "**Offer Period**") unless such consent is withdrawn prior to that date by notice published on the Issuer's Website. Any public offer of the Carbon Securities in Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Norway, the Netherlands, Poland, Spain or Sweden will be conducted by an Authorised Offeror in accordance with the EU Prospectus Regulation and any public offer of the Carbon Securities in the United Kingdom will be conducted by an Authorised Offeror in accordance with the UK Prospectus Regulation.

C. Offers by Authorised Participants

- 17.15 In the event of a public offer in the Non-exempt Offer Jurisdiction, the Carbon Securities may be offered and sold to persons who are legally eligible to participate in a public offering of such securities in such jurisdiction under applicable laws and regulations as more particularly specified below.
- 17.16 In relation to each EEA State and/or the United Kingdom, by entering into an Authorised Participant Agreement, each Authorised Participant represents and agrees that with effect from and including the Prospectus Date, it has not made and will not make an offer of Carbon Securities which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms to the public in that EEA State and/or the United Kingdom, except that it may, with effect from and including the Prospectus Date, make an offer of such Carbon Securities to the public in that EEA State and/or the United Kingdom:
- (a) in the case of a Non-exempt Offer, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation or the UK Prospectus Regulation, as applicable, following the Prospectus Date in relation to such Carbon Securities which have been approved by the competent authority in the relevant EEA State and/or the United Kingdom, or, where appropriate, approved in another EEA State and/or the United Kingdom and notified to the competent authority in that EEA State and/or the United Kingdom in the period (if any) beginning and ending on the dates (if any) specified in such prospectus or final terms, as applicable;
 - (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation or the UK Prospectus Regulation (as applicable);
 - (c) at any time to fewer than 150 natural or legal persons per Member State (other than qualified investors as defined in the Prospectus or the UK Prospectus Regulation (as applicable)), subject to obtaining the prior consent of the relevant Authorised Participant or Authorised Participants nominated by the issuer for any such offer; or
 - (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation or the UK Prospectus Regulation (as applicable),

provided that no such offer of Carbon Securities referred to above shall require the Issuer or any Authorised Participant to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or the UK Prospectus Regulation (as applicable) or supplement a base prospectus pursuant to Article 23 of the Prospectus Regulation or the UK Prospectus Regulation (as applicable).

- 17.17 For the purposes of the provision above, the expression an "offer of Carbon Securities to the public" in relation to any Carbon Securities in the United Kingdom or in any EEA State means a communication in any form and by any means, presenting sufficient information on the terms of the offer and the Carbon Securities to be offered, so as to enable an investor to decide to purchase those Carbon Securities.

D. UK Selling Restrictions

- 17.18 Further, by entering into an Authorised Participant Agreement, each Authorised Participant undertakes and agrees that:

- (a) 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 Carbon Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Carbon Securities in, from or otherwise involving the United Kingdom.

E. Irish Selling Restrictions

- 17.19 Further, by entering into an Authorised Participant Agreement, each Authorised Participant undertakes and agrees that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Carbon Securities, or do anything in Ireland in respect of the Carbon Securities, otherwise than in conformity with the provisions of:

- (a) Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the Prospectus Regulation), Commission Delegated Regulation (EU) 2019/980, (the PR Regulation), Commission Regulation (EU) 2019/979 (the RTS Regulation) and any applicable supporting law, rule or regulation and any Central Bank rules issued and/or in force pursuant to Section 1363 of the Companies Act 2014 (as amended);
- (b) the Companies Act 2014 (as amended);
- (c) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) and it will conduct itself in accordance with any rules or codes of

practice and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank;

- (d) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the Market Abuse Directive on criminal sanctions for market abuse (Directive 2014/57/EU or CSMAD or MAD II), the European Union (Market Abuse) Regulations 2016 (as amended) and any Central Bank rules issued and/or in force pursuant to Section 1370 of the Companies Act 2014 (as amended);
- (e) Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs); and
- (f) the Central Bank Acts 1942 to 2023 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989.

F. US Selling Restrictions

- 17.20 The Carbon Securities have not been, and will not be, registered under the Securities Act or under the securities law of any state or political sub-division of the United States or any of its territories, possessions or other areas subject to its jurisdiction, and the Issuer has not been and will not be registered under any federal laws of the United States. The Carbon Securities include Carbon Securities in bearer form that are subject to US tax law requirements.
- 17.21 No person has registered nor will register as a commodity pool operator of the Issuer under the Commodity Exchange Act of 1936, as amended (the "**CEA**") and the rules thereunder (the "**CFTC Rules**") of the commodity futures trading commission (the "**CFTC**"). Any offer or sale of the Carbon Securities must be made in a transaction exempt from the registration requirements of the Securities Act pursuant to Regulation S thereunder ("**Regulation S**").
- 17.22 The Carbon Securities may not at any time be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, persons who are either "US Persons" as defined in Regulation S or persons who do not come within the definition of a "Non-United States Person" under CFTC Rule 4.7 (excluding for the purposes of subsection (d) thereof, the exception to the extent it would apply to persons who are not Non-United States Persons).
- 17.23 Carbon Securities may not be legally or beneficially owned by any entity that is, or that is using the assets of,
- (a) (i) an "**Employee Benefit Plan**" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) that is subject to the fiduciary responsibility requirements of Title I of ERISA;

(ii) any plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") applies (a "**Plan**"); or

(iii) an entity whose constituent assets include "**Plan Assets**" (as determined pursuant to the "**Plan Assets Regulation**" issued by the United States Department of Labor at 29 C.F.R. Section 2510.3-101 as modified by Section 3(42) of ERISA) by reason of any such Employee Benefit Plan's or Plan's investment in the entity or

- (b) a non-U.S. plan, governmental plan, church plan or other plan that is subject to any federal, state, local, non-U.S. or other law or regulation that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (a "**Similar Law**") unless its acquisition and holding and disposition of such Security, or any interest therein, has not and will not constitute a violation of such Similar Law. The Issuer has the right, at its option, to refuse to recognise any such transfer or to compel any legal or beneficial owner of Carbon Securities who contravenes such prohibition to void the transfer of such Carbon Securities to such legal or beneficial owner or to redeem any such Carbon Securities held by such legal or beneficial owner. Transfers may be voided by the Issuer by compelling a sale by such legal or beneficial owner or by the Issuer selling such Carbon Securities on behalf of such legal or beneficial owner at the lesser of the purchase price therefore or the market value (as determined by the Determination Agent) of the Carbon Entitlement per Security prevailing at the time such transfer is voided. Terms used in this paragraph 14.19 have the meanings given to them by the Code.

SECTION 18 - TERMS AND CONDITIONS OF BACKING NOTES

The following is the text of the terms and conditions which, subject to completion and as supplemented by the provisions of the Final Terms relating to a particular Class of Backing Note, will be applicable to the Backing Note of such Class and which will be attached to or endorsed on such Backing Note on the Individual Certificates relating to such Registered Notes. Unless the context requires otherwise, references in these terms and conditions to "Backing Notes" are to the Backing Note of one Class only, not to all Backing Notes which may be issued under the Programme from time to time.

The Backing Notes are issued under the Backing Note Programme of the Issuer (the "**Backing Issuer Programme**"). In respect of a Class of Backing Note, the Backing Note of such Class will be constituted by (i) a master subscription agreement dated on or about 5 October 2021 and made between the Issuer and the HANetf Issuer (as amended, supplemented, novated and/or replaced from time to time, the "**Master Subscription Agreement**"); and (ii) any supplemental subscription agreement in respect of a Class of Backing Note which shall be dated the Issue Date of the Backing Note of such Class and made between, among others, the Issuer and the HANetf Issuer (as amended, supplemented, novated and/or replaced from time to time, a "**Supplemental Subscription Agreement**"). The Master Subscription Agreement and any Supplemental Subscription Agreement in respect of each Class of Backing Note are referred to together as the "**Subscription Agreement**". These terms and conditions include summaries of, and are subject to, the detailed provisions of the Subscription Agreement.

The obligations of the Issuer under each Backing Note and each Subscription Agreement will be secured by way of (1) a Backing Issuer security deed between the Issuer and The Law Debenture Trust Corporation p.l.c. acting in its capacity as the security trustee with respect to the Backing Note and the Backing Issuer Assets (as defined below) (the "**Backing Issuer Security Trustee**") (the "**Backing Issuer Security Deed**"), and (2) an Allowance Security Document (as defined below) between, among others, the Issuer and the Backing Issuer Security Trustee.

Copies of the Subscription Agreement, each Backing Issuer Security Deed and each Allowance Security Document (as defined below) are available for inspection during business hours by prior appointment at the registered office of the Backing Issuer Security Trustee and at the registered office of the Issuer.

The Noteholder(s) are bound by, and are deemed to have notice of, all the provisions of each Allowance Security Document, each Backing Issuer Security Deed, each Subscription Agreement and each of the other Backing Issuer Programme Documents (as defined below) which are applicable to them and to have notice of the Final Terms (as defined below) issued in respect of a Backing Note of such Class of Backing Note, held by such Noteholder(s).

The terms and conditions of a Backing Note of a Class will be the terms and conditions as set out below and as completed by the Final Terms applicable to such Class (as defined below). Such Final Terms may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with these terms and conditions, replace and/or modify these terms and conditions for the purposes of that Class of Backing Note. References herein to the "**Conditions**" of the Backing Notes are to these terms and conditions as replaced and/or modified by the Final Terms applicable to that Class of Backing Note.

1 DEFINITIONS

1.1 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below. Terms used but not defined in these Conditions shall have the meanings as set out in the Carbon Securities Conditions. In the event of a conflict between the terms in these Conditions and those in the Carbon Securities Conditions, the terms as defined in these Conditions shall prevail:

"Adjustment Mechanism" means each of:

- (a) Carbon Delivery; and
- (b) Carbon Sale.

"Administration Agreement" means the administration agreement dated 5 October 2021 between the HANetf Issuer and the Administrator as amended, supplemented, novated or replaced from time to time.

"Administrator" means Apex Fund Services (Ireland) Limited and any successor or replacement thereto or any other entity appointed as administrator pursuant to the Administration Agreement.

"Agents" means any Registrar, any Transfer Agent, the Administrator, the Backing Issuer Administrator, the Disposal Counterparty, the Backing Issuer Determination Agent or any of them and such other agent(s) as may be appointed from time to time in relation to the Carbon Securities under any Registrar Agreement, any Transfer Agency Agreement, any Administration Agreement, any Backing Issuer Administration Agreement, any Disposal Counterparty Agreement, any Backing Issuer Determination Agency Agreement or any other agreement with the Issuer and HANetf Issuer (as applicable) under which an agent is appointed from time to time in relation to the Carbon Securities and the Backing Notes, as applicable, and any successor or replacement and **"Agent"** means any of them.

"Allowance Security Document" means, (i) with respect to EUA Backing Note and the Relevant Carbon Securities, the EUA Pledge and (ii) with respect to any other Class of Backing Note, such security document (in whatever applicable form) pursuant to which the Allowances relating to such Class are secured in favour of the Backing Issuer Security Trustee.

"Backing Issuer Administration Agreement" means the administration agreement 5 October 2021 between the Issuer, the Backing Issuer Administrator and the Backing Issuer Security Trustee, as amended, supplemented, novated or replaced from time to time.

"Backing Issuer Administrator" means Apex Financial Services (Corporate) Limited and any successor or replacement thereto or any other entity appointed as administrator pursuant to the Backing Issuer Administration Agreement.

"Backing Issuer Assets" means with respect to a class of Backing Note and the Relevant Carbon Securities, the assets that are the subject of the security constituted by each applicable Backing Issuer Security Deed and Allowance Security Document.

"Backing Issuer Compulsory Redemption Event" has the meaning given to it in Condition 8.1 (*Compulsory Redemption Events*).

"Backing Issuer Determination Agency Agreement" means the agreement between the Issuer and the Backing Issuer Determination Agent (as amended, supplemented, novated and/or replaced from time to time) or any successor or replacement agreement between the Issuer and a Backing Issuer Determination Agent in relation to the provision of determination agency services.

"Backing Issuer Determination Agent" means, in respect of a Class, any entity appointed as determination agent in accordance with the terms of a Backing Issuer Determination Agency Agreement and, as at the date hereof, means HANetf.

"Backing Issuer Determination Agent Breach" has the meaning given to it in Condition 10.5(b) (*Backing Issuer Determination Agent*).

"Backing Issuer Programme Document" means each of the Backing Issuer Determination Agency Agreement, the Backing Issuer Administration Agreement, each Disposal Counterparty Agreement, each Subscription Agreement, each Backing Issuer Security Deed, and each Backing Issuer Security Document, and **"Backing Issuer Programme Documents"** means all such documents.

"Backing Issuer Programme Party" means a party to a Backing Issuer Programme Document (other than the Issuer).

"Backing Issuer Secured Allowance Account" means, with respect to the SparkChange Physical Carbon EUA ETC and the Relevant Note, the Backing Issuer Secured EUA Account.

"Backing Issuer Secured EUA Account" means, with respect to the SparkChange Physical Carbon EUA ETC and the Relevant Note, a Holding Account opened by Issuer in the Union Registry with the Relevant National Administrator which is secured in favour of the Backing Issuer Security Trustee pursuant to the EUA Pledge.

"Backing Issuer Secured Parties", with respect to a Backing Note of a Class, has the meaning given to it in the Backing Issuer Security Deed in respect of that Class.

"Backing Issuer Secured Property" means, with respect to a Backing Note of a Class, the assets that are the subject of the security constituted by each applicable Backing Issuer Security Document.

"Backing Issuer Security Deed" means with respect to a Class of Backing Note and the Relevant Carbon Securities, a security deed entered into by Issuer and by The Law Debenture Trust Corporation p.l.c. acting in its capacity as the security trustee for the Noteholders with respect to the Backing Issuer Assets.

"Backing Issuer Security Documents" means with respect to a Class of Backing Note and the Relevant Carbon Securities, the Allowance Security Document and Backing Issuer Security Deed, and any other document designated as such by the Issuer and the Backing Issuer Security Trustee, as amended, supplemented, novated and/or replaced from time to time.

"Backing Issuer Security Trustee" means with respect to a Class of Backing Note and the Relevant Carbon Securities, The Law Debenture Trust Corporation p.l.c. acting in its capacity as the security trustee with respect to the Backing Issuer Assets pursuant to the applicable Backing Issuer Security Deed (which expression shall include all persons for the time being the security trustee or security trustees under such Backing Issuer Security Deed).

"Backing Issuer Subscription Form" means a request from the HANetf Issuer delivered to the Issuer to subscribe for the Backing Note of a Class (or if the Backing Note has already been subscribed for, (i) increase the applicable Carbon Entitlement equal to the Carbon Securities of the relevant Class which have been issued by the HANetf Issuer, in respect of such Backing Note; and (ii) increase the equivalent Principal Amount of such Backing Note), in each case in respect of a number of Allowances.

"Carbon Delivery" means in relation to (i) an Entitlement Reduction pursuant to a redemption of any Carbon Securities; or (ii) a Note Redemption pursuant to a Note Redemption Form, settlement of the Issuer's obligations by delivery of Allowances equal to (i) in the case of an Entitlement Reduction, the Carbon Entitlement per Security multiplied by the number of Carbon Securities being Redeemed, rounded in accordance with Condition 10.11 (*Rounding*) of the Carbon Securities Conditions; or (ii) in the case of a Note Redemption, the Carbon Entitlement per Backing Note.

