

## COURT OF SESSION, SCOTLAND

**Scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 under which substantially all of the long-term business of The Standard Life Assurance Company is to be transferred to Standard Life Assurance Limited**

### Part A1 – Interpretation and Background

#### 1. Definitions

1.1 In this Scheme (unless inconsistent with the subject or context), the following definitions apply:

<b>“Act”</b>	means the Financial Services and Markets Act 2000;
<b>“Additional NPF Contracts”</b>	means the contracts, agreements and arrangements set out in <u>Schedule 6 (Additional NPF Contracts)</u> ;
<b>“Admission”</b>	means the SL plc Shares have been officially listed on the London Stock Exchange (as such expression is defined in the Listing Rules);
<b>“Agreed Form Documents”</b>	means the documents which are referred to in <u>Part I9</u> ;
<b>“Asset Shares”</b>	has the meaning given in the PPFM, <u><a href="#">the SLAL GWPF Internal PPFM or the SLAL GSMWPF Internal PPFM (as the context requires)</a></u> ;
<b>“Austrian Business”</b>	means the Long Term Business of SLAC carried on in Austria through its German branch pursuant to the exercise of its EEA rights to provide cross-border services into Austria;
<b>“Austrian Policies”</b>	means all Transferred Policies written by, and all proposals for insurance (falling within <u>paragraph (B)</u> of the definition of Transferred Policies) received by, the German branch of SLAC in respect of the Austrian Business;
<b>“Austrian Transfer Agreement”</b>	means the asset transfer agreement in respect of certain property attributable to the Austrian Business to be entered into between SLAC (as transferor) and SLAL (as transferee) in the form agreed between them;

<b>“Bermudan Assets”</b>	means the Transferred Bermuda Assets (as defined in the Bermudan Scheme);
<b>“Bermudan Business”</b>	means the whole of the long-term business of SLAC carried on from Bermuda pursuant to its permit issued by the Minister of Finance under sections 134 and 136 of the Companies Act 1981 (Bermuda);
<b>“Bermudan Policies”</b>	means the Transferred Bermuda Policies (as defined in the Bermudan Scheme);
<b>“Bermudan Scheme”</b>	means a scheme of transfer for the transfer of the Bermudan Business from SLAC to SL Bermuda pursuant to The Insurance Act 1978 (Bermuda);
<b><u>“Brexit Scheme”</u></b>	<u>means the Scottish scheme of transfer between SL AL and SL Intl. as sanctioned by the Court of Session on or around 19 March 2019 and effective on 29 March 2019;</u>
<b><u>“Brexit Scheme Effective Time”</u></b>	<u>means the “Effective Time” as defined in the Brexit Scheme;</u>
<b>“Business Day”</b>	means a day (other than a Saturday or a Sunday) on which banks are open for business (other than solely for trading and settlement in Euros) in London and Edinburgh;
<b>“Calculation Manual”</b>	has the meaning given in <u>Part E5</u> ;
<b>“Canada Holdco”</b>	means Standard Life Financial Inc.;
<b>“Canadian Domesticated Assets”</b>	means the assets of the Canadian branch of SLAC transferred by SLAC to SCDA pursuant to the Canadian Domestication Documents;
<b>“Canadian Domesticated Business”</b>	means that part of the business and undertaking forming part of the Canadian branch of SLAC as at 31 December 2004 that was transferred to and assumed by SCDA in accordance with the terms and subject to the conditions of the Canadian Domestication Documents;
<b>“Canadian Domesticated Policies”</b>	means the life, accident and health insurance policies, annuities and pensions (including all amendments, endorsements, riders and waivers thereto, and guarantees, options and promises relating thereto), both individual and group, written, issued or assumed by SLAC in Canada, all as described in, and assumed by SCDA pursuant to, the Canadian Domestication Documents;

<b>“Canadian Domestication Documents”</b>	means an agreement entitled “Domestication Agreement” and related agreements entered into between SLAC and SCDA on 31 December 2004;
<b>“Canadian SCDA Assets”</b>	means the assets backing the Canadian SCDA Policies and other assets of SLAC related to the Canadian SCDA Business, all as described in the Canadian Scheme Agreement and the Canadian SCDA Conveyance Agreement at the Effective Time and regardless of whether or not such agreements have become unconditional and are otherwise effective at the Effective Time;
<b>“Canadian SCDA Business”</b>	means the business and undertaking of SLAC carried on in Canada in respect of the Canadian SCDA Policies;
<b>“Canadian SCDA Conveyance Agreement”</b>	means an agreement entitled “Standard Life Canada Conveyance Agreement” relating to the Canadian SCDA Business to be entered into by SLAC and SCDA in the form agreed between them;
<b>“Canadian SCDA Effective Time”</b>	means the time on the date at which the Canadian Scheme Agreement (insofar as it relates to the transfer of the Canadian SCDA Business from SLAC to SCDA) and the related documents shall become effective in accordance with their respective terms;
<b>“Canadian SCDA Policies”</b>	means all the life, accident and health insurance policies, annuities and pensions (including all amendments, endorsements, riders and waivers thereto, and guarantees, options and promises relating to the policies), both individual and group, written, issued or assumed by the Canadian branch of SLAC, which are in force at the Canadian SCDA Effective Time or have lapsed, including the participating policies written, issued or assumed by the Canadian branch of SLAC that entitle the holder thereof to participate in the profits of SLAC, all as described in, and assumed by SCDA pursuant to, the Canadian Scheme Agreement, the Canadian SCDA Transfer Agreement and the Canadian SCDA Conveyance Agreement, but excluding: (i) the Canadian Stacking Policies; (ii) the Canadian Structured Settlements; and (iii) the Canadian Domesticated Policies;
<b>“Canadian SCDA Transfer Agreement”</b>	means an agreement entitled “Standard Life Canada Policies Assumption Agreement” relating to the Canadian SCDA Business to be entered into by SLAC and SCDA in the form agreed between them;

**“Canadian Scheme Agreement”**

means an agreement entitled “Canadian Scheme Agreement” relating to:

- (A) the transfer of the Canadian SCDA Business from SLAC to SCDA; and
- (B) the transfer of the Canadian Stacking Policies Business from SLAC to SLAL,

to be entered into by SLAC, SLAL and SCDA in the form agreed between them;

**“Canadian Services Agreement”**

means an agreement entitled “Services Agreement” to be entered into by SLAL and SCDA in the form agreed between them and pursuant to which SLAL and SCDA shall provide services to each other;

**“Canadian SLAC Retained Agreements”**

means only the contracts and agreements falling within the definition of “Retained Assets” as set out in the Canadian Scheme Agreement at the Effective Time and regardless of whether or not such agreement has become unconditional or is otherwise effective at the Effective Time;

**“Canadian Stacking Policies”**

means:

- (A) the individual and group insurance and annuity policies (including all amendments, endorsements, riders and waivers thereto, and guarantees, options and promises relating to the policies) which have been written or issued by the Canadian branch of SLAC to SCDA policyholders since the entering into of the Canadian Domestication Documents and including applications for such individual and group insurance and annuity policies received by the Canadian branch of SLAC prior to the Canadian Stacking Policies Effective Time which have not become policies in force by the Canadian Stacking Policies Effective Time but which subsequently become policies written or issued through the Canadian branch of SLAL; and
- (B) the individual and group insurance and annuity policies (including all amendments, endorsements, riders and waivers thereto, and guarantees, options and promises relating to the policies) which were written or issued by SCDA to SLAC policyholders prior to the entering into of the Canadian Domestication Documents and assumed by SLAC in accordance with the Canadian Domestication Documents,

in each case in order to permit holders of such policies to avail themselves of the maximum amount of compensation coverage against loss of benefits that may be provided by the Canadian Life and Health and Insurance Compensation Corporation (Assuris);

**“Canadian Stacking Policies Assets”**

means the assets backing the Canadian Stacking Policies and other assets of SLAC related to the Canadian Stacking Policies Business, all as described in the Canadian Scheme Agreement and the Canadian Stacking Policies Conveyance Agreement at the Effective Time and regardless of whether or not such agreements are unconditional and otherwise effective at the Effective Time;

**“Canadian Stacking Policies Business”**

means the business and undertaking of SLAC carried on in Canada in respect of the Canadian Stacking Policies;

**“Canadian Stacking Policies Conveyance Agreement”**

means an agreement entitled “Stacking Policies Conveyance Agreement” relating to the Canadian Stacking Policies Business to be entered into by SLAC and SLAL in the form agreed between them;

**“Canadian Stacking Policies Effective Time”**

means the time on the date at which the Canadian Scheme Agreement (insofar as it relates to the transfer of the Canadian Stacking Policies Business from SLAC to SLAL) and the related documents shall become effective in accordance with their respective terms;

**“Canadian Stacking Policies Liabilities”**

means all liabilities of SLAC in respect of the Canadian Stacking Policies;

**“Canadian Stacking Policies Transfer Agreement”**

means an agreement entitled “Stacking Policies Assumption Agreement” relating to the Canadian Stacking Policies to be entered into by SLAC and SLAL in the form agreed between them;

**“Canadian Structured Settlements”**

means:

- (A) all annuity policies (including all amendments, endorsements, riders and waivers thereto) issued by SLAC through the Canadian branch of SLAC under two or three party structured settlement arrangements; and
- (B) the liabilities of the property and casualty insurer or self-insured that SLAC has assumed through the Canadian branch of SLAC under three party structured settlement arrangements;