"Carbon Entitlement" in respect of a number of Carbon Securities of a Class, means a number of Allowances of the Relevant Allowance Type equal to the Carbon Entitlement per Security in respect of that Class multiplied by the number of such Securities, and in respect

of the calculation of a Carbon Entitlement pursuant to these Conditions, such calculation shall be subject to Clause 10.8 (*Rounding*).

"Carbon Entitlement per Backing Note" means, in respect of a Class of Backing Note, a number of Allowances of the Relevant Allowance Type equal to the Carbon Entitlement of the Relevant Carbon Securities (as calculated pursuant to the terms and conditions of the Relevant Carbon Securities) with respect to that Backing Note, and in respect of the calculation of a Carbon Entitlement per Backing Note pursuant to these Conditions, such calculation shall be subject to Clause 10.8 (*Rounding*).

"Carbon Entitlement per Security" in respect of a Class of Carbon Security, has the meaning given to it in Condition 5 (*Carbon Entitlement*) of the Carbon Securities Conditions.

"Carbon Sale" means in relation (i) an Entitlement Reduction pursuant to the optional redemption (if Carbon Sale is available) or the compulsory redemption of any Carbon Securities; or (ii) a Note Redemption pursuant to a Note Redemption Form, settlement of the Issuer's obligations in respect by sale of a number of Allowances equal (i) in the case of an Entitlement Reduction, to the Carbon Entitlement per Security multiplied by the number of Carbon Securities or (ii) in the case of a Note Redemption, the Carbon Entitlement per Backing Note, and payment of the Net Redemption Sale Proceeds, all subject to rounding in accordance with Condition 10.11 (*Rounding*) of the Carbon Securities Conditions and Condition 10.8 (*Rounding*) of the Conditions.

"Carbon Securities" means the Class of Carbon Securities to which the Carbon Securities Conditions relate or, as the context may require, any or all securities issued by the HANetf Issuer under its programme.

"Carbon Securities Conditions" means the terms and conditions as so replaced and/or modified by the Final Terms applicable to that Class of Carbon Securities.

"Carbon Securities Principal Amount" means, in respect of any Carbon Security, the amount in the relevant currency per Carbon Security specified in the final terms.

"Carbon Security Redemption Form" means a redemption form certified as valid by the HANetf Issuer, delivered to the HANetf Issuer under and in accordance with the Carbon Securities Conditions, in relation to an optional redemption of Carbon Securities thereunder.

"Class" means all Backing Notes issued pursuant to the same Final Terms.

"Compulsory Redemption" means a Redemption of Backing Notes in accordance with Condition 8 (*Compulsory Redemption*).

"Compulsory Redemption Date" means, in relation to a compulsory redemption of Carbon Securities, the date designated as such in accordance with Condition 8.1 (*Issuer Call Redemption Event*), Condition 8.2 (*Compulsory Redemption Events*), Condition 8.3 (*Events of Default*) or Condition 8.4 (*Compulsory Redemption for Cause*) (as the case may be) of the Carbon Securities Conditions.

"Compulsory Redemption Event" has the meaning given to it in Condition 8.2 (*Compulsory Redemption Events*) of the Carbon Securities Conditions.

"Compulsory Redemption Settlement Date" has the meaning given to it in Condition 8.6 (*Compulsory Redemption Settlement Date*) of the Carbon Securities Conditions.

"Compulsory Sale Number" means in respect of a compulsory redemption and a Class of Carbon Securities, where such Compulsory Redemption Date is designated in accordance with:

- (c) Condition 8.1 (*Issuer Call Redemption Event*) of the Carbon Securities Conditions, the total number of Carbon Securities of that Class Outstanding as at the end of the

Business Day immediately preceding the Compulsory Redemption Date or such other number of such Carbon Securities as may be called for Redemption in the Issuer Call Redemption Notice;

- (d) Condition 8.2 (*Compulsory Redemption Events*) or Condition 8.3 (*Events of Default*) of the Carbon Securities Conditions, the total number of Carbon Securities of that Class Outstanding as at the end of the Business Day immediately preceding the Compulsory Redemption Date;
- (e) Condition 8.4 (*Compulsory Redemption for Cause*) of the Carbon Securities Conditions, the total number of Carbon Securities of that Class held by the Securityholder where the Issuer notifies the Securityholder that Carbon Securities of such Class are to be subject to Compulsory Redemption.

"Conditions" means these terms and conditions as so replaced and/or modified by the Final Terms applicable to a Class of Backing Note.

"Default Redemption Event Notice" has the meaning given in Condition 8.2 (*Events of Default*).

"Denomination" means, in respect of a Backing Note, an amount equal to its Principal Amount.

"Entitlement Adjustment" means an Entitlement Reduction or an Entitlement Increase.

"Entitlement Increase" has the meaning given to it in Condition 7.1.1 (*Entitlement increase right*).

"Entitlement Reduction" has the meaning given to it in Condition 7.2.1 (*Entitlement reduction right*).

"EUA Backing Note" means the class of Backing Note of that name issued by the Issuer.

"EUA Pledge" means the pledge dated 5 October 2021 and entered into by the Issuer and the Backing Issuer Security Trustee with respect to the Backing Issuer Secured EUA Account and the Allowances held therein.

"Event of Default" has the meaning given to it in Condition 8.2 (*Events of Default*).

"Extraordinary Resolution" means a resolution passed at a meeting duly convened and held in accordance with schedule 3 of the Master Subscription Agreement by a majority of at least 75 per cent of the votes cast, provided that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent of the then current Principal Amount of the Backing Note of a Class for the time being outstanding are entitled to receive notice of a meeting held in accordance with the Master Subscription Agreement shall, for all purposes, be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Noteholder(s) duly convened and held in accordance with the relevant provisions of the Master Trust Deed.

"Final Terms" means the final terms specifying the relevant issue details of a Class of Backing Note.

"First Note Redemption Carbon Sale Date" means with respect to a Note Redemption to be effected by Carbon Sale, the second Business Day following the Trade Date.

"HANetf Issuer" means HANetf ETC Securities plc, a public limited company incorporated under the laws of Ireland with company number 664945, whose registered office is at 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, D01 P767.

"HANetf" means HAN ETF Limited, a private limited company incorporated in England with registered number 10697042, or any successor thereto.

"Individual Certificate" means, in respect of each Registered Note, a definitive certificate in registered form representing such Registered Notes.

"Initial Principal Amount" means, the Principal Amount as specified in the Final Terms on the Issue Date.

"Issue Date" means the date of issuance of the relevant Class of Backing Note as specified in the Final Terms.

"Issuer" means Spark Change Jersey Issuer Limited, a company incorporated and registered in Jersey with company number 133611 whose registered office is at IFC 5, St Helier, Jersey, JE1 1ST.

"Issuer AP Terms Agreement" means, in respect of an Authorised Participant, a Class of Carbon Securities and the Relevant Note, an agreement (as amended, supplemented, novated and/or replaced from time to time) entered into by the Issuer, the HANetf Issuer and such Authorised Participant.

"Loss" means any loss, liability, cost, claim, damages, expense (including, but not limited to, legal costs and expenses) or demand (or actions in respect thereof), judgment, interest on any judgment, assessment, fees or amounts paid in settlement of any action or claim.

"Net Redemption Sale Proceeds" means in respect of Carbon Sale, an amount denominated in the Relevant Currency equal to the sum of the Actual Redemption Sale Proceeds less all amounts which the Disposal Counterparty is entitled to deduct from the proceeds of sale in accordance with the Relevant Note.

"Note Redemption" has the meaning given to it in Condition 7.3.1 (*Note Redemption right*).

"Note Redemption Carbon Sale Date" means with respect to a Note Redemption to be effected by Carbon Sale, each Business Day in the Note Redemption Carbon Sale Period.

"Note Redemption Carbon Sale Maximum Period" means in respect of a Note Redemption to be effected by Carbon Sale the maximum number of Business Days starting on the First Note Redemption Carbon Sale Date in which a number of Allowances of the Relevant Allowance Type equal to the Carbon Entitlement of the Backing Note can be purchased by the Disposal Counterparty without breaching the Note Redemption Liquidity Limits.

"Note Redemption Carbon Sale Period" means with respect to a Note Redemption to be effected by Carbon Sale the period:

- (a) starting on the First Note Redemption Carbon Sale Date; and
- (b) ending on the earlier of (1) the Note Redemption Carbon Sale Date on which the last of the Allowances in the Carbon Entitlement of the Backing Note has been sold (provided such sales comply with the Liquidity Limits), and (2) the final Business Day in the Note Redemption Carbon Sale Maximum Period.

"Note Redemption Disposal Counterparty Sale Limit" means the lower of: (1) 5% of the Average Daily Trading Volume in the "liquidation futures contract" and (2) 15% of the Average Daily Trading Volume in the "proxy spot contract", with the identity of each such contract determined in accordance with the Disposal Counterparty Agreement. For this purpose "Average Daily Trading Volume" means the average daily traded volume of the relevant contract in the two calendar month period preceding the month in which the First Note Redemption Carbon Sale Date occurs. The Disposal Counterparty and the Backing Issuer may agree to amend the Note Redemption Disposal Counterparty Sale Limit provided that at

least five Business Days' notice thereof has been given to holders of the Backing Note in accordance with Condition 16 (*Notices*) prior to any Note Redemption to be effected by way of Carbon Sale.

"Note Redemption Liquidity Limits" means in respect of a Note Redemption to be effected by Carbon Sale the following limits on the number of Allowances that may be sold to or purchased by the Disposal Counterparty on any Note Redemption Carbon Sale Date:

(a) subject to (b) below (which defines a minimum and maximum number of Carbon Sale Dates for the Carbon Sale Period), the Disposal Counterparty will not purchase on any Carbon Sale Date a number of Allowances that is greater than the Note Redemption Disposal Counterparty Sale Limit;

(b) (if the number of Allowances to be sold as part of a Note Redemption is 10,000 or more) the number of Allowances sold to the Disposal Counterparty on any single Note Redemption Carbon Sale Date must be not less than 1.00% of the Carbon Entitlement per Backing Note as of the First Note Redemption Carbon Sale Date (rounded up to the nearest whole Allowance) and not more than 10% of the Carbon Entitlement per Backing Note as of the First Note Redemption Carbon Sale Date (rounded up to the nearest whole Allowance), so that where the number of Allowances to be sold as part of a Note Redemption is 10,000 or more the sales of Allowances in respect of a Note Redemption cannot take place over fewer than 10 or more than 100 Carbon Sale Dates.

"Note Redemption Form" means a notice in the applicable form (which may vary depending on the Adjustment Mechanism) prescribed by the Issuer and the HANetf Issuer from time to time for the purpose of requesting a Note Redemption of a Backing Note.

"Noteholder" means, at the Issue Date of the EUA Backing Note, HANetf ETC Securities plc.

"Notice Deadline" means 5.30 p.m. (London) time, provided that the Notice Deadline in respect of any Class of Backing Note may be adjusted by agreement between the Issuer and the HANetf Issuer with effect from the fifth calendar day following the date on which notice of such adjustment is given to the holders in accordance with Condition 17 (*Notices*).

"Obligor" means each person that has an obligation to the Issuer pursuant to the Backing Issuer Secured Property.

"Payment Business Day" means, in respect of any Backing Notes, any day which is:

- (a) (in relation to Backing Notes for which the Relevant Currency is euros) a TARGET Day; and
- (b) (in relation to Backing Notes for which the Relevant Currency is not euros) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits in the principal financial centre of the Relevant Currency).

"Principal Amount" means, in respect of any Backing Note, an amount equal to the Carbon Securities Principal Amount multiplied by the number of Relevant Carbon Securities with respect to that Backing Note.

"Proceedings" has the meaning given to it in Condition 18.2 (*Jurisdiction*).

"Redeeming Securityholder" means a Securityholder whose Carbon Securities are the subject of a redemption under the Carbon Securities Conditions.

"Register" means a register maintained by a Registrar of persons holding the Backing Notes.

"Registered Notes" has the meaning given to it in Condition 2 (*Form and Title*).

"Registrar" means any such person appointed by the Issuer from time to time to maintain the registers of persons holding the Backing Notes.

"Registrar Agreement" means any such agreement entered into between the Issuer and a Registrar/appointing the Registrar.

"Relevant Currency" means with respect to a Backing Note of a Class, the currency in which the Principal Amount of a Backing Note of that Class is denominated, as specified in the Final Terms.

"Relevant Date" has the meaning given to it in Condition 12 (*Prescription*).

"Relevant Provisions" means, in respect of the Backing Issuer Determination Agent, the provisions of the Backing Issuer Determination Agency Agreement and the Conditions.

"Security" means a mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of the Issuer or any other agreement or arrangement having a similar effect.

"Settlement Amount" means, in respect of a number of Carbon Securities of the relevant Class issued or to be issued by the HANetf Issuer, the Subscription Amount in respect of that Class multiplied by such number of Carbon Securities, rounded in accordance with Condition 10.11 (*Rounding*) of the Carbon Securities Conditions.

"SparkChange Physical Carbon EUA ETC" means the Class of Carbon Securities of that name backed by the EUA Backing Note.

"Subscription" means an offer by an Authorised Participant to the HANetf Issuer to subscribe for Carbon Securities, being an offer on terms referred to in a Subscription Form and Carbon Securities Conditions and in accordance with the provisions of the relevant Authorised Participant Agreement.

"Subscription Amount" means, in relation to a Subscription Form, the amount per Carbon Security equal to the Carbon Entitlement per Security as at the relevant Trade Date.

"Subscription Form" means a request from an Authorised Participant delivered to the HANetf Issuer to issue Carbon Securities.

"Subscription Settlement Date" means the second Business Day after the Trade Date.

"Total Expense Ratio" has the meaning given to it in Condition 5.4 (*Total Expenses Ratio*) of the Carbon Securities Conditions.

"Trade Date" means:

- (a) subject to Condition 9.2 (*Determination of Disruption Events and Suspension Notices*) of the Carbon Securities Conditions, in respect of an optional redemption of Carbon Securities, the Business Day on which a Carbon Securities Redemption Form is determined to be valid; and
- (b) subject to Condition 9.2 (*Determination of Disruption Events and Suspension Notices*) of the Carbon Securities Conditions, in respect of a Subscription of Carbon Securities, the Business Day on which a Subscription Form is determined to be valid.

"Transfer Agency Agreement" means an agreement entered into by the Issuer and the HANetf Issuer that provides for the appointment of any person as Transfer Agent.

"Transfer Agent" means in respect of a Class, any entity appointed as transfer agent of the Issuer in respect of such Class.