<b>“Canadian Structured Settlements Assets”</b>	means the assets backing the Canadian Structured Settlements and other assets of SLAC related to the Canadian Structured Settlements Business, all as described in the Canadian Scheme Agreement at the Effective Time regardless of whether or not such agreement has become unconditional and is otherwise effective at the Effective Time;
<b>“Canadian Structured Settlements Business”</b>	means the business and undertaking of SLAC carried on in Canada in respect of the Canadian Structured Settlements;
<b>“Canadian Structured Settlements Liabilities”</b>	means all liabilities of SLAC in respect of the Canadian Structured Settlements;
<b>“Canadian Transferred Liability”</b>	means any liability arising by virtue of any express commitment or representation given by SLAC to any holder of any policy comprised within the Canadian Domesticated Business in respect of the transfer to, and assumption by, SCDA of that business at or around the time such transfer and assumption was carried out (but excluding any liability arising by virtue of SLAC having issued or assumed such policy);
<b>“Capital Event”</b>	has the meaning given in <u>paragraph 27.1(C)</u> ;
<b>“Carried Debt Value”</b>	means the amount of SLAC’s liabilities in respect of the Tier 1 Subordinated Debt and the Tier 2 Subordinated Debt, as shown in the accounts of SLAC prepared immediately prior to the Effective Time, being an amount equal to the principal value of such debt, (i) less any unamortised transaction costs attributable to the issue of such debt (and, if applicable, the transaction costs attributable to the restructuring of such debt in as described in <u>paragraph 3.22</u> or to the transfer of such debt as described in <u>paragraph 3.23</u> ); and (ii) plus interest accrued on such debt as at the Effective Date;
<b>“Compliant Replacement Policy”</b>	means a new, additional or replacement Policy which complies with the terms of a Replacement Right;
<b>“Contingent Financing Arrangement”</b>	means: <ul style="list-style-type: none"> <li>(A) any contingent loan or similar financing arrangement (including reinsurance, non-reinsurance and securitisation financing arrangements) the repayment or recapture of which is contingent, in whole or in part, upon the emergence of specified cashflows on any block of Policies written in or allocated to the With Profits Fund at any time; or</li> <li>(B) any contingent loan or similar financing arrangement (including reinsurance, non-reinsurance and</li> </ul>

securitisation financing arrangements) made by the With Profits Fund the repayment or recapture of which is contingent, in whole or in part, upon the emergence of specified cashflows on defined blocks of business written by SLAL or any New SL Group Member,

but excluding any Contingent RCF Loan;

<b>"Contingent RCF Loan"</b>	means any contingent loan or similar financing arrangement (including reinsurance, non-reinsurance and securitisation financing arrangements) the repayment or recapture of which is contingent, in whole or in part, upon the Recourse Cashflows arising on any one or more of the Defined Blocks;
<b>"Core Principles"</b>	means the principles as specified in <u>Schedule 1</u> ( <i>Core Principles</i> );
<b>"Court"</b>	means the Court of Session in Edinburgh;
<b>"Court Order"</b>	means an order made by the Court sanctioning this Scheme pursuant to section 111 of the Act and any order in relation to this Scheme made by the Court pursuant to section 112 of the Act;
<b>"Defined Blocks"</b>	has the meaning given in <u>Schedule 3</u> ( <i>Reference Period Transfer Amount</i> );
<b>"Demutualisation Costs"</b>	<p>means the costs and expenses, including as to Taxation, incurred (but not paid) prior to the Effective Time and to be incurred in connection with, or which are incidental to:</p> <ul style="list-style-type: none"> <li>(A) the preparation of this Scheme;</li> <li>(B) the transfer of the Transferred Business and the property and liabilities of SLAC as contemplated by this Scheme; or</li> <li>(C) the transfer of the Bermudan Business, the Canadian Stacking Policies Business, the Canadian SCDA Business, the Guernsey Business and the Jersey Business,</li> </ul> <p>including the issue of the SL plc Shares but otherwise excluding any costs and expenses attributable to the issue of shares (other than the SL plc Shares) by SL plc and the official listing (as such expression is defined in the Listing Rules) of all such shares on the London Stock Exchange;</p>

<b>“Effective Date”</b>	means the date on which this Scheme shall become effective, as determined in accordance with <u>paragraph 67</u> ;
<b>“Effective Time”</b>	means the time on the Effective Date at which this Scheme shall become effective, as determined in accordance with <u>paragraph 67</u> (or, where a reference to the Effective Time relates to the Canadian Stacking Policies Business, the Canadian SCDA Business, the Jersey Business or the Guernsey Business, the Canadian Stacking Policies Effective Time, the Canadian SCDA Effective Time, the Jersey Effective Time or the Guernsey Effective Time respectively);
<b>“Eligible Member”</b>	has the meaning given in <u>Part E5</u> ;
<b>“Encumbrance”</b>	means any mortgage, charge, pledge, assignment in security, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including title transfer and retention agreements) having a similar effect;
<b>“Equivalent Replacement Policy”</b>	means a Policy written by SLAL (or another New SL Group Member) which, in the opinion of the SLAL Board, will not materially and adversely affect, or be materially contrary to, the reasonable expectations of the relevant Optionholder if issued to such Optionholder in substitution for a Compliant Replacement Policy;
<b>“Euro SMA Novation”</b>	has the meaning given in <u>paragraph 3.22(A)(v)</u> ;
<b>“Euro SMA Novation Assets”</b>	has the meaning given in <u>paragraph 3.22(B)(ix)</u> ;
<b>“Euro Subordinated Members Account Agreement”</b>	has the meaning given in <u>paragraph 3.22(A)(v)</u> ;
<b>“Excluded Liabilities”</b>	<p>means all liabilities in respect of the Excluded Policies, including all amounts payable by the insurer in respect of the Excluded Policies, whether on surrender, maturity or otherwise and including:</p> <p>(A) the Guernsey Liabilities if and for so long as such liabilities have not been effectively transferred to SLAL pursuant to the Guernsey Scheme;</p>



- (B) the Jersey Liabilities if and for so long as such liabilities have not been effectively transferred to SLAL pursuant to the Jersey Scheme; and
- (C) the Canadian Stacking Policies Liabilities if and for so long as such liabilities have not been effectively transferred to SLAL pursuant to the Canadian Scheme Agreement (but only if and to the extent that the liabilities in respect of such policies are not to be met by SCDA);

**“Excluded Policies”**

means: (i) every Policy written by SLAC under which any liability remains unsatisfied or outstanding at the Effective Time or in respect of which a liability has been accepted or assumed by SLAC prior to the Effective Time; and (ii) any Policy issued by SLAC pursuant to the exercise of a Replacement Right as described in paragraph 8.2:

- (A) in the course of carrying on insurance business in the United Kingdom or any other EEA State where, for the purpose of paragraph 1(3) of Schedule 12 to the Act, an EEA State other than the United Kingdom is the State of the commitment in respect of which the Regulator has not, prior to the issue of the Court Order, provided the appropriate certificate referred to in paragraph 4 of Schedule 12 to the Act;
- (B) in an establishment situated in an EEA State other than the United Kingdom in respect of which the Regulator has not, prior to the issue of the Court Order, provided the appropriate certificate referred to in paragraph 3 of Schedule 12 to the Act; or
- (C) which is not capable of being transferred pursuant to this Scheme at the Effective Time, including: (i) the Canadian Stacking Policies if and for so long as such policies have not been transferred to SLAL pursuant to the Canadian Scheme Agreement; (ii) the Guernsey Policies if and for so long as such policies have not been transferred to SLAL pursuant to the Guernsey Scheme; and (iii) the Jersey Policies if and for so long as such policies have not been transferred to SLAL pursuant to the Jersey Scheme,

but excluding: (i) the Canadian Domesticated Policies; (ii) the Canadian SCDA Policies; (iii) the Canadian Structured Settlements; and (iv) the Bermudan Policies;

<b>“Excluded Policies Reinsurance”</b>	means the reinsurance arrangement to be implemented pursuant to and in accordance with <u>paragraph 8.1</u> ;
<b>“Excluded Services Contracts”</b>	means all contracts, agreements and arrangements to which the declaration of trust in clause 7.2 of the Asset Sale Agreement dated 31 January, 2006 between SLAC and SLES applies;
<b>“Existing Euro Tier 2 Intra-Group Loan”</b>	has the meaning given in <u>paragraph 3.22(A)(i)</u> ;
<b>“Existing Sterling Tier 2 Intra-Group Loan”</b>	has the meaning given in <u>paragraph 3.22(A)(iii)</u> ;
<b>“FCA Handbook”</b>	means the FCA Handbook of rules and guidance issued by the Regulator;
<b>“Fixed Allocation”</b>	has the meaning given in <u>Part E5</u> ;
<b>“FSA Handbook”</b>	means the FSA Handbook of rules and guidance issued by the Regulator;
<b>“FSA Return Period”</b>	means each 12-month period in respect of which SLAC or SLAL (as the context requires) is required to submit FSA Returns;
<b>“FSA Returns”</b>	means each annual account, balance sheet, abstract or statement required to be submitted pursuant to Chapter 9 of IPRU(INS);
<b>“Further Capital Support Account”</b>	has the meaning set out in <u>paragraph 31.1</u> ;
<b>“Further Capital Support Amount”</b>	has the meaning given in <u>paragraph 31.1</u> ;
<b>“German Business”</b>	means the Long Term Business of SLAC carried on through its branch established in Germany pursuant to the exercise of its EEA rights;
<b>“German Policies”</b>	means all Transferred Policies written by, and all proposals for insurance (falling within <u>paragraph (B)</u> of the definition of Transferred Policies) received by, the German branch of SLAC, but excluding the Austrian Policies;
<b>“German Transfer Agreement”</b>	means the asset transfer agreement in respect of certain property attributable to the German Business to be entered into between SLAC (as transferor) and SLAL (as transferee) in the form agreed between them;