1.2 Interpretation

The following rules shall apply to the interpretation of these Conditions unless the context otherwise requires:

- (a) headings to Conditions, paragraphs and other provisions of these Conditions shall not affect the interpretation of these Conditions;
- (b) any reference to a person or persons includes reference to any individual, corporation, partnership, joint venture, association, public body, governmental authority or other entity;
- (c) words in the singular shall also include the plural and vice versa;
- (d) in relation to a Class of Carbon Security, Class of Backing Note or Allowance Type referred to elsewhere in these Conditions, any reference to a **"Relevant Note"**, **"Relevant Allowance Type"** or **"Relevant Carbon Securities"** (as the case may be) shall be construed as a reference to the Class of Backing Note, Allowance Type or Class of Carbon Security (as the case may be) set out in the same row in the table below:

| Class of Carbon Security | Class of Backing Note | Allowance Type |
|----------------------------------------|-----------------------|----------------|
| SparkChange Physical Carbon EUA ETC | EUA Backing Note | EUAs |

- (e) any reference to these Conditions or to any agreement or document includes a reference to these Conditions or, as the case may be, such agreement or document, as amended, varied, novated, supplemented or replaced from time to time;
- (f) any reference to a statute, statutory provision, regulation, directive or rule of any regulatory authority shall, unless the context otherwise requires, be construed as a reference to such statute, statutory provision, regulation, directive or rule as the same may from time to time be amended, modified, extended, consolidated, re-enacted or replaced; and
- (g) unless otherwise indicated, any reference in these Conditions to a time is a reference to the prevailing time in London, England.

2 FORM AND TITLE

One Backing Note shall be issued per Class and shall be issued in registered form (each such note, **"Registered Notes"**) in the Denomination and Relevant Currency specified in the Final Terms.

Title to each Registered Note shall pass by registration in the Register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Registrar Agreement.

Except as ordered by a court of competent jurisdiction or as required by law, each Noteholder(s) shall be deemed to be and shall be treated as the absolute owner of such Backing Note for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Backing Note shall be overdue and notwithstanding any notice of ownership, theft or Loss thereof or any writing thereon made by anyone and no person will be liable for so treating the holder.

3 TRANSFERS OF REGISTERED NOTES

3.1 **Transfer of Registered Notes in definitive form**

Each Registered Note may be transferred upon the surrender (at the specified office of the Registrar) of the Individual Certificate representing such Registered Note to be transferred, together with the form of transfer endorsed on such Individual Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar may reasonably require. In the case of a transfer of part only of a holding of a Registered Note represented by one Individual Certificate, a new Individual Certificate shall be issued to the transferee in respect of the part transferred and a further new Individual Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholder(s). A copy of the current regulations will be made available by the Registrar to any Noteholder(s) upon request.

3.2 **Exercise of options in respect of Registered Notes**

In the case of an exercise of an Issuer's or a Noteholder(s)'s option in respect of, a holding of a Registered Note represented by a single Individual Certificate, a new Individual Certificate shall be issued to the holder in respect of the balance of the holding not subject to the exercise of such option. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar.

3.3 **Delivery of new Individual Certificates**

Each new Individual Certificate to be issued pursuant to Conditions 3.2 (*Transfer of Registered Notes in definitive form*) and 3.3 (*Exercise of options in respect of Registered Notes*) will be available for delivery within 5 Dublin Business Days of surrender of the relevant Individual Certificate and, if applicable, receipt of the relevant request for exchange, form of transfer or notice of exercise together with such other evidence (if any) as may be required pursuant to the relevant Condition. Delivery of new Individual Certificate(s) shall be made at the specified office of the Registrar to whom surrender of such Individual Certificate and, if applicable, delivery of such request, form of transfer or notice of exercise shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, notice of exercise or otherwise in writing, shall be mailed at the risk of the holder entitled to the new Individual Certificate to such address as may be so specified.

3.4 Exchange and transfer of Backing Notes on registration or transfer (as contemplated by Condition 2 (*Delivery of new Individual Certificates*)) may be subject to a charge by or on behalf of the Issuer, the Registrar, or any relevant agent of the Issuer and/or payment by the relevant Noteholder(s) (or the giving by the relevant Noteholder(s) of such indemnity as the Registrar may require in respect thereof) of any Tax or other governmental charges which may be imposed in relation to it.

3.5 **Restrictions on Transfer**

Notwithstanding any other provision of this Condition 3 (*Transfers of Registered Notes*), no Backing Note shall be transferred, in whole or in part, other than:

- (a) to a professional investor for the purposes of the Financial Services (Investment Business (Restricted Investment Business – Exemption)) (Jersey) Order 2001 and the Financial Services (Trust Company Business (Exemption No. 5)) (Jersey) Order 2001; or
- (b) in respect of holdings with a value of no less than £250,000 (or the equivalent in any relevant currency).

4 **CONSTITUTION AND STATUS**

Each Class of Backing Note is constituted by the applicable Subscription Agreement and secured by the applicable Backing Issuer Security Deed with respect to the Backing Note and the Backing Issuer Assets, and an Allowance Security Document. The Backing Note of each Class are secured, limited recourse obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 6 (*Security*) and recourse in respect of which is limited in the manner described in Condition 6.4 (*Limited recourse and non-petition*). Each Backing Note has an Initial Principal Amount set out in the Final Terms and without prejudice to the provisions of Condition 7 (*Entitlement Adjustment and Note Redemption Rights*) but subject always to the provisions of Condition 6.4 (*Limited recourse and non-petition*). The Issuer acknowledges in the Subscription Agreement its indebtedness in respect of the aggregate Principal Amount, as may be adjusted pursuant to these Conditions, from time to time.

5 CARBON ENTITLEMENT

5.1 Calculation and publication of Carbon Entitlement per Backing Note

The Backing Issuer Administrator shall determine the Carbon Entitlement per Backing Note (and any adjustment thereto) in respect of each calendar day and each Class of Backing Note, and the Issuer shall retain a record of such Carbon Entitlement per Backing Note in respect of each calendar day during the term of the Backing Note up to (and including) the Compulsory Redemption Date in respect of all Relevant Carbon Securities then Outstanding.

5.2 Carbon Entitlement per Backing Note

As at the Issue Date of the EUA Backing Note, and on each calendar day following the Issue Date, such Class of Backing Note shall have a Carbon Entitlement per Backing Note.

5.3 Adjustment of Carbon Entitlement per Backing Note

The Carbon Entitlement per Backing Note shall be subject to adjustment from the Issue Date, and on a daily basis, in order that it shall at all times equal the number of Allowances equal to the Carbon Entitlement of the Relevant Carbon Securities with respect to that Backing Note, as a result of new subscriptions or redemptions of such Relevant Carbon Securities.

5.4 Rounding Allowances

Any fraction of an Allowance accrued by the HANetf Issuer in accordance with Condition 10.11 (*Rounding*) of the Carbon Securities Conditions by virtue of a subscription or redemption of the Carbon Securities with respect to a Backing Note, shall, once constituting a whole Allowance of the Relevant Allowance Type (the "**Rounding Allowance**") be eligible to be transferred from the relevant Backing Issuer Secured Allowance Account to the Disposal Counterparty in accordance with the relevant Disposal Counterparty Agreement and will be sold, and its proceeds paid to the order of the Issuer, in accordance with the Disposal Counterparty Agreement.

5.5 Total Expense Ratio Allowances

Any accrued Allowances representing the reduction in the aggregate Carbon Entitlement for all Carbon Securities in issue due to the daily application of the Total Expense Ratio to the Carbon Entitlement per Security (the "**TER Allowances**") will be transferred from the relevant Backing Issuer Secured Allowance Account and will be sold, and their proceeds paid to the order of the Backing Issuer. The Backing Issuer Administrator shall, on a monthly basis, perform a reconciliation to ensure the Allowances of the Relevant Allowance Type held in the Backing Issuer Secured Allowance Account, less the sum of any TER Allowances and Rounding Allowances held at such time in the Backing Issuer Secured Allowance Account, equals the Carbon Entitlement.

6 SECURITY

6.1 Enforcement of Security constituted by the Backing Issuer Security Documents

The Security constituted by the applicable Backing Issuer Security Documents in respect of each Class shall become enforceable upon the occurrence of an Event of Default.

6.2 Realisation of Security constituted under each Backing Issuer Security Document

At any time after the Security constituted by any Backing Issuer Security Document has become enforceable, the Backing Issuer Security Trustee shall, if so directed in accordance with the terms of the Backing Issuer Security Deed, or (ii) by an Extraordinary Resolution of the Noteholder(s) of the relevant Class, in each case subject to it having been pre-funded and/or secured and/or indemnified (without prejudice to any further demand) to its satisfaction against all liabilities which may be incurred in connection with acting on such directions enforce the Backing Issuer Security constituted by the relevant Backing Issuer Security Document.

To do this, the Backing Issuer Security Trustee shall, once directed to do so by the Noteholder(s), (i) enforce any relevant Backing Issuer Programme Document relating to the Backing Note of such Class in accordance with its or their terms and/or take action against the relevant Obligor(s), (ii) enforce the Security constituted by a relevant Backing Issuer Security Document, (iii) take action against the Issuer, and/or (iv) take possession of and/or realise all or part of the assets over which the Security constituted by the relevant Backing Issuer Security Document shall have become enforceable and may in its discretion, sell, call in, collect and convert into money all or part of such assets, in such manner, at such time and on such terms as it thinks fit, in each case without any liability as to the consequence of such action and without having regard to the effect of such action on the Noteholder(s).

The Backing Issuer Security Trustee may, in writing, appoint a receiver or receivers over all or part of the assets over which the Security constituted by the relevant Backing Issuer Security Document shall have become enforceable and may remove any receiver so appointed and appoint another in its place. No delay or waiver of the right to exercise these powers shall prejudice their future exercise.

Neither the Backing Issuer Security Trustee nor any receiver appointed by it or any attorney or agent of the Backing Issuer Security Trustee shall, by reason of taking possession of any assets or any other reason and whether or not as mortgagee in possession, be liable to account for anything except actual receipts or be liable for any Loss or damage arising from the realisation of such assets or from any act or omission to such assets or otherwise unless such Loss or damage shall be caused by its own fraud, gross negligence or wilful misconduct.

The Backing Issuer Security Trustee shall not be required to take any action in relation to the Security constituted by a Backing Issuer Security Document which may be illegal or contrary to any applicable law or regulation or cause it to expend or risk its own funds or otherwise incur any liability (including any personal liability) in the performance of its duties or in the exercise of any of its rights, powers and discretions, without first being indemnified and/or secured and/or prefunded (without prejudice to any further demand) to its satisfaction against all liabilities which may be incurred in connection with such action.

6.3 Application of proceeds of enforcement of Security

Pursuant to the terms of the Backing Issuer Security Deed, the Backing Issuer Security Trustee will apply any amounts received or recovered under the Backing Issuer Security Deed relating to such Class and the proceeds derived from the realisation of the assets that are the subject of the Security constituted by the relevant Backing Issuer Security Documents (whether by way of liquidation or enforcement) as follows:

- (i) firstly, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts properly incurred by or payable in respect of the Backing Notes to the Backing Issuer Security Trustee or any receiver under or pursuant to the Backing Issuer Security Documents (which shall include, without limitation,

any Taxes required to be paid by the Backing Issuer Security Trustee (other than any income, corporation or similar Tax in respect of the Backing Issuer Security Trustee's remuneration), and the costs of enforcing or realising all or some of the Security constituted by the Backing Issuer Security Documents);

- (ii) second, in payment of any amounts owing to HANetf pursuant to the Backing Issuer Determination Agency Agreement;
- (iii) third, in payment of any amounts owing to the Noteholder(s); and
- (iv) fourth, in payment of any balance to the Issuer for itself.

6.4 **Limited recourse and non-petition**

In respect of any claim against the Issuer in connection with any relevant Class of Backing Note or otherwise (whether arising under the Backing Issuer Programme Documents, the general law or otherwise), the Backing Issuer Programme Parties and the Noteholder(s) shall have recourse only to the Backing Issuer Secured Property in respect of such relevant Class of Backing Note, and not to any other assets of the Issuer. If, following realisation in full of the Backing Issuer Secured Property (whether by way of liquidation or enforcement) and application of available cash sums as provided in this Condition 6 (*Security*) and the Backing Issuer Security Deed, as applicable, any outstanding claim against the Issuer, whether secured or unsecured, remains unpaid, then such outstanding claim shall be extinguished and no debt shall be owed by the Issuer in respect thereof. Following the extinguishment of any such claim, none of the Backing Issuer Programme Parties, the Noteholder(s) or any other person acting on behalf of any of them shall be entitled to take any further steps against the Issuer or any of its officers, shareholders, corporate service providers or directors to recover any further sum in respect of the extinguished claim and no debt shall be owed to any such persons by the Issuer in respect of such further sum.

None of the Backing Issuer Programme Parties or the Noteholder(s) or any person acting on behalf of any of them may, at any time, bring, institute or join with any other person in bringing, instituting or joining insolvency, administration, bankruptcy, winding-up, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its assets (other than in respect of the Backing Issuer Secured Property in respect of the Backing Notes in question), and none of them shall have any claim arising with respect to the sums, assets and/or property attributable to any other securities issued by the Issuer (save for any further securities which form a single Class with the Backing Note).

The provisions of this Condition 6.4 (*Limited recourse and non-petition*) shall survive notwithstanding any redemption of the Backing Notes or the termination or expiration of any Backing Issuer Programme Document.

6.5 **Issuer's rights as beneficial owner of Backing Issuer Secured Property**

Unless otherwise prohibited or required in a Backing Issuer Security Document at any time before the Security constituted by a Backing Issuer Security Document in respect of a Class of Backing Note becomes enforceable, the Issuer may without the prior written consent of the Backing Issuer Security Trustee:

- (a) take such action in relation to the Backing Issuer Secured Property relating to the Backing Note as may not be prohibited by the Backing Issuer Programme Documents; and
- (b) exercise any rights incidental to the ownership of the assets which are the subject of the Security constituted by the relevant Backing Issuer Security Document and are exercisable by the Issuer and, in particular (but, without limitation, and without responsibility for their exercise), any voting rights in respect of such property and all rights to enforce any such ownership interests in respect of such property,

provided that the Issuer shall not exercise any rights with respect to such assets if it would be prejudicial to any Security in respect of such Backing Notes or if it is directed to the contrary by the Backing Issuer Security Trustee or pursuant to an Extraordinary Resolution. If such direction is given, the Issuer shall act only in accordance with such direction.

7 ENTITLEMENT ADJUSTMENT AND NOTE REDEMPTION RIGHTS

7.1 Entitlement increase right

- 7.1.1 Each Backing Note shall carry a right to the Carbon Entitlement per Backing Note to be increased in an equivalent amount to any corresponding increase in the Carbon Entitlement of the Relevant Class of Carbon Securities in respect of the Backing Note, by way of a further subscription of such Carbon Securities, pursuant to the applicable Authorised Participant Agreement and Carbon Securities Conditions (the "**Entitlement Increase**"). Such Entitlement Increase shall be automatic upon receipt by the Issuer, from the HANetf Issuer, of the Settlement Amount in respect of the number of additional Carbon Securities of the relevant Class issued by the HANetf Issuer.

7.2 Entitlement reduction right

Each Backing Note shall carry a right to the Carbon Entitlement per Backing Note to be reduced in an equivalent amount to any corresponding reduction in Carbon Entitlement of the Relevant Class of Carbon Securities in respect of the Backing Note, by way of an Optional Redemption of such Carbon Securities pursuant to the Carbon Securities Conditions (the "**Entitlement Reduction**"). Such Entitlement Reduction shall take effect automatically upon receipt by the HANetf Issuer of a confirmation from the Issuer confirming the Entitlement Reduction.

- 7.2.1 Each Backing Note subject to such Entitlement Reduction shall carry:

- (a) if Carbon Delivery applies to the Relevant Carbon Securities being Redeemed with respect to such Backing Note, a right to delivery of a number of Allowances equal to the Carbon Entitlement of the Relevant Carbon Securities being Redeemed as further specified in Condition 7.6 (*Carbon Delivery*); and
- (b) if Carbon Sale applies to the Relevant Carbon Securities being redeemed with respect to such Backing Note, a right pursuant to this Condition 7 (*Entitlement Adjustment and Note Redemption Rights*) or pursuant to a Compulsory Redemption to payment of any amount equal to the Net Redemption Sale Proceeds of the sale of Allowances representing the Carbon Entitlement of the relevant Carbon Securities being Redeemed.

7.3 Note Redemption right

- 7.3.1 The Noteholder(s) may, subject to these Conditions, require the Issuer to redeem in full all of the Noteholder(s) holding in the Backing Note of a particular Class pursuant to a Note Redemption Form (a "**Note Redemption**").

- 7.3.2 Each Backing Note subject to such Note Redemption shall carry:

- (a) if Carbon Delivery applies to such Note Redemption, a right pursuant to this Condition 7 (*Entitlement Adjustment and Note Redemption Rights*) to delivery of a number of Allowances equal to the Carbon Entitlement of the Backing Note as further specified in Condition 7.6 (*Carbon Delivery*); and
- (b) if Carbon Sale applies to such Note Redemption, a right pursuant to this Condition 7 (*Entitlement Adjustment and Note Redemption Rights*) or pursuant to a Compulsory Redemption to payment of any amount equal to the Net Redemption Sale Proceeds of the sale of Allowances representing the Carbon Entitlement of the Backing Note.

- 7.3.3 The Note Redemption Form shall specify whether Carbon Delivery or Carbon Sale shall apply to a Note Redemption.

7.4 **Note Redemption: Note Redemption Forms**

- (a) A Note Redemption Form:
- (i) must be in writing;
 - (ii) must be signed by the Noteholder(s) or by an authorised signatory on behalf of it; and
 - (iii) is irrevocable once it has been submitted to the Issuer.
- (b) A Note Redemption Form shall only be valid if:
- (i) it is in the form specified by the Issuer and the HANetf Issuer with respect to the Noteholder(s) and the applicable Adjustment Mechanism;
 - (ii) it complies with the requirements of Conditions 7.3(a)(i) (*Note Redemption Forms*) to 7.3(a)(iii) (*Note Redemption Forms*);
 - (iii) it is received by the Issuer between 8.00 a.m. (London time) and the Notice Deadline on any Business Day (save that the Issuer may in its sole and absolute discretion decide to treat a Note Redemption Form received on a Business Day after the Notice Deadline as if it had been received before the Notice Deadline);
 - (iv) it is confirmed as valid by the Issuer by 6.00 p.m. on the Business Day on which it is received (or deemed to be received);
 - (v) the Noteholder(s) has complied with all compliance and identification checks reasonably required by the Issuer;
 - (vi) it specifies that one of Carbon Delivery and Carbon Sale applies; and
 - (vii) Carbon Delivery applies, if it specifies a Holding Account held by or on behalf of the Noteholder(s) into which Allowances of the Relevant Allowance Type can be deposited, and such account has Trusted Status.
- (c) The Issuer shall be deemed to have received a Note Redemption Form upon it or the Backing Issuer Administrator having received it.
- (d) If the Issuer determines that a Note Redemption Form is valid, it shall confirm that fact to the Noteholder(s) as soon as reasonably practicable. No Backing Note of a Class may be Redeemed pursuant to a Note Redemption Form that the Issuer has not confirmed as valid.
- (e) Once it has received a valid Note Redemption Form from the Noteholder(s) in relation to a Backing Note of a Class, and confirmed that fact to the Noteholder(s), the Issuer shall take all steps necessary to give effect to such Note Redemption Form as required by this Condition 7 (*Entitlement Adjustment and Note Redemption Rights*).
- (f) The Issuer, with the consent of the HANetf Issuer, may change or vary the procedures for the submission of Note Redemption Forms on not less than 5 calendar days' prior notice to the Noteholder(s) in accordance with Condition 16 (*Notices*) and these Conditions shall be interpreted accordingly. Where the Issuer has an obligation under these Conditions with respect to Note Redemption Forms it may delegate the performance of that obligation on its behalf to the Backing Issuer Administrator.

7.5 Redemption Obligations

- (a) Upon a valid Note Redemption Form having been submitted and its validity having been confirmed by the Issuer (or the Backing Issuer Administrator on its behalf) in respect of Backing Notes, those Backing Notes to which the Note Redemption Form relates may not be transferred by the Noteholder(s) except where such transfer is to the Issuer, and the Issuer may refuse to recognise any other purported transfer.
- (b) Where a Note Redemption Form has been submitted for the Redemption of Backing Notes, the Noteholder(s) of the Backing Notes subject to the Redemption must deliver (as applicable) the Backing Notes to be subject to a Note Redemption and any certificates representing them to the Issuer in such manner as the Issuer may agree. In order for the Issuer to effect a Note Redemption to the Noteholder(s). The Noteholder(s) shall not be entitled to deliveries or payments in connection with the Note Redemption unless and until any Non-AP Obligations have been complied with. No interest or other amount shall be payable in connection with late deliveries or payments resulting from a failure to comply with the Non-AP Obligations.
- (c) If Backing Notes are subject to an Entitlement Adjustment, Note Redemption or Compulsory Redemption, the Backing Issuer Administrator shall update the entry in the Register to reflect the (i) Carbon Entitlement of the Backing Note then outstanding; and (ii) the revised Principal Amount (if applicable).
- (d) The Issuer may, at any time, notify the Noteholder(s) that the Issuer may have to withhold or deduct from any payment (if applicable) that corresponds to the Note Redemption Form an amount for or on account of, any present or future Taxes as required by law (as modified by the practice of any relevant governmental revenue authority) then in effect and such notice shall specify any form or document to be delivered by the Noteholder(s) on behalf of the beneficial owners of Carbon Securities that may allow the Issuer to make such payment without any such withholding or deduction or with such withholding or deduction at a reduced rate. If such forms or documents are not provided to the Issuer by the Noteholder(s), then any such payment will be reduced (and the matching obligation of the Issuer to deliver or to procure the delivery of the Carbon Entitlement per Security), or other amount due to the Noteholder(s) will also be reduced, by the amount of the withholding or deduction.

7.6 Carbon Delivery

If Carbon Delivery is the applicable Adjustment Mechanism, the Issuer shall transfer Allowances attributable to or forming part of the Backing Issuer Assets in respect of the Relevant Notes, equal to:

- (a) in respect of an Entitlement Reduction, (and upon instruction to make such transfer provided by the HANetf Issuer) the Carbon Entitlement in respect of the Carbon Securities of a Class which are subject to a Redemption from the relevant Backing Issuer Secured Allowance Account to the applicable Securityholder Holding Account in an amount equal to the Carbon Entitlement of the Carbon Securities held by that holder that are being Redeemed, calculated as of the Trade Date, to be delivered to such account on the Redemption Settlement Date; or
- (b) in respect of a Note Redemption, (and upon receipt of the relevant Note Redemption Form) the Carbon Entitlement of the Backing Note, from the relevant Backing Issuer Secured Allowance Account to the Holding Account as specified by the Noteholder(s) in the Note Redemption Form in an amount equal to the Carbon Entitlement of the Backing Note.

If Carbon Securities are Redeemed by Carbon Delivery, all title to and risk in such Allowances shall pass to the recipient upon delivery to the Securityholder Holding Account, or account designated by the Noteholder(s), as applicable. If the Issuer fails to effect a delivery of the required Allowances to the Securityholder Holding Account or Holding Account as specified

by the Noteholder(s) pursuant to an Entitlement Reduction, the HANetf Issuer shall to the extent reasonably practicable assign to the Redeeming Securityholder its claims in respect of such Allowances in satisfaction of all claims of such Securityholder in respect of the Carbon Securities to be Redeemed and the Securityholder shall have no further claims in respect of such Redemption against the Issuer or the Backing Issuer Secured Property.

7.7 Carbon Sale

7.7.1 If Carbon Sale is the applicable Adjustment Mechanism, the Issuer will:

- (i) give notice (upon instruction from the HANetf Issuer) to the Disposal Counterparty under the Disposal Counterparty Agreement as soon as reasonably practicable given market conditions and in any event within the Carbon Sale Period or Note Redemption Carbon Sale Period to purchase a number of Allowances attributable to or forming part of the Backing Issuer Assets equal to (1) in the case of an Entitlement Reduction, the Allowance Carbon Sale Number, and (2) in the case of a Note Redemption, the Carbon Entitlement of the Backing Note;
- (ii) deliver (upon the direction of the HANetf Issuer) Allowances in such numbers and on such days so as to give effect to the Entitlement Reduction or Note Redemption (as the case may be) in accordance with the these Conditions and the Disposal Counterparty Agreement, provided that the Issuer shall not make such delivery if the Disposal Counterparty has failed to pay any Net Redemption Sale Proceeds due and payable prior to the applicable Business Day and such failure is continuing; and
- (iii) instruct the Disposal Counterparty to deliver the Net Redemption Sale Proceeds (in full cleared funds) directly to (or to the order of) the Noteholder(s).

7.7.2 Pursuant to the terms of the Backing Issuer Security Documents, the Security in respect of the Allowances described in Condition 7.7.1(i) (*Carbon Sale*) shall automatically be released without further action on the part of the Backing Issuer Security Trustee to the extent necessary to give effect to the sale of such Allowances, provided that nothing in this Condition 7.7 (*Carbon Sale*) shall release the charges and other security interests over the proceeds of the sale of such Allowances.

7.7.3 In the event that the Disposal Counterparty fails to pay any part of the Net Redemption Sale Proceeds in accordance with the terms agreed pursuant to the Disposal Counterparty Agreement the liability of the Issuer in respect of such Entitlement Reduction or Note Redemption (as the case may be) shall be reduced by the amount of the deficiency in the payment received.

7.7.4 In the event of any delay, failure or misconduct by the Disposal Counterparty in respect of any sale of Allowances pursuant to the Disposal Counterparty Agreement the Issuer shall pursuant to an Entitlement Reduction, and to the extent practicable, assign to the Noteholder its claims in relation to such Allowances in satisfaction of all claims of such Noteholder in respect of the Entitlement Reduction and the Noteholder shall have no further claims against the Issuer or the Backing Issuer Secured Property.

7.8 Suspension of Entitlement Reductions

- (a) If on any Business Day (a "**Threshold Event Date**") the Backing Issuer Determination Agent determines that the market value of the Carbon Entitlement per Security has fallen to less than 300 per cent of the Principal Amount of the Carbon Securities:
 - (i) the Issuer may at any time after the Threshold Event Date, for so long as the Backing Issuer Determination Agent determines that the market value of the Carbon Entitlement per Security continues to be less than 300 per cent of the Principal Amount of the Carbon Securities, suspend the right to an Entitlement

Reduction pursuant to Condition 7 (*Entitlement Adjustment and Note Redemption Rights*); and

- (ii) the Issuer shall give notice convening a meeting of Noteholder(s) to take place on a date not more than 30 calendar days after the Threshold Event Date for the purpose of considering an Extraordinary Resolution which would have the effect of reducing the Principal Amount of the Backing Note to an amount which the Backing Issuer Determination Agent determines is not less than 2 per cent of the market value of the Carbon Entitlement per Security as at the time such suspension, in which event the suspension will cease only if such Extraordinary Resolution is passed,

in each case, subject as provided in this Condition 7 (*Entitlement Adjustment and Note Redemption Rights*), the Issuer may at its discretion terminate any such suspension at any time.

- (b) The following provisions shall apply where an Entitlement Reduction has been suspended pursuant to Condition 7.8(a) (*Suspension of Entitlement Reductions*):
 - (A) the Issuer shall give notice of any such suspension and of the termination of any such suspension to the parties to the relevant Backing Issuer Programme Documents and the Noteholder(s) in accordance with Condition 16 (*Notices*), as soon as reasonably practicable, but the failure to give any such notice shall not prevent the exercise of such discretions;
 - (B) any such suspension may continue for a period of up to 60 calendar days, and may continue thereafter at the discretion of the Issuer if the Extraordinary Resolution referred to in Condition 7.8(a)(ii) (*Suspension of Entitlement Adjustment*) above has not been passed; and
 - (C) any suspension shall not affect any an Entitlement Reduction pursuant to a Note Redemption Form confirmed as valid on a date which had passed before the suspension commenced, but any Note Redemption Form in respect of Backing Notes submitted or deemed to be received on a Business Day when the right to effect an Entitlement Reduction is suspended pursuant to this Condition 7.8 (*Suspension of Entitlement Adjustments*) shall be invalid.

8 COMPULSORY REDEMPTION

8.1 Compulsory Redemption Events

- (a) Each of the events designated as Compulsory Redemption Events, Events of Default or which otherwise give rise to a Compulsory Redemption in respect of the Carbon Securities of a Class under the Carbon Securities Conditions (each a "**Trigger Event**"), shall constitute a compulsory redemption event in respect of the relevant Backing Note of a Class (each a "**Backing Issuer Compulsory Redemption Event**").
- (b) Upon the designation of a Compulsory Redemption Date in accordance with the Carbon Securities Conditions as the result of the occurrence of a Trigger Event, the Issuer shall be notified by the HANetf Issuer within 1 Business Day. Upon receipt of such notification, the Issuer shall proceed to redeem, in whole or in part, the Backing Note of the relevant Class in an amount equal to the Carbon Entitlement of the Compulsory Sale Number of Carbon Securities to be sold by Carbon Sale, in accordance with Condition 7.7 (*Carbon Sale*) above.

8.2 Events of Default

If any of the following events (each, an "**Event of Default**") occurs, the Backing Issuer Security Trustee will if so directed by an Extraordinary Resolution in respect of a Backing Note of a

Class of (provided that in each case the Backing Issuer Security Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer (copied to each relevant Backing Issuer Programme Party) (such notice a "**Default Redemption Event Notice**") that such relevant Class of Backing Note are, and they shall immediately become, due and payable:

- (a) the Issuer defaults in the payment of any sum due, or delivery of any Allowance due, in respect of a Class of Backing Note or any of them for a period of 14 calendar days or more;
- (b) the Issuer does not perform or comply with any one or more of its obligations (other than a payment obligation) under such Class of Backing Note, the Backing Issuer Security Deed or any other Backing Issuer Programme Document relating to that Class, which default is incapable of remedy or, if in the opinion of the Backing Issuer Security Trustee capable of remedy, is not remedied within 30 calendar days (or such longer period as the Backing Issuer Security Trustee may permit) after notice of such default shall have been given to the Issuer by the Backing Issuer Security Trustee (and, for these purposes, a failure to perform or comply with an obligation shall be deemed to be remediable notwithstanding that the failure results from not doing an act or thing by a particular time);
- (c) any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing pursuant to an Extraordinary Resolution;
- (d) an examiner is appointed in respect of the Issuer;
- (e) if upon the Backing Issuer Administrator's reconciliation:
 - (i) the Carbon Entitlement per Backing Note in respect of the date of the reconciliation, as stated in the record kept by the Backing Issuer Administrator pursuant to Condition 5.1 (*Calculation and Publication of Carbon Entitlement per Backing Note*), is greater than
 - (ii) the number of Allowances attributable to or forming part of the Backing Issuer Assets held by the Issuer in the Backing Issuer Secured Allowance Account,
 (being an "**Allowance Discrepancy**"), and such Allowance Discrepancy is not cured within 30 calendar days of the Backing Issuer Administrator notifying the Issuer and the HANetf Issuer in writing;
- (f) any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the HANetf Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved pursuant to an Extraordinary Resolution; or
- (g) the Issuer seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets.