<b><u>“German WP Investment Element”</u></b>	<u>means, in relation to a Policy that is or becomes a Unitised With Profits Policy, that part of any Premium (including any amount derived from a rebate of charges) as has been applied or is applicable to the allocation of With Profits Units in the SLAL GWPF or the SLAL GSMWPF, after any adjustment in accordance with the terms of the relevant Policy (including any policy charges or bid/offer spread), and all property and liabilities attributable to such With Profits Units (including in respect of costs of guarantees);</u>
<b><u>“GSMWPF Reinsurance Agreement”</u></b>	<u>means the agreement entitled “Reinsurance Agreement: GSMWPF” between SLAL and SL Intl entered into in accordance with paragraph 66 of the Brexit Scheme;</u>
<b>“Guernsey Assets”</b>	means the Transferred Guernsey Assets (as defined in the Guernsey Scheme);
<b>“Guernsey Business”</b>	means the whole of the long-term insurance business of SLAC written under Guernsey law or issued to a person resident in the Bailiwick of Guernsey and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to section 44(1) of the Guernsey Law (including all activities carried on in connection with or for the purposes of such long-term insurance business);
<b>“Guernsey Effective Time”</b>	means the time on the date at which the Guernsey Scheme shall become effective in accordance with its terms;
<b>“Guernsey Law”</b>	means the Insurance Business (Bailiwick of Guernsey) Law, 2002 as from time to time amended;
<b>“Guernsey Liabilities”</b>	means the Transferred Guernsey Liabilities (as defined in the Guernsey Scheme);
<b>“Guernsey Policies”</b>	means the Transferred Guernsey Policies (as defined in the Guernsey Scheme);
<b>“Guernsey Scheme”</b>	means a scheme for the transfer of the Guernsey Business from SLAC to SLAL pursuant to the Guernsey Law;
<b><u>“GWPF Reinsurance Agreement”</u></b>	<u>means the agreement entitled “Reinsurance Agreement: GWPF” between SLAL and SL Intl entered into in accordance with paragraph 66 of the Brexit Scheme;</u>
<b>“Holding Company”</b>	has the meaning given in section 736 of the Companies Act 1985;

<b><u>"HWPF Reinsurance Agreement"</u></b>	<u>means the agreement entitled "Reinsurance Agreement: HWPF" between SLAL and SL Intl entered into in accordance with paragraph 66 of the Brexit Scheme;</u>
<b>"Independent Expert"</b>	means Mr Michael Arnold FIA, being the person nominated by SLAC and approved by the FSA pursuant to section 109(2) of the Act and appointed in connection with this Scheme, or any person so nominated, approved and appointed in substitution of Mr Michael Arnold FIA in the event of a vacancy occurring by reason of death, incapacity or resignation;
<b>"Index-Linked Policy"</b>	means any Policy which falls within paragraph III of Part II of Schedule I to the Regulated Activities Order in respect of which the benefits payable are determined by reference to an index of the value of property of any description (whether specified in the Policy or not);
<b>"Intellectual Property Rights"</b>	<p>means each of the following, if and to the extent beneficially owned by SLAC at the Effective Time:</p> <ul style="list-style-type: none"> <li>(A) all goodwill relating to the Transferred Business;</li> <li>(B) trade or business names, services marks and trade marks, rights in databases, patents, design rights, copyrights, the goodwill in relation to the foregoing (whether or not any of these is registered and including applications for registration of any such thing) and any other rights or forms of protection of a similar nature and having equivalent or similar effect to any of them which may subsist anywhere in the world; and</li> <li>(C) all rights to, and the exclusive ownership of, all information, know-how and techniques (whether or not confidential and in whatever form held) including, without limitation, all client lists and customer databases relating to the Transferred Business;</li> </ul>
<b>"IPP Policies"</b>	means all Income Protection Plan Policies;
<b>"IPRU(INS)"</b>	means the Interim Prudential Sourcebook for Insurers issued by the Regulator;
<b>"Irish Business"</b>	means the Long Term Business of SLAC carried on through its branch established in the Republic of Ireland pursuant to the exercise of its EEA rights;

<b>“Irish Policies”</b>	means all Transferred Policies written by, and all proposals for insurance (falling within <u>paragraph (B)</u> of the definition of Transferred Policies) received by, the Irish branch of SLAC;
<b>“Irish Transfer Agreement”</b>	means the asset transfer agreement to be entered into in respect of certain property attributable to the Irish Business between SLAC (as transferor) and SLAL (as transferee) in the form agreed between them;
<b>“Jersey Assets”</b>	means the Transferred Jersey Assets (as defined in the Jersey Scheme);
<b>“Jersey Business”</b>	means such part of the long-term insurance business of SLAC as is conducted in or from within Jersey and which the Royal Court of Jersey has jurisdiction to transfer pursuant to the Insurance Business (Jersey) Law 1996 (including all activities carried on in connection with or for the purposes of such business);
<b>“Jersey Effective Time”</b>	means the time on the date at which the Jersey Scheme shall become effective in accordance with its terms;
<b>“Jersey Liabilities”</b>	means the Transferred Jersey Liabilities (as defined in the Jersey Scheme);
<b>“Jersey Policies”</b>	means the Transferred Jersey Policies (as defined in the Jersey Scheme);
<b>“Jersey Scheme”</b>	means a scheme for the transfer of the Jersey Business from SLAC to SLAL pursuant to The Insurance Business (Jersey) Law 1996;
<b>“LIBOR”</b>	means: <ul style="list-style-type: none"> <li>(A) the Screen Rate for deposits in Sterling for the 12-month period commencing on the relevant Valuation Date determined at or about 11.00 a.m. on the Rate Fixing Date relating to the first day of that period; or</li> <li>(B) if there is no Screen Rate for deposits in Sterling for the 12-month period commencing on the relevant Valuation Date, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the SLAL Board at its request quoted by two major banks (as determined by the SLAL Board in its discretion) to leading banks in the London inter-bank market;</li> </ul>
<b>“Linked Fund”</b>	means an internal linked fund established and maintained for accounting purposes by SLAC (before the Effective Time) or

SLAL (on or after the Effective Time) to enable benefits payable under Linked Policies to be calculated, other than benefits determined by reference to the value of With Profits Units, and **“SLAC Linked Fund”** and **“SLAL Linked Fund”** shall be construed accordingly;

**“Linked Policy”**

means:

- (A) any Index-Linked Policy; and
- (B) any Property-Linked Policy;

**“Listing Condition”**

means the Underwriting Agreement (in the form agreed between the parties thereto) has been entered into between, amongst others, SL plc, Merrill Lynch International and UBS Limited and has become unconditional in accordance with its terms except for:

- (A) any condition relating to this Scheme having become effective;
- (B) the SL plc Shares having been allotted; and
- (C) Admission having become effective, provided that no indication has been received from the UKLA and/or the London Stock Exchange that there is any impediment to Admission which remains unresolved and the SLAC Board has no other reason to believe that Admission will not become effective at or around the scheduled time;

**“Listing Rules”**

means the listing rules issued by the UKLA as the competent authority for the purposes of Part VI of the Act;

**“Long Term Business”**

means the business of effecting long-term insurance contracts, or carrying out long-term insurance contracts as principal, in each case within the meaning of the Regulated Activities Order;

**“Long Term Fund”**

means any long-term insurance fund established and maintained by SLAL pursuant to chapter 7.6 of PRU;

**“MEP” or “Promise”**

means the mortgage endowment promise introduced by SLAC in September 2000;

**“MEP Policy”**

has the meaning given in Schedule 4 (Mortgage Endowment Promise);

<b>“Newco”</b>	means SL (Newco) Limited (registered in Scotland number 297006);
<b>“New SL Group”</b>	means the Holding Company of SLAL from time to time and each of the Subsidiaries from time to time of such Holding Company and <b>“New SL Group Member”</b> shall be construed accordingly;
<b>“Non Profit Fund”</b>	means the separate fund established and maintained by SLAL pursuant to <del>paragraph 15(B)</del> <u>15.1(B)</u> ;
<b>“NPF Policies”</b>	means: <ul style="list-style-type: none"> <li>(A) all Transferred Policies which are: (i) PCI Policies; (ii) IPP Policies; (iii) SIPP Policies; or (iv) SIPP Class VII Contracts; and</li> <li>(B) all other Transferred Policies falling within <u>paragraph (B)</u> of the definition thereof;</li> </ul>
<b>“NPF Working Capital Amount”</b>	means £20,000,000.00 (twenty million Sterling);
<b>“Optionholder”</b>	means a person who holds either an Excluded Policy or a Transferred Policy and who is entitled to exercise a Replacement Right;
<b>“Oversea Holdings Limited”</b>	means Standard Life Oversea Holdings Limited (registered in Scotland number SC299660);
<b>“Overseas Infrastructure Assets”</b>	means all of the property transferred to SLAL pursuant to: <ul style="list-style-type: none"> <li>(A) the Austrian Transfer Agreement;</li> <li>(B) the German Transfer Agreement; and</li> <li>(C) the Irish Transfer Agreement,</li> </ul> <p>except in each case if and to the extent that such property is directly referable to an Austrian Policy, a German Policy or an Irish Policy (as the case may be) which is allocated to the With Profits Fund;</p>
<b>“Participating Policy”</b>	has the meaning given in <u>Part E5</u> ;
<b>“PCI Policies”</b>	means all Pension Contribution Insurance Policies;