The Issuer will, as soon as reasonably practicable, after receipt of a Default Redemption Event Notice, give notice thereof to the applicable Noteholder(s) of such Class.

8.3 Compulsory Redemption Process

- (a) If a Compulsory Redemption Date is designated in accordance with the Carbon Securities and Conditions, the Carbon Securities shall be Redeemed by Carbon Sale and the Backing Note of the relevant Class shall Redeemed, in whole or in part, by the Issuer accordingly.
- (b) The Issuer shall be instructed by the HANetf Issuer (or in the case of a Compulsory Redemption pursuant to Condition 8.2 (*Events of Default*) of the Carbon Securities Conditions, the Trustee acting on the HANetf Issuer's behalf) to:
 - (i) give notice to the Disposal Counterparty under the Disposal Counterparty Agreement to purchase as soon as reasonably practicable given market conditions and in any event within the Carbon Sale Period a number of Allowances attributable to or forming part of the Backing Issuer Assets equal to the Carbon Entitlement in respect of the Compulsory Sale Number of Carbon Securities of each relevant Class to be sold by Carbon Sale; and
 - (ii) deliver Allowances in such numbers and on such days so as to settle sales of Allowances entered into between the Backing Issuer and the Disposal Counterparty on the agreed settlement dates so as to give effect to the Compulsory Redemption in accordance with the Backing Note and the Disposal Counterparty Agreement, provided that the Backing Issuer shall not make a delivery of Allowances on a day if the Disposal Counterparty has failed to pay any Net Redemption Sale Proceeds due and payable on a prior day and such failure is continuing.
- (c) Upon any delivery by the Issuer of the Allowances in accordance with Condition 8.3(b)(ii) (*Compulsory Redemption Process*) above, the Backing Issuer Administrator shall record:
 - (i) the revised Carbon Entitlement per Backing Note following such Compulsory Redemption; and
 - (ii) the revised Principal Amount.
- (d) Pursuant to the terms of the Backing Issuer Security Documents, the Security in respect of the Allowances described in Condition 8.3(b)(i) (*Compulsory Redemption Process*) shall automatically be released without further action on the part of the Backing Issuer Security Trustee to the extent necessary to give effect to the sale of the Allowances, provided that nothing in this Condition 8.3 (*Compulsory Redemption Process*) shall release the charges and other security interests over the proceeds of the sale of such Allowances.
- (e) In the event that the Disposal Counterparty fails pay any part of the Net Redemption Sale Proceeds in accordance with the terms agreed pursuant to the Disposal Counterparty Agreement the liability of the Issuer in respect of such Compulsory Redemption shall be reduced by the amount of the deficiency in the payment received.
- (f) In the event of any delay, failure or misconduct by the Disposal Counterparty in respect of any sale of Allowances pursuant to the Disposal Counterparty Agreement the Issuer shall pursuant to Compulsory Redemption, and to the extent practicable, assign to the Noteholder its claims in relation to such Allowances in satisfaction of all claims of such Noteholder in respect of the Carbon Securities to be Redeemed and the Noteholder shall have no further claims against the Issuer or the Backing Issuer Secured Property.

9 DISRUPTION EVENTS

9.1 Disruption Events

The Backing Issuer Determination Agent (or, in the case of a service provider disruption in respect of the Backing Issuer Determination Agent in accordance with Condition 9.1(b) (*Disruption Events*), the Issuer) may (but is not obliged to), with respect to any day, determine that one or more of the following disruption events has occurred or exists on such day with respect to a Class of Backing Notes (each such event a "**Disruption Event**"):

- (a) Carbon Trading Disruption: either:
 - (i) trading and/or settlement in the Relevant Allowance Type or futures, forward or options relating thereto is subject to a material suspension or material limitation on any primary exchange or trading facility for the trading of such Relevant Allowance Type or such futures, forwards or options; or
 - (ii) any primary exchange or trading facility for the trading of the Relevant Allowance Type or futures, forward or options relating thereto is not open for trading for any reason (including a scheduled closure); or
 - (iii) trading in the Relevant Allowance Type on such over-the-counter market or any primary exchange or trading facility for the trading of such Relevant Allowance Type or futures, forwards or options relating thereto has been permanently discontinued or has disappeared;
- (b) Service Provider Disruption: save as otherwise agreed in the relevant Backing Issuer Programme Document(s), if any of the Backing Issuer Determination Agent, the Backing Issuer Administrator, all of the Authorised Participants, the Account Bank and/or the Carbon Agent resigns or their appointment is terminated for any reason and a successor or replacement has not yet been appointed, for such time until a successor or replacement has been appointed or an Agent Redemption Event Notice has been given under the Carbon Securities Conditions;
- (c) Registry Disruption: the occurrence of a Registry Suspension Event or Registry Disruption Event;
- (d) Backing Issuer Secured Account Closure: the Backing Issuer Secured Allowance Account is closed (or required to be closed) or the Registry Agreement is terminated and a replacement or successor Backing Issuer Secured Allowance Account or Registry Agreement (as the case may be) has not yet been opened or entered into, for such time until a replacement or successor has been opened or entered into or a Secured Account Redemption Event Notice has been given under the Carbon Securities Conditions; and/or
- (e) Backing Issuer Secured Account Disruption: any Allowances held as Backing Issuer Assets with respect to the Relevant Note has been lost or is inaccessible, other than where permitted in accordance with the Conditions and the Backing Issuer Programme Documents.

9.2 Determination of Disruption Events and Suspension Notices

- (a) If the Backing Issuer Determination Agent, on any day, determines that a Disruption Event has occurred or exists with respect to a Class, it may (but shall not be obliged to) on the immediately following Business Day give notice of the postponement and/or suspension of:
 - (i) any Entitlement Adjustments or Note Redemption of Backing Notes of a Class; and/or

- (ii) any Compulsory Redemption Date (whether or not such date has yet been designated), any Compulsory Redemption Settlement Date and/or the delivery of any Allowances or the payment of any amount (including any Net Redemption Sale Proceeds) in connection therewith,

to the Issuer, the Noteholder(s), the Authorised Participants, the Administrator, the Backing Issuer Administrator and the Backing Issuer Security Trustee, specifying:

- (A) the Disruption Event which has occurred or is existing on the relevant day;
- (B) whether the suspension and/or postponement relating to such Disruption Event will be in respect of a single day (a "**Suspended Day**") or for as long as the Disruption Event continues (a "**Suspension Period**"); and
- (C) which of the dates and/or events set out in Conditions 9.2(a)(i) (*Determination of Disruption Events and Suspension Notices*) to 9.2(a)(ii) (*Determination of Disruption Events and Suspension Notices*) will be postponed and/or suspended on such Suspended Day or during such Suspension Period, as applicable (and, in determining this, the Backing Issuer Determination Agent shall consider whether the relevant Disruption Event would disrupt the actions required to be performed by the Issuer, any Authorised Participant and/or any other Backing Issuer Programme Party in connection with an Entitlement Adjustment or Note Redemption,

(such notice, a "**Suspension Notice**"). If the Suspension Notice is in respect of a Suspension Period, such period will end when the Backing Issuer Determination Agent notifies the Issuer, the Authorised Participants, the Administrator, the Backing Issuer Security Trustee and the Backing Issuer Administrator that such suspension and/or postponement is over.

- (b) The Backing Issuer Determination Agent is not under any obligation to monitor whether or not a Disruption Event has occurred or is continuing on any day with respect to a Class of Backing Notes unless a Suspension Notice has been given in respect of a Suspension Period in which case the Backing Issuer Determination Agent's obligation to monitor the relevant Disruption Event will continue until it has determined that such Disruption Event has ceased (following which it will give notification of the end of the Suspension Period in accordance with Condition 9.2(a) (*Determination of Disruption Events and Suspension Notices*)). The Backing Issuer Determination Agent shall have no liability to the Issuer, the Backing Issuer Security Trustee, any Noteholder(s), any Authorised Participant or any other person for any determination or non-determination that it makes in respect of the occurrence or existence of a Disruption Event.
- (c) The Issuer shall, as soon as reasonably practicable after receipt by it of a Suspension Notice, give notice thereof to the Noteholder(s) in accordance with Condition 17 (*Notices*).

10 PAYMENTS, CALCULATIONS, AGENTS AND RECORDS

10.1 Payments net of Taxes

All payments or deliveries in respect of the Carbon Securities shall be made net of and after allowance for any withholding or deduction for, or on account of, any Taxes. In the event that any withholding or deduction for, or on account of, any Tax applies to payments or deliveries in respect of the Backing Note, the Noteholder(s) will be subject to such Tax or deduction and shall not be entitled to receive amounts to compensate for any such Tax or deduction. No Event of Default shall occur as a result of any such withholding or deduction.

10.2 Payments subject to fiscal laws

All payments and/or deliveries (as applicable) in respect of the Backing Note are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholder(s) in respect of such payments.

10.3 **Calculations**

- (a) The Backing Issuer Determination Agent will, as soon as reasonably practicable on such date and/or at such time as the Backing Issuer Determination Agent is required in accordance with the Backing Issuer Determination Agency Agreement and the Conditions and any other Relevant Provisions, perform such duties and obligations as are required to be performed by it in accordance therewith.
- (b) The calculation by the Backing Issuer Determination Agent of any amount, price, rate or value required to be calculated by the Backing Issuer Determination Agent under the Relevant Provisions shall be made in good faith and shall (in the absence of manifest error) be final and binding on the Issuer, the Noteholder(s) and the Backing Issuer Programme Parties.

10.4 **Calculation by an alternative agent**

If at any time after the Security in respect of a Class of Backing Note has become enforceable pursuant to Condition 6.1 (*Enforcement of Security constituted by the Backing Issuer Security Documents*) and the Backing Issuer Determination Agent does not make any calculation relating to the Carbon Entitlement per Security in respect of a Backing Note or any Redemption amount when required pursuant to the Conditions and the Backing Issuer Programme Documents then the Issuer will appoint an alternative agent on its behalf to make any calculation in place of the Backing Issuer Determination Agent. Any such calculation shall, for the purposes of the Conditions and the Backing Issuer Programme Documents be deemed to have been made by the Backing Issuer Determination Agent. In doing so, the appointed agent shall apply the provisions of the Conditions and/or the relevant Backing Issuer Programme Document(s), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in the circumstances. The Backing Issuer Security Trustee shall not be liable (whether directly or indirectly, in contract, in tort or otherwise) to the Issuer, the Noteholder(s) or any Backing Issuer Programme Party for any calculations (or any delay or failure in making any calculation) so made and will not be obliged to make such determination itself.

10.5 **Backing Issuer Determination Agent**

- (a) Subject as provided in the Conditions and the Backing Issuer Determination Agency Agreement, the Issuer shall use all reasonable efforts to procure that there shall at all times be a Backing Issuer Determination Agent for so long as any of the Backing Notes are Outstanding. If the Backing Issuer Determination Agent resigns or its appointment is terminated for any reason, the Issuer shall use all reasonable efforts to appoint a reputable entity that provides services of a similar type to those required of the Backing Issuer Determination Agent under the Relevant Provisions or a leading bank or investment banking firm (acting through its principal London office or any other office actively involved in such market) engaged in the interbank market (or, if appropriate, money, swap, commodity or over-the-counter commodity futures and options or index options market) that the Issuer reasonably determines is capable of making the calculation(s) required to be made by the Backing Issuer Determination Agent under the Relevant Provisions to act as such in its place.
- (b) The Backing Issuer Determination Agent shall not be liable (whether directly or indirectly, in contract, in tort or otherwise) to the Issuer, the Noteholder(s), any other Backing Issuer Programme Party or any other person for any Loss incurred by any such person that arises out of or in connection with the performance by the Backing Issuer Determination Agent of its obligations under the Backing Issuer Determination Agency

Agreement, the Conditions and the other Relevant Provisions provided that nothing shall relieve the Backing Issuer Determination Agent from any Loss arising by reason of acts or omissions constituting bad faith, fraud or gross negligence of the Backing Issuer Determination Agent (any such act or omission, a "**Backing Issuer Determination Agent Breach**").

- (i) If the Backing Issuer Determination Agent would, but for the operation of this Condition 10.5(b) (*Backing Issuer Determination Agent*), be held liable for any Loss arising as the result of a Backing Issuer Determination Agent Breach, the Backing Issuer Determination Agent shall nevertheless incur no liability to the Issuer, the Noteholder(s), any other Backing Issuer Programme Party or any other person if such Backing Issuer Determination Agent Breach results solely and directly from either (i) the failure by any other Backing Issuer Programme Party to provide any notice, instruction or direction which such Backing Issuer Programme Party is required or permitted to give under the Conditions or any relevant Backing Issuer Programme Document or Backing Issuer Security Document, or (ii) a delay in the delivery by any other Backing Issuer Programme Party of any notice, instruction or direction which such Backing Issuer Programme Party is required or permitted to give to the Backing Issuer Determination Agent under the Conditions or any relevant Backing Issuer Programme Document or Backing Issuer Security Document.
- (ii) If the Backing Issuer Determination Agent would, but for the operation of this Condition 10.5(b) (*Backing Issuer Determination Agent*), be held liable for any Loss arising as the result of a Backing Issuer Determination Agent Breach, the Backing Issuer Determination Agent shall nevertheless incur no liability to the Issuer, any Noteholder(s), any other Backing Issuer Programme Party or any other person if such Backing Issuer Determination Agent Breach results solely and directly from the reliance by the Backing Issuer Determination Agent upon a rate, amount, quotation, value or other calculation or determination notified to the Backing Issuer Determination Agent pursuant to the Conditions and/or any relevant Backing Issuer Programme Document or Backing Issuer Security Document which is made by another Backing Issuer Programme Party in accordance with the Conditions and the terms of any relevant Backing Issuer Programme Document or Backing Issuer Security Document.
- (c) The Backing Issuer Determination Agent has no obligation towards or relationship of agency or trust with the Noteholder.
- (d) The Backing Issuer Determination Agent has no duties or responsibilities except those expressly set forth in the Conditions, the Backing Issuer Determination Agency Agreement and the other Relevant Provisions and no implied or inferred duties or obligations of any kind will be read into the Backing Issuer Determination Agency Agreement against or on the part of the Backing Issuer Determination Agent. The Backing Issuer Determination Agent will not, and will not be deemed to, assume or be liable for the obligations or duties of the Issuer or any other person under the Conditions, the Backing Issuer Security Deed or any other Backing Issuer Programme Document or Backing Issuer Security Document unless otherwise agreed pursuant to the Relevant Provisions.