<b><u>"PGMSL"</u></b>	<u>means Pearl Group Management Services Limited (registered in England and Wales number 03588063);</u>
<b><u>"PGSL"</u></b>	<u>means Pearl Group Services Limited (registered in England and Wales number 05549998);</u>
<b>"Policy"</b>	<p>means (except for the purposes of <u>Part E5</u> and <u>Schedule 3</u> (<i>Reference Period Transfer Amount</i>)) as the context requires:</p> <p>(A) any "policy" within the meaning of the Financial Services and Markets Act (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361); and</p> <p>(B) any constituent part of such a policy which, in the reasonable opinion of the SLAL Board, gives rise to any separately identifiable benefit and which the SLAL Board determines is a Policy,</p> <p><del>and</del> including any other contract or agreement analogous to a Policy;</p>
<b>"Policyholder"</b>	means any "policyholder" within the meaning of the Financial Services and Markets Act (meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361) and any reference to the <b>"holder of a Policy"</b> shall be construed accordingly;
<b>"PPFM"</b>	means the Principles and Practices of Financial Management of SLAL in effect from time to time in respect of the With Profits Fund, as established and maintained pursuant to <u>paragraph 27</u> ;
<b>"PRA Rulebook"</b>	means the PRA Rulebook issued by the Regulator;
<b>"Preferential Offer"</b>	has the meaning given in <u>Part E5</u> ;
<b>"Premiums"</b>	<p>means premiums of every description including:</p> <p>(A) increases to premiums (whether by way of regular premium or single premium and whether contractual or otherwise); and</p> <p>(B) all other sums (including payments <i>in specie</i>),</p> <p>in each case which are referable or attributable to any Transferred Policy, any Excluded Policy or, in the case of <u>Schedule 3</u> (<i>Reference Period Transfer Amount</i>) to any Defined Block Policy (as defined in that Schedule);</p>



<b>“PRIN 6”</b>	means Principle 6 in the Principles for Businesses set out in the FCA Handbook at PRIN 2.1;
<b>“Proceedings”</b>	means proceedings of every description, including all judicial, quasi-judicial, administrative and arbitration proceedings;
<b><u>“Property-Linked Funds Retrocession Agreement”</u></b>	<u>means the agreement entitled “Retrocession Agreement: Euro Denominated Property-Linked Funds” between SI AL and SI Intl. entered into in accordance with paragraph 66 of the Brexit Scheme;</u>
<b>“Property-Linked Liabilities”</b>	means the liabilities in respect of Property-Linked Policies which are directly referable to the value of assets in a Linked Fund;
<b>“Property-Linked Policy”</b>	means any Policy which falls within paragraph III of Part II of Schedule 1 to the Regulated Activities Order in respect of which the benefits payable are determined by reference to the value of, or the income from, property of any description (whether or not specified in the Policy) but excluding any Index-Linked Policy;
<b>“Proposed Transfer Amount”</b>	has the meaning given in <u>paragraph 30.10</u> ;
<b>“PRU”</b>	means the Integrated Prudential Sourcebook issued by the Regulator;
<b>“Rate Fixing Date”</b>	means, in relation to LIBOR, the day on which quotes are customarily taken for the relevant period for deposits in Sterling in the London inter-bank market for delivery on the first Business Day of the relevant Valuation Period;
<b>“Recourse Cashflows”</b>	has the meaning given in <u>Schedule 3 (Reference Period Transfer Amount)</u> ;
<b>“Reference Period Securitisation Receipt”</b>	has the meaning given in <u>Schedule 3 (Reference Period Transfer Amount)</u> ;
<b>“Reference Period Transfer Amount”</b>	means the amount to be calculated in respect of each Valuation Period pursuant to <u>paragraph 30.4(A)</u> and in accordance with <u>Schedule 3 (Reference Period Transfer Amount)</u> ;
<b>“Reference Valuation Date”</b>	has the meaning given in <u>paragraph 30.4</u> ;
<b>“Reference Valuation Period”</b>	has the meaning given in <u>paragraph 30.4(A)</u> ;

<b>“Regulated Activities Order”</b>	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
<b>“Regulation”</b>	means any binding rules, regulations, requirements and guidance of any Regulator or any other governmental, regulatory, supervisory or administrative body;
<b>“Regulator”</b>	means the Financial Services Authority or such other governmental, statutory or other authority or authorities as shall from time to time carry out functions in relation to Long Term Business conducted in the United Kingdom as are, at the Effective Time, carried out by the Financial Services Authority;
<b>“Replacement Right”</b>	means the right or option of any person under either an Excluded Policy or a Transferred Policy where the exercise of the right or option requires the issue of a new, additional or replacement Policy;
<b>“Residual Assets”</b>	<p>means each of the following:</p> <ul style="list-style-type: none"> <li>(A) all property of SLAC (including any right, benefit or power of SLAC in respect of any Transferred Policy or reinsurance agreement, contract or treaty pursuant to which the Long Term Business of SLAL or any part thereof is reinsured at the Effective Time) the transfer of which to SLAL pursuant to this Scheme (or pursuant to any other documentation referred to in this Scheme) is not capable of being effected at the Effective Time, either because such transfer: <ul style="list-style-type: none"> <li>(i) requires, at the Effective Time, either: (a) the consent of any person (other than SLAC, SLAL, SL plc, any other New SL Group Member or the Court); or (b) the waiver by any person of any right: (1) to acquire; (2) to be offered the right, or offer, to acquire; or (3) to procure the acquisition by some other person of, all or any part of such property, being a right which directly or indirectly arises or is exercisable because of the transfer under this Scheme being proposed or taking effect; or</li> <li>(ii) would result in a third party having a right to terminate an agreement with SLAC or claim compensation in damages or otherwise;</li> </ul> </li> </ul>

- (B) all property of SLAC which SLAC and SLAL shall agree, prior to the Effective Time:
  - (i) is more conveniently transferred pursuant to this Scheme (or pursuant to any other documentation referred to in this Scheme) at a time other than the Effective Time; or
  - (ii) is not to be transferred at all;
- (C) all proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received in respect of any property referred to in paragraph (A) or (B) of this definition by SLAC from time to time after the Effective Time but prior to any relevant Subsequent Transfer Date;
- (D) the Newco Shares (as defined in paragraph 3.11);
- (E) such property (if any) as the SLAC Board determines as being necessary to ensure that SLAC is able to satisfy applicable capital resources requirements (including as set out in PRU 2.1) in relation to its Long Term Business (including in respect of the Canadian branch of SLAC) as at and immediately after the Effective Time;
- (F) the shares (or equivalent equity interests) held by SLAC in SL China and SLAC's rights, benefits and powers under the agreements relating to SL China to which SLAC is party unless SLAC and SLAL agree otherwise prior to the Effective Time;
- (G) the shares (or equivalent equity interests) held by SLAC in SL India and SLAC's rights, benefits and powers under the agreements relating to SL India to which SLAC is party unless SLAC and SLAL agree otherwise prior to the Effective Time;
- (H) the shares (or equivalent equity interests) held by SLAC in SL (MH) 2006 unless SLAC and SLAL agree otherwise prior to the Effective Time; and
- (I) all proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received, in respect of any property referred to in paragraph (F), (G) or (H) of this definition by SLAC from time to time after the Effective Time but prior to any relevant Subsequent Transfer Date, unless

SLAC and SLAL agree otherwise prior to the Effective Time,

but excluding: (i) rights, benefits and powers in respect of the Excluded Policies, the Canadian Domesticated Policies, the Canadian SCDA Policies, the Canadian Structured Settlements and the Bermuda Policies; (ii) the Canadian SCDA Assets; (iii) the Canadian Domesticated Assets; (iv) the Canadian Structured Settlements Assets; (v) the Bermudan Assets; (vi) the Canadian SLAC Retained Agreements; (vii) the SLAC Retained Construction Agreements; and (viii) rights, benefits and powers arising under the Excluded Services Contracts;

**“Residual Liabilities”**

means any liability of SLAC:

- (A) that is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Transfer Date applicable to that Residual Asset or, if the shares (or equivalent equity interests) held by SLAC in SL China, SL India or SL (MH) 2006 or SLAC’s rights, benefits and powers under the agreements relating to SL China or SL India to which SLAC is party (as the case may be) constitute Residual Assets, arises on or before the time on the Subsequent Transfer Date at which the applicable Residual Asset is transferred from SLAC; or
- (B) the transfer of which to SLAL pursuant to this Scheme (or pursuant to any other documentation referred to in this Scheme) requires, as at the Effective Time, the consent of any person (other than SLAC, SLAL, SL plc, any other New SL Group Member or the Court),

but excluding the Excluded Liabilities;

**“RPI”**

means the all items retail price index published by the Consumer Prices and Inflation Division of the Office for National Statistics (or such other index as the SLAL Board determines replaces it from time to time);

**“SCDA”**

means The Standard Life Assurance Company of Canada;

**“Scheme”**

means the scheme set out in this document as the same may be varied in accordance with paragraph 70;

**“Screen Rate”**

means, in relation to LIBOR, the rate shown on Telerate page 3750. If this page is replaced by another which displays the rates for inter-bank deposits offered by leading banks in London

the SLAL Board may nominate an alternative page for the affected page;