10.6 Appointment of Agents

Save as provided below, the Agents act solely as agents of the Issuer. The Agents do not assume any obligation or relationship of agency or trust for or with the Noteholder(s). The Issuer reserves the right at any time with the prior written approval of HANetf ETC Securities plc (in its capacity as Noteholder of the Backing Note only, if applicable) and in accordance with the provisions of the relevant Backing Issuer Determination Agency Agreement, the Disposal Counterparty Agreement, any Transfer Agency Agreement and/or any Registrar Agreement, as applicable, to vary or terminate the appointment of the (i) Backing Issuer Administrator; or (ii) the Backing Issuer Determination Agent, and/or the Disposal

Counterparty and/or any Registrar or Transfer Agent each with respect to their appointed role in relation to the Backing Notes only, and to appoint additional or other Registrars, Transfer Agents, Backing Issuer Administrators, Disposal Counterparties or Backing Issuer Determination Agents as required in relation to the Backing Notes. Without prejudice to the provisions for the automatic termination of the appointment of an Agent in connection with the occurrence of an insolvency or similar event or proceedings in the relevant Backing Issuer Programme Documents or Backing Issuer Security Documents, the Issuer shall use reasonable endeavours to at all times maintain (i) a Backing Issuer Administrator, (ii) a Disposal Counterparty, and (iii) a Backing Issuer Determination Agent. Notice of any change of Agent or any change to the specified office of an Agent shall promptly be given to the Noteholder(s) by the Issuer in accordance with Condition 17 (*Notices*).

Pursuant to the terms of the Backing Issuer Security Deed, at any time after an Event of Default has occurred in relation to the Backing Notes, the Backing Issuer Security Trustee may (i) by notice in writing to the Issuer, the Backing Issuer Administrator, the Registrar, the Transfer Agent, the Disposal Counterparty and/or the Backing Issuer Determination Agent, require any and all of such Agents, until notified by the Backing Issuer Security Trustee to the contrary, so far as permitted by applicable law to (a) act as agent of the Backing Issuer Security Trustee under the Backing Issuer Security Deed and the Backing Notes *mutatis mutandis* on the terms of the Backing Issuer Administration Agreement, Registrar Agreement, Transfer Agency Agreement, Disposal Counterparty Agreement or Backing Issuer Determination Agency Agreement, as applicable (with consequential amendments as necessary) and except that the Backing Issuer Security Trustee's liability for the indemnification, remuneration and all other expenses of such Agents (if any) shall be limited to the amounts for the time being held by the Backing Issuer Security Trustee in respect of the Backing Notes on the terms of the Backing Issuer Security Deed and which are available (after application in accordance with the relevant order of priority set out in Condition 6.3(*Application of proceeds of enforcement of Security*) to discharge such liability); or (b) deliver the Backing Note and all monies, documents and records held by them in respect of the Backing Note to or to the order of the Backing Issuer Security Trustee or as the Backing Issuer Security Trustee directs in such notice; and (ii) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Backing Note to or to the order of the Backing Issuer Security Trustee and not to the Administrator and/or the Registrar (as the case may be) with effect from the receipt of any such notice by the Issuer.

10.7 **Business Day convention and non-Payment Business Days**

- (a) If any date for payment in respect of any Backing Note is not a Payment Business Day, the Noteholder(s) shall not be entitled to payment until the next following Payment Business Day or to any interest or other sum in respect of such postponed payment.
- (b) If any date referred to in the Conditions would otherwise fall on a day that is not a Business Day, then such date shall be postponed to the next day that is a Business Day.

10.8 **Rounding**

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (i) any number of Allowances to be delivered to the Issuer shall be rounded up to the nearest whole number of Allowances, (ii) any number of Allowances to be delivered by the Issuer shall be rounded down to the nearest whole number of Allowances, (iii) all amounts of cash in the Relevant Currency to be paid to the Issuer shall be rounded up to the nearest EUR 0.01 (if the Relevant Currency is EUR) or as specified in the Final Terms (if the Relevant Currency is not EUR), and (iv) all amounts of cash in EUR to be paid by the Issuer shall be rounded down to the nearest EUR 0.01 (if the Relevant Currency is EUR) or as specified in the Final Terms (if the Relevant Currency is not EUR), in each case as may be adjusted by the Issuer (or the Backing Issuer Determination Agent on its behalf) from time to time, including to reflect changes in rounding conventions in the trading of the relevant Allowances or payments in the Relevant Currency.

11 RESTRICTIONS

11.1 So long as any Backing Note of any Class remains Outstanding, the Issuer shall not, without the prior written consent of the Noteholder(s):

- (a) engage in any business activities, save that the Issuer may without consent engage in any of the following activities (or any other business activity which relates to or is incidental thereto):
 - (i) issue, enter into, amend, redeem, exchange or repurchase and cancel or reissue or resell all or some only of a Backing Note of any Class under the Programme as may be provided in these Conditions and the Backing Issuer Security Deed and the Backing Issuer Programme Documents and in connection therewith enter into or amend any Backing Issuer Programme Documents or Backing Issuer Security Documents accordingly;
 - (ii) acquire and own rights, property or other assets which are to comprise Backing Issuer Secured Property for a Class of Backing Note issued under the Programme so as to enable it to discharge its obligations under such Class, and any relevant Backing Issuer Programme Document or Backing Issuer Security Document relating to such Class;
 - (iii) perform its respective obligations under any Backing Notes issued under the Programme, and any relevant Backing Issuer Programme Document or Backing Issuer Security Document entered into by it in connection with such Class, and any agreements incidental to the granting of Security relating to any such Class of Backing Note or incidental to the issue and constitution of any Class of Backing Note issued under the Programme;
 - (iv) engage in any activity in relation to the Backing Issuer Secured Property or any other Backing Issuer Programme Document or Backing Issuer Security Document contemplated or permitted by the Conditions or such Backing Issuer Programme Document or Backing Issuer Security Document relating to any Class of Backing Note;
 - (v) subject as provided in the relevant Backing Issuer Security Deed, any other applicable Backing Issuer Security Document and in the Conditions relating to any Class of Backing Note enforce any of its rights whether under the relevant Backing Issuer Security Deed, any other Backing Issuer Programme Document, Backing Issuer Security Document or otherwise under any agreement entered into in relation to any Class of Backing Note or any Backing Issuer Secured Property relating to any such Class; and
 - (vi) perform any other act incidental to or necessary in connection with any of the above (which shall include, without limitation, and only upon the consent of HANetf Issuer, the appointment of auditors and any other administrative or management functions necessary to maintain the Issuer and/or to keep it operating and/or to comply with any laws, regulations or rules applicable to it);
- (b) cause or permit the terms of the Security granted under the Backing Issuer Security Deed and the order of priority specified in the Conditions, the Backing Issuer Security Deed, as applicable, to be amended, terminated or discharged (other than as contemplated by the relevant Backing Issuer Security Deed, and/or the Conditions relating to such Class of Backing Note);
- (c) release any party to the relevant Backing Issuer Security Deed or any other relevant Backing Issuer Programme Document or Backing Issuer Security Document relating to a Class of Backing Note from any existing obligations thereunder (other than as contemplated by the relevant Backing Issuer Security Deed, and/or the Conditions relating to such Class of Backing Note);

- (d) have any subsidiaries;
- (e) sell, transfer or otherwise dispose of any assets that are the subject of the Security constituted by the Backing Issuer Security Deed or any other part of the Backing Issuer Secured Property in respect of any Class of Backing Note or Backing Issuer Secured Property or any right or interest therein or thereto or create or allow to exist any charge, lien or other encumbrance over such Backing Issuer Secured Property (to the extent it relates to the Issuer) except in accordance with the Conditions of the relevant Backing Note of any such Class, the relevant Backing Issuer Security Deed for any such Class, and any other Backing Issuer Programme Document or Backing Issuer Security Document relating to any such Class as may be applicable;
- (f) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of any of the Conditions, the Backing Issuer Security Deed or any other Backing Issuer Programme Document or Backing Issuer Security Document relating to any Class of Backing Note (other than as contemplated or permitted by the Conditions and the relevant Backing Issuer Programme Documents or Backing Issuer Security Documents);
- (g) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (other than as contemplated by the Backing Issuer Security Deed and the Conditions for any Class of Backing Note);
- (h) have any employees;
- (i) issue any shares (other than such shares in the capital of the Issuer as were issued at the time of its incorporation) or make any distribution to its shareholders;
- (j) declare any dividends;
- (k) open or have any interest in any account with a bank or financial institution unless such account (i) relates to a Class of Backing Note, any Backing Issuer Secured Property relating to a Class of Backing Note or any party thereto and the Issuer's interest in such account is simultaneously charged in favour of the Backing Issuer Security Trustee, so as to form part of the relevant Backing Issuer Secured Property relating to such Class of Backing Note, or (ii) is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it;
- (l) purchase, own, or otherwise acquire any real property (including office premises or like facilities);
- (m) guarantee, act as surety for or become obligated for the debts of any other entity or person or enter into any agreement with any other entity or person whereby it agrees to satisfy the obligations of such entity or person or any other entity or person;
- (n) acquire any securities or shareholdings whatsoever from its shareholders or enter into any agreements whereby it would be acquiring the obligations and/or liabilities of its shareholders;
- (o) except as contemplated by any relevant Backing Issuer Programme Document, Backing Issuer Security Document, the Conditions relating to a Class of Backing Note, and/or the agreements contemplated by Condition 11(f) (*Restrictions*) above, advance or lend any of its moneys or assets, including, but not limited to, the rights, property or other assets comprising the Backing Issuer Secured Property for any such Class of Backing Note, to any other entity or person;
- (p) subject as provided in paragraph (a) above, incur any other indebtedness for borrowed moneys, other than (subject to Conditions 6 (*Security*) and 15 (*Entitlement Increase and Issue of Further Classes of Backing Notes*)) issuing further Backing Note under the

Programme (which may or may not form a single Class with the Backing Note of any Class and may or may not be guaranteed by a third party) and creating or incurring further obligations relating to such Backing Note, provided that:

- (i) if such further Backing Notes are not to form a single Class with any other Class of Backing Note, such further Backing Note and obligations are secured on assets of the Issuer other than (i) the assets which are the subject of the Security constituted by the relevant Backing Issuer Security Deed relating to any other Class of Backing Note, and (ii) the Issuer's share capital; and
- (ii) such further Backing Notes and obligations are secured *pari passu* upon the assets which are the subject of the Security constituted by the relevant Backing Issuer Security Document relating to the Class of Backing Note with which such Backing Notes are to form a single Class, all in accordance with Condition 15 (*Entitlement Increase and Issue of Further Classes of Backing Notes*) of the relevant Class of Backing Note,

provided that the Issuer shall not take any action (even where the prior written consent of HANetf is obtained) if such action is, in the opinion of the Issuer, inconsistent with the objects of the Issuer as specified in its memorandum and articles of association.

12 **PRESCRIPTION**

Claims against the Issuer for payment under the Conditions in respect of the Backing Notes shall be prescribed and become void unless made within 10 years from the date on which the payment of Principal in respect of the Backing Notes first became due or (if any amount of the money payable was improperly withheld or refused) the date on which payment in full of the amount Outstanding was made or (if earlier) the date 7 calendar days after that on which notice is duly given to the Noteholder(s) that, upon further presentation of the Security being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation (such date the "**Relevant Date**").

13 **ENFORCEMENT**

- 13.1 At any time after the Security constituted by the Backing Issuer Security Deed has become enforceable, the Backing Issuer Security Trustee shall, if so directed by the Trustee (subject to the Backing Issuer Security Trustee having been pre-funded and/or secured and/or indemnified (without prejudice to any further demand) to its satisfaction against all liabilities which may be incurred in connection with acting on such direction) enforce the Security constituted by the Backing Issuer Security Deed by taking such action as it may think fit to enforce the rights of the Backing Issuer Secured Parties against the Issuer arising under the Backing Issuer Security Deed.
- 13.2 None of the holders of the Backing Notes shall be entitled to proceed directly against the Issuer unless the Backing Issuer Security Trustee, having become bound to proceed in accordance with the terms of the Backing Issuer Security Deed, fails or neglects to do so within 60 days and such failure is continuing.
- 13.3 None of the Backing Issuer Secured Parties shall be entitled to proceed directly against the Issuer unless the Backing Issuer Security Trustee, having become bound to proceed in accordance with the terms of the applicable Backing Issuer Security Deed, fails or neglects to do so within 60 days and such failure is continuing.
- 13.4 The Noteholder(s) acknowledges and agrees that only the Backing Issuer Security Trustee, may enforce the Security over the Backing Issuer Secured Property in accordance with, and subject to the terms of, the Backing Issuer Security Deed.
- 13.5 The Backing Issuer Security Trustee shall not be required to take any action in relation to the Security constituted by any Backing Issuer Security Deed which may (i) be illegal or contrary to any applicable law or regulation, or (ii) cause it to expend or risk its own funds or otherwise

incur any liability (including any personal liability) in the performance of its duties or in the exercise of any of its rights, powers and discretions, without first being indemnified and/or secured and/or prefunded to its satisfaction.

14 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, SUBSTITUTION AND RESTRICTIONS

14.1 Meetings of Noteholders

The Subscription Agreement contains provisions for convening meetings of the Noteholder(s) of each Class of Backing Note to consider any matter affecting their interests, including modification by Extraordinary Resolution of the relevant Class of Backing Note (including these Conditions or the provisions of the Backing Issuer Security Deed insofar as the same may apply to such Class of Backing Note).

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more Noteholder(s) of the relevant Class of Backing Note or agents present in person holding or representing in the aggregate more than 50 per cent of the number of the Backing Notes of such Class for the time being Outstanding or, at any adjourned such meeting, one or more Noteholder(s) of the relevant Class of Backing Note or agents present in person being or representing Noteholder(s) of such Class, whatever the number of the Backing Notes of such Class so held or represented, and an Extraordinary Resolution duly passed at any such meeting shall be binding on all Noteholder(s), of such Class whether present or not. A resolution in writing signed by or on behalf of the holders of not less than 75 per cent of the then current Principal Amount of the Backing Note of the relevant Class for the time being Outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of Noteholder(s) of such Class.

14.2 Modification of the relevant Backing Issuer Programme Documents and Backing Issuer Security Documents

The Issuer may not, without the consent of the Noteholder(s) agree to any modification to these Conditions, the Backing Issuer Security Deed and/or any other Backing Issuer Programme Document.