<b>“SCR”</b>	means the solvency capital requirement calculated in accordance with the SCR Rules (as defined in the Glossary of the PRA Rulebook);
<b>“Service Company Agreements”</b>	means all contracts, agreements or arrangements (other than the Canadian SLAC Retained Agreements) entered into by SLAC (as service recipient) and either SLESL or SSC (in each case as service provider) in connection with the Transferred Business (including in respect of the Excluded Policies);
<b>“Shareholder Fund”</b>	means the property and liabilities of SLAL, excluding those allocated or attributable to, or represented by, a Long Term Fund;
<b>“Shareholder Subsidiaries”</b>	means the Subsidiaries and other equity interests of SLAC listed in <u>Schedule 5</u> ( <i>Shareholder Subsidiaries</i> );
<b>“SIPP Class VII Contracts”</b>	means all Policies issued by SLAC falling within paragraph VII of Part II of Schedule 1 to the Regulated Activities Order;
<b>“SIPP Policies”</b>	means all Self-Invested Pension Policies issued by SLAC to Standard Life Trustee Company Limited falling within paragraph III of Part II of Schedule 1 to the Regulated Activities Order;
<b>“SLAC”</b>	means The Standard Life Assurance Company incorporated in Scotland by Act of Parliament (registered number SZ4);
<b>“SLAC Actuary”</b>	means the person appointed from time to time to perform the duties set out in SUP 4.3.13R in respect of SLAC;
<b>“SLAC Board”</b>	means the board of directors of SLAC from time to time;
<b>“SLAC Pension Schemes”</b>	means: <ul style="list-style-type: none"> <li>(A) the Standard Life Assurance Company Staff Pension Scheme which, as at the Effective Time, is governed by rules adopted by a trustee resolution dated 26 October, 1993 (the <b>“UK Pension Scheme”</b>); and</li> <li>(B) the Standard Life Assurance Company Republic of Ireland Staff Pension Scheme which, as at the Effective Time, is governed by rules adopted by a trustee resolution dated 24 November, 1992 (the <b>“RoI Pension Scheme”</b>);</li> </ul>

**“SLAC Personnel”**

means:

- (A) the directors, officers and employees of SLAC from time to time;
- (B) the SLAC Actuary; and
- (C) the SLAC WP Actuary;

**“SLAC Regulations”**

has the meaning given in Part E5;

**“SLAC Retained Construction Agreements”**

means:

- (A) the Deed of Assignment and Indemnity relating to property in the Long Lease Fund entered into between SLAC and SLIF on 1 May, 2006 and the Construction Documents and Contracts, in each case as defined therein;
- (B) the power of attorney relating to properties in the Long Lease Property Fund entered into by SLAC on 28 April, 2006 and the Documents as defined therein;
- (C) the Deed of Assignment and Indemnity relating to properties in the Pooled Pension Property Fund entered into between SLAC and SLIF on 1 May, 2006 and the Contracts as defined therein;
- (D) the Agreement relating to construction documents in respect of properties in the Pooled Pension Fund entered into between SLAC and SLIF on 1 May, 2006 and the Documents as defined therein;
- (E) the power of attorney relating to properties in the Pooled Pension Fund entered into by SLAC on 28 April, 2006 and the Documents as defined therein;
- (F) the Deed relating to construction documents in respect of properties in the Standard Life Gross Fund entered into by SLAC and SLIF on 1 May, 2006, the Documents as defined therein and the rent deposits and the rent deposit agreements in respect of the Properties defined therein;
- (G) the Deed of Assignment and Indemnity entered into between SLAC and SLIF on 1 May, 2006 and the Construction Documents and Contracts, in each case as defined therein;

- (H) the power of attorney entered into by SLAC on 1 May, 2006 and the Documents defined therein;
- (I) the Deed of Assignment and Indemnity relating to properties held on trust for the Standard Life Investments UK Retail Park Trust and the Standard Life Investments UK Shopping Centre Trust entered into between SLAC, Kleinwort Benson (Channel Islands) Corporate Services Limited and Kleinwort Benson (Jersey) Trustees Limited on 25 April, 2005 and the Contracts as defined herein;
- (J) the power of attorney relating to property held on trust for the Standard Life Investments UK Retail Park Trust and the Standard Life Investments UK Shopping Centre Trust entered into by SLAC on 25 April, 2005 and the Documents as defined therein;
- (K) the Deed of Assignment and Indemnity relating to properties held on trust for the Standard Life UK Property Trust entered into between SLAC and J.P. Morgan Trustee and Depositary Company Limited on 11 October, 2005 and the Contracts as defined therein;
- (L) the two powers of attorney relating to property held on trust for the Standard Life UK Property Trust entered into by SLAC on 11 October, 2005 and the Documents as defined therein;
- (M) the Deed relating to construction documents in respect of properties in the Standard Life Main Fund to be entered into between SLAC and SLAL prior to the Effective Time and the Documents as defined therein; and
- (N) the power of attorney relating to construction documents in respect of properties in the Standard Life Main Fund to be entered into by SLAC prior to the Effective Time and the Documents as defined therein;

**“SLAC WP Actuary”**

means the person appointed from time to time to perform the duties set out in SUP 4.3.16R in respect of SLAC;

**“SLAESL”**

means Standard Life Assets and Employee Services Limited (registered in Scotland number SC593510);

**“SLAL”**

means SLLC Limited (to be renamed Standard Life Assurance Limited) (registered in Scotland number SC286833);

<b>"SLAL Actuary"</b>	means the person appointed from time to time to perform the duties set out in SUP 4.3.13R in respect of SLAL;
<b>"SLAL Board"</b>	means the board of directors of SLAL from time to time;
<b>"SLAL (Canada Branch) Services Agreement"</b>	means the services agreement to be entered into by SLAL and SLESL on or before the Effective Date in respect of certain services to be provided to the Canadian branch of SLAL by SLESL;
<b>"SLAL Funds"</b>	means the funds and sub-funds maintained by SLAL from time to time, including the Non Profit Fund, the With Profits Fund and the Shareholder Fund;
<b>"SLAL Personnel <u>GSMWPF</u>"</b>	<p><u>means the "German Smoothed Managed With Profits Fund" established and maintained by SLAL which (i) before the Brexit Scheme Effective Time, contained the German WP Investment Element of certain Policies written in the Non Profit Fund, and (ii) following the Brexit Scheme Effective Time, reinsures certain liabilities of SL Intl pursuant to the GSMWPF Reinsurance Agreement;</u><del>means:</del></p> <p>(A) <del>the directors, officers and employees of SLAL from time to time;</del></p> <p>(B) <del>the SLAL Actuary; and</del></p> <p>(C) <del>the SLAL WP Actuary;</del></p>
<b><u>"SLAL GSMWPF Internal PPFM"</u></b>	<u>means the principles and practices of financial management applicable to the SLAL GSMWPF to be maintained in accordance with paragraph 75, as they may be amended from time to time in accordance with their terms;</u>
<b><u>"SLAL GWPF"</u></b>	<u>means the "German With Profits Fund" established and maintained by SLAL which (i) before the Brexit Scheme Effective Time, contained the German WP Investment Element of certain Policies written in the Non Profit Fund, and (ii) following the Brexit Scheme Effective Time, reinsures certain liabilities of SL Intl pursuant to the GWPF Reinsurance Agreement;</u>
<b><u>"SLAL GWPF Internal PPFM"</u></b>	<u>means the principles and practices of financial management applicable to the SLAL GWPF to be maintained in accordance with paragraph 74, as they may be amended from time to time in accordance with their terms;</u>
<b><u>"SLAL Personnel"</u></b>	<u>means:</u>



	<p><u>(A) the directors, officers and employees of SLAL from time to time;</u></p> <p><u>(B) the SLAL Actuary; and</u></p> <p><u>(C) the SLAL WP Actuary;</u></p>
<b>“SLAL WP Actuary”</b>	means the person appointed from time to time to perform the duties set out in SUP 4.3.16R in respect of the With Profits Fund;
<b>“SL Bermuda”</b>	means Standard Life Assurance Company Bermuda Limited (registered in Bermuda number 38074);
<b>“SL China”</b>	means Heng-An Standard Life Insurance Company Limited, a limited liability Sino-foreign equity joint venture company established in China in accordance with the relevant Chinese laws and regulations;
<b>“SL Direct”</b>	means Standard Life Direct Limited (registered in Scotland number SC193444);
<b>“SLESL”</b>	means Standard Life Employee Services Limited (registered in Scotland number SC271355);
<b>“SLIF”</b>	means Standard Life Investment Funds Limited (registered in Scotland number SC068442);
<b>“SLIF EB Annuities Reinsurance Agreement”</b>	means the agreement entitled “Reinsurance Agreement (Existing Business: Annuities)” to be entered into between SLIF and SLAL on or before the Effective Date in the form, or substantially the form, set out in <u>Appendix A (SLIF EB Annuities Reinsurance Agreement)</u> ;
<b>“SLIF EB ULL Reinsurance Agreement”</b>	means the agreement entitled “Reinsurance Agreement (UK and Republic of Ireland Unit Linked Life)” entered into between SLIF and SLAC on or before the Effective Date;
<b>“SLIF EB ULP Reinsurance Agreement”</b>	means the agreement entitled “Reinsurance Agreement (UK and Republic of Ireland Unit Linked Pensions)” entered into between SLIF and SLAC on or before the Effective Date;
<b>“SLIF NB Reinsurance Agreement”</b>	means the agreement entitled “Reinsurance Agreement: New Business” to be entered into between SLIF and SLAL on or before the Effective Date in the form agreed between them;