14.3 Substitution

The Noteholder(s) may agree by Extraordinary Resolution to the substitution, in place of the Issuer (or of any previous substitute) as the principal debtor under the Backing Issuer Security Deed, the other Backing Issuer Programme Documents or Backing Issuer Security Documents to which it is a party and the Backing Note of each Class, of any other company (incorporated in any jurisdiction) (any such substitute company being the "**Substituted Obligor**"), if the following conditions are satisfied:

- (a) a deed is executed or undertaking given by the Substituted Obligor to the Backing Issuer Security Trustee, agreeing to be bound by the Backing Issuer Security Deed and the Backing Note of each Class as if the Substituted Obligor had been named in the Backing Issuer Security Deed and the Backing Notes as the principal debtor in place of the Issuer;
- (b) the Substituted Obligor assumes all rights, obligations and liabilities in relation to the Backing Issuer Secured Property, acknowledges the Security created in respect thereof pursuant to the Backing Issuer Security Deed and takes all such action as the Backing Issuer Security Trustee may require so that the Security constitutes a valid charge, pledge or other security interest over the Backing Issuer Secured Property as was originally created by the Issuer for the obligations of the Substituted Obligor;
- (c) if any director of the Substituted Obligor certifies that it will be solvent immediately after such substitution, the Noteholder(s) need not have regard to the Substituted Obligor's financial condition, profits or prospects or compare them with those of the Issuer;

- (d) the Noteholder(s) will be satisfied that (a) all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Obligor of liability as principal debtor in respect of, and of its obligations under, the Backing Note of each Class and any Backing Issuer Programme Document and Backing Issuer Security Document have been obtained; and (b) such approvals and consents are at the time of substitution in full force and effect;
- (e) the Issuer and the Substituted Obligor will execute and the Issuer shall procure that each relevant Backing Issuer Programme Party will execute such other deeds, documents and instruments (if any) as may be required in order that such substitution is fully effective and comply with such other requirements in the interests of the Noteholder(s) as the Trustee may direct;
- (f) the Issuer and the Substituted Obligor comply with such other requirements as the Backing Issuer Security Trustee may direct in the interests of the Noteholder(s)
- (g) a legal opinion satisfactory to the Backing Issuer Security Trustee is provided concerning any proposed substitution.

An agreement by the Noteholder(s) pursuant to this Condition 14.3 (*Substitution*) will, if so expressed, release the Issuer (or a previous substitute) from any or all of its obligations under the Backing Issuer Security Deed, the Backing Notes and the other relevant Backing Issuer Programme Documents and Backing Issuer Security Documents. The Substituted Obligor shall give notice of the substitution to the Noteholder(s) within 14 calendar days of the execution of such documents and compliance with such requirements.

On completion of the formalities set out in this Condition 14.3 (*Substitution*) and the Backing Issuer Security Deed, the Substituted Obligor shall be deemed to be named in these Conditions, the Backing Issuer Security Deed, the other Backing Issuer Programme Documents and Backing Issuer Security Documents and the Backing Notes as the principal debtor in place of the Issuer (or of any previous substitute) and these Conditions, the Backing Issuer Security Deed, the other Backing Issuer Programme Documents and Backing Issuer Security Documents and the Backing Notes shall be deemed to be amended as necessary to give effect to the substitution.

14.4 **Entitlement of the Backing Issuer Security Trustee**

In accordance with the terms of the Backing Issuer Security Deed, in connection with the exercise of its functions under the relevant Backing Issuer Programme Documents, the Backing Issuer Security Trustee will have regard to the interests of the Noteholder(s) as a Class and will not have regard to the consequences of such exercise for individual Noteholder(s) and the Backing Issuer Security Trustee will not be entitled to require, nor shall any Noteholder(s) be entitled to claim, from the Issuer any indemnification or payment in respect of any Tax consequence of any such exercise upon individual Noteholder(s).

14.5 **Prohibition on U.S. persons**

Backing Notes may not be legally or beneficially owned by any U.S. person at any time nor offered, sold or delivered within the United States or to U.S. persons. The Issuer has the right, at its option, to refuse to recognise any such transfer or to compel any legal or beneficial owner of Backing Notes who contravenes such prohibition to void the transfer of such Backing Notes to such legal or beneficial owner or to redeem any such Backing Notes held by such legal or beneficial owner. Transfers may be voided by the Issuer by compelling a sale by such legal or beneficial owner or by the Issuer selling such Backing Notes on behalf of such legal or beneficial owner at the lesser of the purchase price therefore or the market value (as determined by the Backing Issuer Determination Agent) of the Carbon Entitlement per Security in respect of a Backing Note prevailing at the time such transfer is voided. Terms used in this Condition 14.5 (*Prohibition on U.S. persons*) have the meanings given to them by Regulation S under the Securities Act.

14.6 ERISA prohibition

Backing Notes may not be legally or beneficially owned by any entity that is, or that is using the assets of, (a)(i) an "**Employee Benefit Plan**" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) that is subject to the fiduciary responsibility requirements of Title I of ERISA, (ii) any plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") applies (a "**Plan**"), or (iii) an entity whose constituent assets include "**Plan Assets**" (as determined pursuant to the "**Plan Assets Regulation**" issued by the United States Department of Labor at 29 C.F.R. Section 2510.3-101 as modified by Section 3(42) of ERISA) by reason of any such Employee Benefit Plan's or Plan's investment in the entity or (b) a non-U.S. plan, governmental plan, church plan or other plan that is subject to any federal, state, local, non-U.S. or other law or regulation that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (a "**Similar Law**") unless its acquisition and holding and disposition of such Security, or any interest therein, has not and will not constitute a violation of such Similar Law. The Issuer has the right, at its option, to refuse to recognise any such transfer or to compel any legal or beneficial owner of Backing Notes who contravenes such prohibition to void the transfer of such Backing Notes to such legal or beneficial owner or to redeem any such Backing Notes held by such legal or beneficial owner. Transfers may be voided by the Issuer by compelling a sale by such legal or beneficial owner or by the Issuer selling such Backing Notes on behalf of such legal or beneficial owner at the lesser of the purchase price therefore or the market value (as determined by the Backing Issuer Determination Agent) of the Backing Notes per Security prevailing at the time such transfer is voided. Terms used in this Condition 14.6 (*ERISA prohibition*) have the meanings given to them by the Code.

- 14.7 It is intended that the Backing Issuer Programme should qualify as a professional investor regulated scheme for the purposes of the Financial Services (Investment Business (Restricted Investment Business — Exemption)) (Jersey) Order 2001 and the Financial Services (Trust Company Business (Exemption No. 5)) (Jersey) Order 2001. An investment in Backing Notes is only suitable for sophisticated investors who understand the risks involved in acquiring such an investment. Neither the Issuer nor the activities of any functionary with regard to the Backing Issuer Programme are subject to all the provisions of the Financial Services (Jersey) Law 1998, as amended.

15 ENTITLEMENT INCREASE AND ISSUE OF FURTHER CLASSES

15.1 Entitlement Increase and Further Classes

- 15.1.1 Subject to the Carbon Securities Conditions, the HANetf Issuer may, from time to time create and issue further securities either:

- (A) marking up existing Classes: having the same terms and conditions as the Carbon Securities in all respects and so that such further issue shall be consolidated and form a single Class with the Carbon Securities; or
- (B) issuing further Classes: upon such terms as the HANetf Issuer may determine at the time of their issue so that such further issue shall form an additional new Class of Carbon Securities and shall not be consolidated to form a single Class with any existing Carbon Securities.

- 15.1.2 Marking up existing Classes: In respect of an issuance of further Carbon Securities forming a single Class by the HANetf Issuer, in accordance with 15.1.1(A) above, and following:

- (a) the occurrence of the Subscription Settlement Date;
- (b) the receipt by the Issuer of the Backing Issuer Subscription Form;
- (c) the receipt by the HANetf Issuer of the Settlement Amount; and

- (d) the receipt by the Issuer, from the HANetf Issuer, of the Settlement Amount in respect of the number of additional Carbon Securities of the relevant Class issued by the HANetf Issuer,

the Issuer shall direct the Backing Issuer Administrator to record:

- (i) the revised Carbon Entitlement per Backing Note representing the Entitlement Increase; and
- (ii) the revised increased Principal Amount.

15.1.3 Issuance of further Classes: In respect of an issuance of further Carbon Securities forming an additional new Class by the HANetf Issuer, in accordance with 15.1.1(B) above, the Issuer (subject to Condition 6 (*Security*) and in accordance with the Backing Issuer Security Deed) shall:

- (a) upon instruction from the HANetf Issuer only;
- (b) upon receipt of the Backing Issuer Subscription Form; and
- (c) concurrently upon receipt by the Issuer, from the HANetf Issuer, of the Settlement Amount in respect of the number of Carbon Securities of the such new Class issued by the HANetf Issuer,

create, and issue additional Classes of Backing Note equal to the Carbon Entitlement in respect of the Carbon Securities of such new Class which have been issued by the HANetf Issuer, in accordance with the final terms thereto.

15.1.4 The Issuer will only accept a Backing Issuer Subscription Form and issue a Backing Note (or if the Backing Note has already been subscribed for, (i) increase the applicable Carbon Entitlement per Backing Note representing the Entitlement Increase; and (ii) increase the equivalent Principal Amount of such Backing Note) if:

- (a) a Backing Issuer Subscription Form is determined to be valid by or on behalf of the Issuer in accordance with these Conditions and the Issuer AP Terms Agreement; and
- (b) all conditions precedent to an issue of a Backing Note (or if the Backing Note has already been subscribed for, an increase to (i) the applicable Carbon Entitlement per Backing Note representing the Entitlement Increase; and (ii) the equivalent Principal Amount of such Backing Note) are satisfied.

15.2 Consolidation and division of Classes

The HANetf Issuer may consolidate or divide all of the Carbon Securities into Carbon Securities of the same Class but with a proportionately larger or smaller principal amount and Carbon Entitlement (if applicable). Whenever as a result of consolidation of Carbon Securities a Securityholder would become entitled to a fraction of a Carbon Security the HANetf Issuer will redeem such fractional Carbon Security and the relevant Carbon Entitlement of the Relevant Carbon Securities with respect to that Backing Note shall be adjusted down accordingly and such adjustment, together with the corresponding adjustment to Principal Amount outstanding of the Backing Note of a Class, shall be recorded by the Backing Issuer Administrator.

16 NOTICES

16.1 All notices to holders of Backing Notes shall be valid if given pursuant to the terms of the Subscription Agreement.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

17 **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Backing Notes under the Contracts (Rights of Third Parties) Act 1999 but that does not affect any right or remedy of a third party that exists or is available apart from that Act.

18 **GOVERNING LAW AND JURISDICTION**

18.1 **Governing law**

The Backing Issuer Security Deed and the Backing Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

18.2 **Jurisdiction**

The courts of England shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Backing Notes and, accordingly, any legal action or proceedings arising out of or in connection with any Backing Notes ("**Proceedings**") may be brought in such courts.

19 **SERVICE OF PROCESS**

The Issuer irrevocably appoints HAN ETF Limited of City Tower, 40 Basinghall Street, London, England, EC2V 5DE as its process agent to receive, for it and on its behalf, service of process in any Proceedings in England. Service of process on such process agent shall be deemed valid service upon the Issuer whether or not it is forwarded to and received by the Issuer. The Issuer shall inform the Backing Issuer Security Trustee in writing of any change in its process agent's address within 28 calendar days of such change. If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent in England reasonably acceptable to the Backing Issuer Security Trustee and to deliver to it a copy of the substitute process agent's written acceptance of that appointment, within 14 calendar days. The Issuer: (a) agrees to procure that so long as any of the Backing Notes remain liable to prescription, there shall be in force an appointment of such person approved by the Backing Issuer Security Trustee with an office in London with authority to accept service as aforesaid, and (b) agrees that nothing in the Conditions or the Backing Issuer Security Deed shall affect the right to serve process in any other manner permitted by law.

SECTION 19 – ADDITIONAL INFORMATION

A. General

- 19.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the Issuer's financial position or profitability.

B. Sources

- 19.2 Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by the referenced third-party source, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.3 Where third party information is used in this Prospectus, the source of such information is identified.
- 19.4 Other than in relation to the documents which are deemed to be incorporated by reference, any website mentioned in this Prospectus does not form part of the Prospectus.

C. Documents Available for Inspection

- 19.5 For the duration of the Programme or so long as any Carbon Securities remain Outstanding, the following documents will be available in electronic format at <https://etp.hanetf.com/spark> with the exception of this Prospectus, which shall instead be available at <https://www.hanetf.com/product/30/fund/sparkchange-physical-carbon-eua-etc>:
- (a) the constitution of the Issuer;
 - (b) the constitution of the Backing Issuer;
 - (c) this Prospectus;
 - (d) each Trust Deed;
 - (e) each Security Deed;
 - (f) the Subscription Agreement;
 - (g) the Backing Issuer Security Deed;
 - (h) the Allowance Security Document;
 - (i) each Issuer AP Terms;
 - (j) the Management and Determination Agent Agreement;

- (k) the Backing Issuer Determination Agency Agreement;
- (l) the Issuing and Paying Agent Agreement;
- (m) the Administration Agreement; and
- (n) the annual audited accounts and half-yearly unaudited accounts of each of the Issuer and the Backing Issuer (once published).

19.6 Documents available electronically are also available upon request in printed form for inspection by Securityholders and potential investors at the Registered Office of the Issuer at 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, Ireland, during normal business hours on any Dublin Business Day.

D. Post-Issuance Information

19.7 During the term of a Class of Carbon Securities, the Issuer will publish (a) the Carbon Entitlement per Security of each Class on the Issuer's Website as described in Section 11– **Determining the Value of an Investment in Carbon Securities**; and (b) changes to the Disposal Counterparty and new information with respect to Authorised Participants unknown at the time of the Prospectus Date or the relevant Final Terms (as the case may be) on the Issuer's Website.

19.8 Save as mentioned in this section entitled **Post-Issuance Information**, the Issuer does not intend to provide any post-issuance information in relation to any Class of Carbon Securities or the performance of any underlying assets.

E. Offers of Carbon Securities

19.9 Conditions to which an offer of Carbon Securities is subject. Not applicable given the manner in which the Carbon Securities will be offered. An Authorised Participant may subscribe for Carbon Securities at any time during the Offer Period in the manner set out in this Prospectus – please see Part G (*Subscription and Redemption*) of Section 4 of the Prospectus for further details. As at the date of this Prospectus, an offer of Carbon Securities will not be subject to any additional conditions.

19.10 Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: Not applicable given the manner in which the Carbon Securities will be offered. The Carbon Securities will not be the subject of an offer that asks for applications from potential purchasers and then reduces subscriptions and refunds any excess amount should those potential purchasers not be allocated Carbon Securities.

19.11 Details of the minimum and/or maximum amount of application: Subscriptions made by an Authorised Participant will be subject to the Subscription Minimum. As detailed in Part G (*Subscription and Redemption*) of Section 4 of the Prospectus, the Issuer will not accept a Subscription Form if it would cause the number of Carbon Securities issued under the Programme to exceed the Programme Maximum Number of Carbon Securities.

- 19.12 Method and time limits for paying up the securities and for delivery of the securities: Please see Parts F (*Transaction Structure and Flow of Funds*) and G (*Subscription and Redemption*) of Section 4 of the Prospectus. Such method and time limits may further be individually agreed between an investor and an Authorised Participant.
- 19.13 A full description of the manner and date in which results of the offer are to be made public: Not applicable given the manner in which the Carbon Securities will be offered. An Authorised Participant may subscribe for Carbon Securities at any time during the Offer Period.
- 19.14 Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: Not applicable given the manner in which the Carbon Securities will be offered. Please see Part G (*Subscription and Redemption*) of Section 4 of the Prospectus for further information about the manner in which an Authorised Participant may subscribe for Carbon Securities.

F. Irish Regulatory Notices

- 19.15 The Issuer is not and will not be regulated by the Central Bank or the FCA as a result of issuing the Carbon Securities. Any investment in the Carbon Securities does not have the status of a bank deposit and will not be within the scope of the Deposit Guarantee Scheme operated by the Central Bank or the FCA.