<b>“SLIF Reinsurance Agreement (SIPP Business)”</b>	means the agreement entitled “Reinsurance Agreement: UK SIPPs - Unit Linked Funds” entered into between SLIF and SLAC on or before the Effective Date;
<b>“SLIF Stop Loss Retrocession Agreement”</b>	means the agreement entitled “Stop-Loss Retrocession Agreement” to be entered into between SLIF and SLAL on or before the Effective Date in the form agreed between them;
<b>“SL India”</b>	means HDFC Standard Life Insurance Company Limited, a company incorporated in India under the Indian Companies Act 1956;
<b>“SLI Investment Management Agreement”</b>	means the investment management agreement entered into between Standard Life Investments Limited and SLAC on 18 January, 2006;

<b><u>“SL Intl”</u></b>	<u>means Standard Life International DAC, a designated activity company incorporated in the Republic of Ireland with registered number 408507;</u>
<b><u>“SL Intl Euro PBF”</u></b>	<u>means the “SL Intl Euro PBF” established and maintained by SL Intl in accordance with the terms of the Brexit Scheme;</u>
<b><u>“SL Intl HWPF”</u></b>	<u>means the “SL Intl HWPF” established and maintained by SL Intl in accordance with the terms of the Brexit Scheme;</u>
<b><u>“SL Intl HWPF Policy”</u></b>	<u>means a Policy transferred from SLAL to SL Intl pursuant to the Brexit Scheme and (i) allocated to the SL Intl HWPF or (ii) allocated to the SL Intl Euro PBF and invested in the SL Intl HWPF;</u>
<b><u>“SL Intl HWPF Reinsured Policy”</u></b>	<u>means any SL Intl HWPF Policy (or other Policy of SL Intl from time to time) that is reinsured to SLAL pursuant to the HWPF Reinsurance Agreement;</u>
<b><u>“SL Intl Unitised With Profits Policy”</u></b>	<u>means: (i) any Policy; or (ii) that part of any Policy, in each case in relation to which the value of the benefits is measured by reference to SL Intl With Profits Units allocated to that Policy;</u>
<b><u>“SL Intl With Profits Units”</u></b>	<u>means notional units (i) whose value or number vary by reference to premiums paid and bonuses declared or surpluses distributed, as determined by SLAL (before the Brexit Scheme Effective Time) or SL Intl (after the Brexit Scheme Effective Time), for the purposes of calculating benefits payable under SL Intl WPF Policies, or (ii) which can have a smoothed price on cancellation of a SL Intl WPF Policy;</u>

<b><u>“SL Intl WPF Policies”</u></b>	<u>means all Policies allocated to the SL Intl HWPF from time to time;</u>
<b><u>“SL Intl WPF With Profits Policies”</u></b>	<u>means:</u>  (A) <u>all SL Intl WPF Policies which are With Profits Policies;</u> <u>and</u>  (B) <u>any SL Intl WP Investment Element transferred or allocated to the SL Intl HWPF;</u>
<b><u>“SL Intl WP Investment Element”</u></b>	<u>means, in relation to a Policy that is or becomes a SL Intl Unitised With Profits Policy, that part of any Premium (including any amount derived from a rebate of charges) as has been applied or is applicable to the allocation of SL Intl With Profits Units, after any adjustment in accordance with the terms of the relevant Policy (including any policy charges or bid/offer spread), and all property and liabilities attributable to such SL Intl With Profits Units (other than in respect of costs of guarantees);</u>
<b>“SL (MH) 2006”</b>	means Standard Life (Mauritius Holdings) 2006 Limited, a company incorporated in the Republic of Mauritius (registered number 62011);
<b>“SLPF”</b>	means Standard Life Pensions Funds Limited (registered in Scotland number SC046447);
<b>“SL plc”</b>	means SLGC Limited (to be re-registered as Standard Life plc) (registered in Scotland number SC286832);
<b>“SL plc Shares”</b>	means the ordinary shares of £0.10 each in the capital of SL plc to be issued on the Effective Date in accordance with <u>Part E5</u> ;
<b>“Solvency II”</b>	means the regulatory regime introduced by directive 2009/138/EC, as amended from time to time including by the “Omnibus II Directive” (2014/51/EU);
<b>“SSC”</b>	means Standard Life SSC Limited (registered in Scotland number SC271356);
<b>“Sterling Subordinated Members Account Agreement”</b>	has the meaning given in <u>paragraph 3.22(A)(vi)</u> ;

**“Subordinated Debt Documentation”**

means all contracts, agreements or documentation to which either SLAC or SLAL is a party in respect of the Tier 1 Subordinated Debt and the Tier 2 Subordinated Debt (including all hedge and swap arrangements relating to the Tier 1 Subordinated Debt and the Tier 2 Subordinated Debt);

**“Subsequent Transfer Date”**

means (i) each date falling after the Effective Time on which a Residual Asset or Residual Liability is, or is to be, transferred to SLAL, or (ii) if SL India, SL China or SL (MH) 2006 constitute Residual Assets, the date on which such Residual Asset and any corresponding Residual Liability is, or is to be, transferred to SLAL, SL plc or a Shareholder Subsidiary, namely:

- (A) in respect of any Residual Asset falling within paragraph (A)(i) of the definition thereof, and (to the extent applicable) of any Residual Liability which is attributable to or connected with that Residual Asset or which falls within paragraph (B) of the definition of Residual Liability, the date on which the requisite consent or, where applicable, the requisite waiver to enable the same to be transferred to SLAL is: (i) obtained; (ii) no longer required; or (iii) dispensed with by order of the Court;
- (B) in respect of any Residual Asset falling within paragraph (A)(ii) of the definition thereof, and (to the extent applicable) of any Residual Liability which is attributable to or connected with that Residual Asset, the date on which the right to terminate or claim compensation (as the case may be): (i) lapses; (ii) is waived; or (iii) is dispensed with by order of the Court;
- (C) in respect of any Residual Asset falling within paragraph (B) of the definition thereof and (to the extent applicable) of any Residual Liability which is attributable to or connected with that Residual Asset, the date agreed by SLAC and SLAL;
- (D) in the case of any Residual Asset falling within paragraph (C) of the definition thereof, the date on which such Residual Asset is received or earned by SLAC (as the case may be);
- (E) in respect of the Residual Asset falling within paragraph (D) of the definition thereof, immediately following the issue by SLAL to SL plc of 999,999 ordinary shares of £0.01 each;

- (F) in respect of the Residual Asset falling within paragraph (E) of the definition thereof, the date on which the SLAC Board determines that such property is no longer required to be retained by SLAC in order for SLAC to satisfy applicable capital resources requirements (including those set out in PRU 2.1) in relation to its Long Term Business (including in respect of the Canadian branch of SLAC);
- (G) in respect of any Residual Asset falling within paragraph (F) of the definition thereof, and (to the extent applicable) of any Residual Liability which is attributable to or connected with that Residual Asset, the date on which an equity transfer agreement between SLAC and SL plc or a Shareholder Subsidiary in respect of the shares (or equivalent equity interests) held by SLAC in SL China becomes effective;
- (H) in respect of any Residual Asset falling within paragraph (G) of the definition thereof, and (to the extent applicable) of any Residual Liability which is attributable to or connected with that Residual Asset, the date on which an equity transfer agreement between SLAC and SL plc or a Shareholder Subsidiary in respect of the shares (or equivalent equity interests) held by SLAC in SL India becomes effective;
- (I) in respect of any Residual Asset falling within paragraph (H) of the definition thereof, and (to the extent applicable) of any Residual Liability which is attributable to or connected with that Residual Asset, the date on which a transfer agreement in respect of such asset becomes effective; and
- (J) in the case of any Residual Asset falling within paragraph (I) of the definition thereof, the Subsequent Transfer Date specified in paragraph (G), (H) or (I) of this definition (as the case may be);

**“Subsidiary”**

has the meaning given in section 736 of the Companies Act 1985;

**“Subsidiary Contracts”**

means all contracts, agreements and arrangements entered into prior to the Effective Time by SLAC for or on behalf or as agent of any of the Shareholder Subsidiaries;

**“SUP”**

means the Supervision Manual issued by the Regulator;

- “Surplus Support Account”** means the memorandum account designated as the surplus support account;
- “Surplus Transfer Fund”** means the Shareholder Fund or such other SLAL Fund or person as the SLAL Board determines;
- “Tax” or “Taxation”** means:
- (A) within the United Kingdom, corporation tax, advance corporation tax, income tax (including income tax required to be deducted or withheld from or accounted for in respect of any payment), capital gains tax, development land tax, any liability arising under section 601 of the Income and Corporation Taxes Act 1988, petroleum revenue tax, tax chargeable under section 501A of the Income and Corporation Taxes Act 1988, capital transfer tax, inheritance tax, national insurance contributions, capital duty, stamp duty reserve tax, stamp duty, stamp duty land tax, value added tax, duties of customs and excise, insurance premium tax, landfill tax, aggregates levy, climate change levy and any other taxes, levies, duties, charges, imposts or withholdings corresponding to, similar to, replaced by or replacing any of them or introduced, together with all penalties, charges and interest relating to any of them or to any failure to file any return required for the purposes of any of them; and
  - (B) outside the United Kingdom, all taxes, levies, duties, imposts, charges and withholdings of any nature whatsoever, including (without limitation) taxes on gross or net income, profits or gains (including any income, profits or gains which are deemed to be earned, accrued or received) and taxes on receipts, sales, use, occupation, franchise, value added and personal property, together with all penalties, charges and interest relating to any of them or to any failure to file any return required for the purposes of any of them;
- “Third Party Right”** has the meaning given in paragraph 12.4;
- “Tier 1 Subordinated Debt”** means:
- (A) the £300 million 6.546% mutual assurance capital securities (the **“Sterling Tier 1 Subordinated Debt”**); and

- (B) the €360 million 5.314% fixed/floating rate mutual assurance capital securities (the **“Euro Tier 1 Subordinated Debt”**),

the proceeds of which have been lent to SLAC (prior to the Effective Time) and SLAL (at and with effect from the Effective Time) by way of tier 1 intra-group loan instruments;

**“Tier 2 Subordinated Debt”** means:

- (A) the £500 million 6.75% fixed rate perpetual reset subordinated bonds (the **“Sterling Tier 2 Subordinated Debt”**); and
- (B) the €750 million 6.375% fixed/floating rate subordinated guaranteed bonds due 2022 (the **“Euro Tier 2 Subordinated Debt”**),

the proceeds of which have been lent to SLAC (prior to the Effective Time) and SLAL (at and with effect from the Effective Time) by way of tier 2 intra-group loan instruments;

**“Total Variable Allocation”** has the meaning given in Part E5;

**“Transferable Amount”** has the meaning given in paragraph 30.4(B);

**“Transferable Amount Event”** has the meaning given in paragraph 30.4(B);

**“Transferred Assets”** means all property of SLAC at the Effective Time (wherever situated) in respect of or attributable to the Transferred Business, including:

- (A) the rights, benefits and powers of SLAC under or by virtue of the Transferred Policies;
- (B) all rights and claims (whether present or future, actual or contingent) against any third party in relation to the Transferred Business or arising as a result of SLAC having carried on the Transferred Business;
- (C) the rights, benefits and powers of SLAC under or by virtue of any reinsurance agreements, contracts or treaties in respect of the Transferred Business; and
- (D) all property attributable to the Excluded Policies (except if and for so long as such property constitutes a Residual Asset),

but excluding: (i) the Residual Assets; (ii) any rights, benefits and powers attributable to the Excluded Policies, the Canadian Domesticated Policies, the Canadian Structured Settlements, the Canadian SCDA Policies and the Bermudan Policies; (iii) the Canadian SCDA Assets; (iv) the Canadian Domesticated Assets; (v) the Canadian Structured Settlements Assets; (vi) the Bermuda Assets; (vii) the Guernsey Assets if and for so long as such assets have not been transferred to SLAL pursuant to the Guernsey Scheme; (viii) the Jersey Assets if and for so long as such assets have not been transferred to SLAL pursuant to the Jersey Scheme; (ix) the Canadian Stacking Policies Assets if and for so long as such assets have not been transferred to SLAL pursuant to the Canadian Scheme Agreement; (x) rights, benefits and powers arising under the Canadian SLAC Retained Agreements; (xi) rights, benefits and powers arising under the SLAC Retained Construction Agreements; (xii) rights, benefits and powers arising under the Excluded Services Contracts; and (xiii) if SLAC and SLAL so agree in each case prior to the Effective Time, the shares (or equivalent equity interests) held by SLAC in SL India, SL China and SL (MH) 2006 and, in the case of SL India and SL China, the rights, benefits and powers arising under the agreements relating to SL India and SL China to which SLAC is party and the proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received, in respect of any such property from time to time after the Effective Time but prior to any relevant Subsequent Transfer Date;

**“Transferred Business”**

means the whole of the business and undertaking of SLAC (including the Long Term Business) immediately prior to the Effective Time, including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted as at the Effective Time, but excluding:

- (A) the Canadian Domesticated Business (other than the Canadian Transferred Liability);
- (B) the Canadian SCDA Business;
- (C) the Canadian Structured Settlements Business;
- (D) the Canadian Stacking Policies Business if and for so long as the Canadian Scheme Agreement (insofar as it relates to the transfer of the Canadian Stacking Policies Business from SLAC to SLAL) has not become effective in accordance with its terms;



- (E) the Bermudan Business;
- (F) the Guernsey Business if and for so long as the Guernsey Scheme has not become effective in accordance with its terms;
- (G) the Jersey Business if and for so long as the Jersey Scheme has not become effective in accordance with its terms;
- (H) the Canadian SLAC Retained Agreements;
- (I) the SLAC Retained Construction Agreements;
- (K) the Excluded Services Contracts; and
- (L) if SLAC and SLAL so agree in each case prior to the Effective Time, the shares (or equivalent equity interests) held by SLAC in SL India, SL China and SL (MH) 2006 and, in the case of SL India and SL China, the agreements relating to SL India and SL China to which SLAC is party;

**“Transferred Liabilities”**

means all liabilities whatsoever of SLAC as at the Effective Time in respect of or attributable to the Transferred Business, including:

- (A) all liabilities under or in respect of the Transferred Policies (including those under or in respect of the Promise);
- (B) all liabilities attributable to any reinsurance agreements, contracts or treaties in respect of the Transferred Business, and
- (C) the Canadian Transferred Liability;

but excluding: (i) the Residual Liabilities; (ii) the Excluded Liabilities; (iii) any liabilities attributable to the Canadian Domesticated Business, the Canadian Structured Settlements Business, the Canadian SCDA Business and the Bermudan Business (including liabilities attributable to the Canadian Domesticated Policies, the Canadian Structured Settlements, the Canadian SCDA Policies and the Bermudan Policies); (iv) the Canadian Stacking Policies Liabilities if and for so long as the Canadian Scheme Agreement (insofar as it relates to the transfer of the Canadian Stacking Policies Business) has not become effective in accordance with its terms; (v) the Guernsey Liabilities if and for so long as such liabilities have not been

transferred pursuant to the Guernsey Scheme; and (vi) the Jersey Liabilities if and for so long as such liabilities have not been transferred pursuant to the Jersey Scheme; (vii) all liabilities attributable to the Canadian SLAC Retained Agreements; (viii) all liabilities attributable to the SLAC Retained Construction Agreements; (ix) all liabilities attributable to the Excluded Services Contracts; and (x) if SLAC and SLAL so agree in each case prior to the Effective Time, all liabilities attributable to the shares (or equivalent equity interests) held by SLAC in SL India, SL China and SL (MH) 2006 and, in the case of SL India and SL China, the agreements relating to SL India and SL China to which SLAC is party;

**“Transferred Policies”**

means:

- (A) every Policy written by SLAC under which any liability remains unsatisfied or outstanding at the Effective Time, or in respect of which a liability has been accepted by SLAC prior to the Effective Time, and in each case which is comprised in the Transferred Business, including every such Policy written by SLAC which has lapsed (or which has been treated by SLAC as having lapsed) on or before the Effective Time that is reinstated by SLAL on or after the Effective Time in accordance with a subsisting right of reinstatement held immediately prior to the Effective Time; and
- (B) all proposals for insurance received by or on behalf of SLAC in respect of the Transferred Business before the Effective Time which have not become Policies in force by the Effective Time but which subsequently become Policies written by SLAL,

but excluding: (i) the Excluded Policies; (ii) the Canadian Domesticated Policies; (iii) the Canadian SCDA Policies; (iv) the Canadian Structured Settlements; and (v) the Bermudan Policies;

**“Transitional Amount”**

has the meaning given in Schedule 3 (*Reference Period Transfer Amount*);

**“Trust Property”**

has the meaning given in paragraph 11.1;

**“UKLA”**

means the Financial Services Authority, being the competent authority for listing in the United Kingdom under Part VI of the Act;

**“UL Investment Element”**

means, in relation to a Policy that is or becomes a Linked Policy, that part of any Premium (including any amount derived

from a rebate of charges) as has been applied or is applicable to the allocation of Unit-Linked Units, after any adjustment in accordance with the terms of the relevant Policy (including any policy charges or bid/offer spread), and all property and liabilities attributable to such Unit-Linked Units;

<b>“Unclaimed Assets Trust”</b>	has the meaning given in <u>Part E5</u> ;
<b>“Unitised With Profit Policy”</b>	means: (i) any Policy; or (ii) that part of any Policy, in each case in relation to which the value of the benefits is measured by reference to With Profits Units allocated to that Policy;
<b>“Unit Linked Units”</b>	means notional units, excluding With Profits Units, whose value or number vary by reference to the value of a Linked Fund (or the value of directly held assets) for the purpose of calculating benefits payable under Linked Policies;
<b>“Valuation Date”</b>	means the date on which each Valuation Period ends;
<b>“Valuation Period”</b>	means each period selected by the SLAL Board for the purposes of determining, amongst other things, the with-profits fund surplus of the With Profits Fund;
<b>“Variable Allocation”</b>	has the meaning given in <u>Part E5</u> ;
<b>“Withheld Transfer Amount”</b>	has the meaning given in <u>paragraph 30.7(B)</u> ;
<b>“With Profits Fund”</b>	means the fund established and maintained by SLAL pursuant to <u>paragraph <del>15(A)</del> 15.1(A) and, if the context requires, having regard to the rights and/or (as appropriate) obligations of SLAL under the HWPF Reinsurance Agreement</u> ;
<b>“With Profits Policy”</b>	means any Policy <u>(i) in respect of which the relevant Policyholder is eligible to participate in any part of any established surplus (and, in the case of a SL Intl HWPF Reinsured Policy, to the extent that the relevant Policyholder is eligible to participate in the established surplus of the With Profits Fund in accordance with the terms of the HWPF Reinsurance Agreement), or (ii) to which With Profits Units are allocated and which can receive a smoothed price on cancellation</u> (but excluding any Policies in respect of which such eligibility arises solely as a result of the application of the Promise);
<b>“With Profits Units”</b>	means notional units <u>(i)</u> whose value or number vary by reference to premiums paid, <del>and</del> <u>and</u> bonuses declared or surpluses distributed, as determined by SLAC (before the Effective Time) or SLAL (after the Effective Time), for the purposes of

calculating benefits payable under Policies or (ii) which can have a smoothed price on cancellation;