G. Irish Listing Agent

- 19.16 Arthur Cox Listing Services Limited, as the Irish Listing Agent, is acting solely in its capacity as listing agent in respect of the approval of this Prospectus by the Central Bank only for the Issuer in connection with the Carbon Securities and is not seeking admission of the Carbon Securities to the official list of the Irish Stock Exchange plc, trading as Euronext Dublin or to trading on the Irish Stock Exchange plc, trading as Euronext Dublin for the purposes of the Prospectus Regulation.

H. Data Protection Notice

- 19.17 By completing the Subscription Form or the Redemption Form, a Securityholder is providing personal data to the Issuer. This Data Protection Notice is intended to ensure that the Securityholder is aware of what personal data the Issuer holds and how that data is used. The Issuer will use the Securityholder's personal data only for the purposes and in the manner set forth below which describes the steps taken to ensure that the processing of personal data is in compliance with the General Data Protection Regulation ((EU) 2016/679) ("**GDPR**"), the retained EU law version of GDPR ("**UK GDPR**") and any implementing legislation thereunder ("**Data Protection Legislation**").
- 19.18 The Securityholder has the right to object to the processing of its personal data where that processing is carried out for the Issuer's legitimate interests.

- 19.19 This Data Protection Notice applies to Securityholders and to third parties whose information is provided by a Securityholder to the Issuer. The Issuer shall be considered a data controller in accordance with the Data Protection Legislation.
- 19.20 The Securityholder must ensure that it provides a copy of this Data Protection Notice to any third parties whose personal data is provided to the Issuer. This Data Protection Notice applies to all personal data processed by the Issuer regardless of the media on which it is stored. The Issuer may update this Data Protection Notice at any time and will notify the Securityholder in writing of any changes.
- 19.21 Personal data is any data relating to a living person who can be identified directly from that data, or indirectly in conjunction with other information. The Issuer will hold some or all of the following types of personal data: name, address, date of birth, bank details, telephone recordings etc. This personal data will be used by the Issuer for the purposes of:
- (a) carrying out legal and regulatory obligations which can include compliance with anti-money laundering and counter-terrorist financing laws and regulations;
 - (b) disclosing personal data where required to do so by law or regulation which may include disclosure to third parties such as the auditors, the Irish Revenue Commissioners or other relevant tax authorities pursuant to applicable law; and
 - (c) for any other legitimate business interests of the Issuer or a third party to whom the data is disclosed, where such interests are not overridden by the interests of the data subject, including for statistical analysis and market research purposes.
- 19.22 Personal data will only be processed to the extent necessary for the purposes set out above for the Issuer's legitimate business interests. The Issuer will also process personal data as necessary to comply with legal obligations. The Issuer will inform the Securityholder in advance if it intends to further process personal data for a purpose other than as set out above. The Issuer may also seek the Securityholder's specific consent to the processing of personal data for other specific purposes. The Securityholder will have the right to withdraw such consent at any time.
- 19.23 Failure to provide the required data may result in the Issuer being unable to process a Subscription Form or a Redemption Form, whichever is applicable. The Issuer will inform the Securityholder where the information asked for is a contractual requirement or needed to comply with legal obligations.
- 19.24 The Securityholder's personal data will be disclosed to, and processed by, the Administrator, (who will be a data processor under the Data Protection Legislation) for the purposes of carrying out the services for the Issuer and to comply with legal and regulatory obligations, including anti-money laundering legislation or foreign regulatory requirements. The Administrator may in turn disclose the Securityholder's

personal data to agents or other third parties where necessary to carry out these purposes.

- 19.25 The Issuer may also disclose the Securityholder's personal data to:
- (a) the money laundering reporting officer, HANetf (and, to the extent different, the Determination Agent), and any duly authorised agents and related, associated or affiliated companies;
 - (b) the Irish Revenue Commissioner;
 - (c) HM Revenue & Customs;
 - (d) the Central Bank;
 - (e) the FCA;
 - (f) agents of the Administrator who process the data for anti-money laundering purposes or for compliance with foreign regulatory requirements; and
 - (g) other third parties including financial advisors, regulatory bodies, auditors, technology providers.
- 19.26 The Issuer will take all reasonable steps, as required by Data Protection Legislation, to ensure the safety, privacy and integrity of the Securityholders personal data and where appropriate, enter into contracts with such third parties to protect the privacy and integrity of such data and any information supplied.
- 19.27 The Issuer may transfer the Securityholder's personal data to countries outside of Ireland which may not have the same data protection laws as Ireland. The Securityholder's personal data will not be transferred to a country outside of the EEA or the UK (as applicable) unless that country ensures an adequate level of data protection. The Issuer will take all steps reasonably necessary to ensure that personal data is treated securely, and that appropriate safeguards are in place to protect the privacy and integrity of such personal data, in accordance with Data Protection Legislation. The Securityholder should contact the Issuer if it wishes to obtain information concerning such safeguards.
- 19.28 The Issuer takes all reasonable steps as required by Data Protection Legislation to ensure the safety, privacy and integrity of the Securityholder's personal data. The Issuer will retain personal data only for so long as is necessary to carry out the purposes set out above and to comply with any legal obligations. In determining appropriate retention periods, the Issuer shall have regard to the requirements of the Central Bank, the FCA and its obligations to retain information, including under anti-money laundering, revenue and tax legislation.
- 19.29 The Securityholder has a right to obtain a copy of, and the right to rectify any inaccuracies in, the personal data that the Issuer holds by making a request in writing. The Securityholder also has the right to request erasure, restriction, portability or object to the processing of personal data or not to be subject to a decision based on

automated processing, including profiling. The Securityholder should inform us of any changes to personal data. The Issuer will respond to requests in writing, or orally if requested, as soon as practicable and in any event not more than one month after receipt of a request.

- 19.30 The Securityholder has the right to lodge a complaint with the Office of the Data Protection Commissioner if unhappy with how its personal data is being handled. If the Securityholder has any queries regarding this Data Protection Notice, it should contact the Issuer via feedback@hanetf.com.

SECTION 20 – DIRECTORY

ISSUER

HANetf ETC Securities plc
2nd Floor, Block 5, Irish Life Centre, Abbey
Street Lower, Dublin 1, D01 P767, Ireland

DIRECTORS OF ISSUER

Niall Vaughan
Ciaran Connolly
David O'Neill

ISSUER ADMINISTRATOR

Apex Fund Services (Ireland) Limited
2nd Floor, Block 5, Irish Life Centre, Abbey
Street Lower, Dublin 1, D01 P767, Ireland

BACKING ISSUER ADMINISTRATOR

Apex Financial Services (Corporate) Limited
IFC 5, St Helier, Jersey
JE1 1ST

REGISTRAR

The Bank of New York Mellon SA/NV,
Luxembourg Branch
Vertigo Building – Polaris, 2-4 Rue Eugène
Ruppert, L-2453 Luxembourg

TRANSFER AGENT

The Bank of New York Mellon SA/NV,
Luxembourg Branch
Vertigo Building – Polaris, 2-4 Rue Eugène
Ruppert, L-2453 Luxembourg

CORPORATE SERVICES PROVIDER (ISSUER)

Apex Corporate Services (Ireland) Limited
2nd Floor, Block 5, Irish Life Centre, Abbey
Street Lower, Dublin 1, D01 P767, Ireland

IRISH LEGAL ADVISERS

A&L Goodbody LLP
3 Dublin Landings,
North Wall Quay
Dublin 1, D01 C4E0, Ireland

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2, D02 T380, Ireland

BACKING ISSUER

Spark Change Jersey Issuer Limited
IFC 5, St Helier, Jersey
JE1 1ST

TRUSTEE, SECURITY TRUSTEE & BACKING ISSUER SECURITY TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Eighth Floor, 100 Bishopsgate
London EC2N 4AG, United Kingdom

ISSUING AND PAYING AGENT

The Bank of New York Mellon, London Branch
160 Queen Victoria Street
London, EC4V 4LA, United Kingdom

AUDITORS TO THE BACKING ISSUER

Moore Stephens' Accounting and Taxation
services (Jersey) Limited
1 Waverly Place, Union Street,
St Helier, JE4 8SG Jersey

MANAGEMENT AND DETERMINATION AGENT

HANetf Limited
107 Cheapside,
London, EC2V 6DN,
United Kingdom

AUDITORS TO ISSUER

EY
Harcourt Centre, Harcourt Street,
Dublin 2, Ireland

CORPORATE SERVICES PROVIDER (TO BACKING ISSUER)

Apex Financial Services (Jersey) Limited
IFC 5, St Helier, Jersey, Channel Islands, JE1
1ST

ENGLISH LEGAL ADVISERS TO THE ISSUER

Reed Smith LLP
1 Blossom Yard,
London, E1 6RS,
United Kingdom

ENGLISH LEGAL ADVISERS TO THE TRUSTEE, SECURITY TRUSTEE AND THE BACKING ISSUER SECURITY TRUSTEE

McCarthy Denning LLP
70 Mark Lane
London, EC3R 7NQ, United Kingdom

ANNEX 1 – FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche is set out below (subject to the deletion of non-applicable provisions and/or instructions)¹

Final Terms dated [•]

Programme for the Issue of Carbon Securities

HANETF ETC SECURITIES PLC (the "Issuer")

2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, D01 P767, Ireland

Issue of [specify number of Carbon Securities comprising the relevant Tranche] of [specify Class] issued under the Programme (the "**Tranche**")

These Final Terms (as referred to in the base prospectus dated 23 April 2025 (the "**Prospectus**") in relation to the above Programme) relates to the issue of the Carbon Securities referred to above. Terms used in these Final Terms have the same meaning as in the Prospectus.

The Carbon Securities have the terms provided for in the Conditions.

These Final Terms have been prepared for the purpose of the [Prospectus Regulation/ UK Prospectus Regulation] and for filing with the relevant competent authority for the purposes of Article 8(4) thereof.

These Final Terms must be read in conjunction with the relevant Prospectus and any supplement thereto, which are published on the Issuer's Website on the relevant product page at www.hanetf.com pursuant to Article 21 of the [Prospectus Regulation/ UK Prospectus Regulation]. An investor will only have full information on the Issuer and the offer of Carbon Securities if it reads these Final Terms and the relevant Prospectus are read together.

[A summary of this individual issue is Annexed to these Final Terms.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation/ UK Prospectus Regulation.]

All provisions in the Conditions corresponding to items in these Final Terms which are indicated as not applicable, not completed or deleted shall be deemed to be deleted from the Conditions.

Issuer (and LEI)

HANETF ETC SECURITIES PLC
LEI: 635400GQU6WKILM5R975

Class

[•]

ISIN

[•]

¹ All Prospectus Regulation / UK Prospectus Regulation provisions to be removed from the Final Terms in the event of an exempt issuance of Carbon Securities.

| | |
|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principal Amount | [•] |
| Trading Method | Units |
| Relevant Currency | [•] |
| Aggregate number of the Class of Carbon Securities to which these Final Terms apply: | [•] |
| (a) Comprising the Tranche (A) | [•] |
| (b) Prior to the issue of this Tranche | [•] |
| (c) Immediately following the issue of this Tranche | [= (a) + (b)] |
| Trade Date | [•] |
| Issue Date | [•] |
| Carbon Entitlement per Security pertaining to this Tranche on the Trade Date (B) | [•] |
| Carbon Entitlement (AxB) | [•] |
| Total Expense Ratio | [as at issue date] |
| Subscription Minimum | [•] [not applicable] |
| Subscription Maximum | [•] [not applicable] |
| Specified Denominations | The Carbon Securities may be traded in integral multiples of one |
| Interest Type | Zero coupon |
| Default Interest | Not applicable |
| Intended to be held in a manner which would allow Eurosystem eligibility | <p>[Yes. Note that the designation "Yes" simply means that the securities are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]<i>[include this text for registered notes]</i> and does not necessarily mean that the securities will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /</p> <p>[No. Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the securities are capable of meeting them the securities may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]<i>[include this text for registered notes]</i>.</p> |

Note that this does not necessarily mean that the securities will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Form

[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes: [The Global Notes will be registered in the name of a [nominee]/[common safekeeper]/[depository] for [Euroclear and Clearstream, Luxembourg]]

[Uncertificated Securities in dematerialised and registered form]

[NGN Form: [not applicable]/[applicable]]]

Redemption Date

Not Applicable

Carbon Sale an available Redemption Mechanism in case of Optional Redemption

[*not applicable*] [•]

[Countries where this Prospectus has been notified

The Central Bank has provided the competent authorities of Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain and Sweden with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation.]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser

[•]

Name(s) and address(es), to the extent known to the Issuer, of the placement agents in the various countries where the offer takes place

[•]

Name and address of any paying agents and depository agents in each country

[•]

Additional Information

Listing

[Application has been made for the Carbon Securities to be admitted to the official list of the UK Listing Authority and for the Carbon Securities to be admitted to trading on the Main Market of the London Stock Exchange.]/[Application has been made for the Carbon Securities to be admitted to the official list of the Frankfurt Stock Exchange, the Borsa Italiana and for the Carbon Securities to be admitted to trading on the regulated market thereof.]

[The earliest date on which the Carbon Securities will be admitted to trading on the [Main Market of the London Stock Exchange]/[regulated market of [the Frankfurt Stock Exchange]/[the Borsa Italiana] will be [•].]

Application may be made for the Carbon Securities to be listed on additional stock exchanges and admitted to trading on additional markets from time to time.

Relevant Stock Exchange(s)

[London Stock Exchange]
[Frankfurt Stock Exchange]
[Borsa Italiana S.p.A.]

Reasons for the Offer

The net proceeds from the issue of Carbon Securities will be used by the Issuer to subscribe for the Backing Note issued by the Backing Issuer under the Backing Issuer Programme which will in turn be backed by an amount of Underlying Allowance(s) of the relevant type which will be held in the Backing Issuer Secured Allowance Account in respect of such Carbon Securities. Such Underlying Allowance(s) of the relevant type shall only be used to meet the Backing Issuer's obligations to the Issuer under the relevant Backing Note, and thus the Issuer's obligations under the relevant Carbon Securities.

Relevant Clearing System

[•]

Agents

[insert names and details of Registrar, Transfer Agent, Issuing and Paying Agent and Administrator]

Authorised Participants

As at the Issue Date of the Tranche of Carbon Securities to which these Final Terms relate:

[give name and address of institution]

The full list of Authorised Participants in respect of the Class from time to time will be published on the relevant product page at www.hanetf.com (or such other website as may be notified to Securityholders).

LISTING AND ADMISSION TO TRADING APPLICATION

[These Final Terms comprise the final terms required to list and have admitted to trading the Tranche of Carbon Securities described herein pursuant to the Programme.]

The Issuer may, from time to time (without the consent of the Trustee or any Securityholder), in accordance with the Trust Deed, the Conditions and the Authorised Participant Agreement(s), create and issue further securities either having the same terms and conditions as this Tranche in all respects

or upon such terms as the Issuer may determine at the time of their issue and/or incur further obligations relating to such securities.

[So far as the Issuer is aware, no person involved in the offer of the Carbon Securities has an interest material to the offer]

Signed on behalf of the Issuer:

By:
Duly authorised

FORM OF ISSUE SPECIFIC SUMMARY

(Issuer to annex form of issue specific summary)