**“WPF Policies”**

means (A) all of the Transferred Policies other than the NPF Policies and (B) the HWPF Reinsurance Agreement;

**“WPF With Profits Policies”**

means:

- (A) in respect of Policies falling within limb (A) of the definition of WPF Policies only: (i) all WPF Policies which are With Profits Policies; and (ii) any With Profits Policies allocated to, or written in, the With Profits Fund from time to time (in the case of paragraphs (i) and (ii) if and to the extent eligible to participate in any established surplus within the With Profits Fund); ~~and~~
- (B) any WP Investment Element transferred or allocated to the With Profits Fund; and
- (C) in respect of Policies falling within limb (B) of the definition of WPF Policies only: all SL Intl WPF With Profits Policies, but only to the extent that such Policies are reinsured to SLAL under the HWPF Reinsurance Agreement; and

**“WP Investment Element”**

means, in relation to a Policy that is or becomes a Unitised With Profits Policy, that part of any Premium (including any amount derived from a rebate of charges) as has been applied or is applicable to the allocation of With Profits Units, after any adjustment in accordance with the terms of the relevant Policy (including any policy charges or bid/offer spread), and all property and liabilities attributable to such With Profits Units (other than in respect of costs of guarantees).

## 2. Interpretation

### 2.1 In this Scheme:

- (A) **“admissible asset”** has the meaning given in PRU;
- (B) **“admissible value”** means the value of an asset determined in accordance with PRU 1.3;
- (C) **“best estimate”** (when used in Schedule 3 (*Reference Period Transfer Amount*)) has the meaning given in the Glossary of the PRA Rulebook;
- (D) **“costs”** includes costs, charges and expenses;
- (E) **“deficit reduction amount”** has the meaning given in the FSA Handbook;

- (F) **“established surplus”** has the meaning given in IPRU(INS) 3.3(4);
- (G) **“future policy-related liabilities”**, in relation to the With Profits Fund, shall have the meaning given in the Glossary of the PRA Rulebook;
- (H) **“liabilities”** includes liabilities, obligations and duties of every description (in each case whether present or future, actual or contingent);
- (I) **“mathematical reserves”** has the meaning given in PRU;
- (J) **“property”** includes property, assets, rights, benefits and powers of every description (in each case whether present or future, actual or contingent) and any interest in any of the foregoing;
- (K) **“residual estate”** means the surplus funds (as defined at (M) below) (and, in calculating the quantum of the residual estate, any liability to distribute the residual estate in the future shall be disregarded);
- (L) **“risk margin”** has the meaning given in the Glossary of the PRA Rulebook;
- (M) **“surplus funds”** means the surplus funds of the With Profits Fund calculated in accordance with 3.1 of the Surplus Funds section of the PRA Rulebook;
- (N) **“technical provisions”** shall have the meaning given in the Glossary of the PRA Rulebook;
- (O) **“tier 1 own funds”** shall have the meaning given in the Glossary of the PRA Rulebook;
- (P) **“tier 2 own funds”** shall have the meaning given in the Glossary of the PRA Rulebook;
- (Q) **“transfer”** includes (as the context requires) **“vest”**, **“assign”**, **“dispose”** or **“convey”** and grammatical variations of such terms shall be construed accordingly;
- (R) **“value of with-profits assets”** has the meaning given in 3.1 of the Surplus Funds section of the PRA Rulebook;
- (S) ~~“with-profits”~~**with-profits fund surplus** has the meaning given in the Glossary of the FCA Handbook; and
- (T) **“with-profit policy liabilities (other than future policy-related liabilities)”** shall be calculated in accordance with 3.2 of the Surplus Funds section of the PRA Rulebook.

2.2 In this Scheme, unless inconsistent with the subject or context:

- (A) references to the singular shall include the plural and *vice versa*;

- (B) references to the masculine shall include the feminine and *vice versa*;
- (C) references to “**Parts**”, “**paragraphs**”, “**Schedules**” and “**Appendices**” are to Parts and paragraphs of, and Schedules and Appendices to, this Scheme;
- (D) references to the “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland, excluding the Islands;
- (E) any reference to “**this Scheme**” shall include the Schedules and Appendices;
- (F) references to a “**company**” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established;
- (G) references to a “**person**” shall be construed so as to include any individual, firm, company, government, state or agency of a state, local or municipal authority or government body or any joint venture, association or partnership (whether or not having separate legal personality);
- (H) any word or expression which has a meaning under the Act bears such meaning, including:
  - (i) “**State of the commitment**” which bears the meaning set out in paragraph 6, Part I of Schedule 12 to the Act;
  - (ii) “**EEA State**” which bears the meaning set out in paragraph 8, Part I of Schedule 3 to the Act; and
  - (iii) “**EEA right**” which bears the meaning set out in paragraph 7, Part I of Schedule 3 to the Act;
- (I) a reference to:
  - (i) any enactment, statutory provision or subordinate legislation shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified, supplemented, replaced or re-enacted;
  - (ii) any rule or regulation issued by the Regulator (including the provisions of PRIN, PRU, IPRU(INS) and SUP) shall be deemed to include a reference to such rule or regulation as amended, modified, supplemented or replaced from time to time or, if any such rule or regulation ceases to have effect and is not amended, modified, supplemented or replaced, such alternative rule or regulation (if any) as the SLAL Board shall determine; and
  - (iii) any document (including this Scheme and each of the Agreed Form Documents) is a reference to that document as varied from time to time;

- (J) any reference to writing shall include any modes or reproducing words in legible and non-transitory form;
- (K) the expression “**variation**” shall include any amendment, modification, variation, supplement, deletion, replacement or termination (as the context requires), however effected;
- (L) any reference to “£” or “**Sterling**” shall be to pounds sterling in the currency of the United Kingdom;
- (M) any reference to “€” or “**Euros**” shall be to euros in the currency of the member states of the European Monetary Union;
- (N) any reference to “**Canadian dollars**” shall be to Canadian dollars in the currency of Canada;



- (O)
  - (i) the rule known as the *ejusdem generis* rule shall not apply and accordingly general words introduced by the word “other” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and
  - (ii) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; and
- (P) any reference to a “**calculation**”, “**decision**”, “**determination**” or “**opinion**” of the SLAL Board or the SLAC Board (or any similar expression) shall be deemed to include a calculation, decision, determination or opinion of a duly constituted committee or a duly authorised representative of the SLAL Board or the SLAC Board (as appropriate). Any such calculation, decision, determination or opinion shall only be made or reached after the SLAC Board or the SLAL Board (or a duly constituted committee or a duly authorised representative thereof) (as appropriate) has obtained and had regard to the advice of either or both of:
  - (i) in the case of a calculation, decision, determination or opinion of the SLAL Board, the SLAL Actuary and/or the SLAL WP Actuary; or
  - (ii) in the case of a calculation, decision, determination or opinion of the SLAC Board, the SLAC Actuary and/or the SLAC WP Actuary,

in each case if and to the extent required by Regulation.

- 2.3 All headings and titles in this Scheme are inserted for convenience only and are to be ignored in the interpretation of this Scheme.

### 3. Introduction

- 3.1 SLAC is an insurance company, authorised and regulated under the Act. The principal activities of SLAC and its Subsidiaries are the provision of life assurance and pensions, investment management, banking and healthcare insurance products.
- 3.2 SLAC was originally established in 1825 as the Life Insurance Company of Scotland, a subsidiary of the Insurance Company of Scotland. SLAC is currently constituted by private Act of Parliament pursuant to the Standard Life Assurance Company Act 1991 and is registered in Scotland. The registered office of SLAC is situated at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.
- 3.3 SLAL is an insurance company, authorised and regulated under the Act. SLAL is registered as a private limited company in Scotland under the number SC286833. The registered office of SLAL is situated at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.
- 3.4 As at the date of this Scheme, SLAL is a wholly-owned Subsidiary of Newco and Newco is a Subsidiary of SLAC.
- 3.5 It is proposed that, subject to and in accordance with Part VII of, and Schedule 12 to, the Act, the Transferred Business and all of the property and liabilities of SLAC shall, by the Court Order, be transferred to SLAL in accordance with, and subject to the exceptions specified in, this Scheme.
- 3.6 It is proposed that, as part of the transfer of the Transferred Business contemplated by paragraph 3.5, certain Subsidiaries of SLAC will be transferred to SLAL. Following the Effective Time, certain of these Subsidiaries (including Standard Life Healthcare Limited, Standard Life Oversea Holdings Limited and Standard Life Investment Holdings Limited) are proposed to be transferred by way of dividend *in specie* to SL plc.
- 3.7 It is proposed that, as part of the transfer of the Transferred Business contemplated by paragraph 3.5, SLAC's obligations in respect of the Promise shall be transferred to SLAL and shall, with effect from the Effective Time, be applied and operated in accordance with this Scheme.
- 3.8 Prior to the date on which the Court sanctions this Scheme, Newco will enter into an option agreement with SL plc (the "**Option**"). The Option will entitle SL plc to require Newco to sell to SL plc the entire issued share capital of SLAL held by Newco at the Effective Time, comprising 1 (one) ordinary share of £0.01 and 5,000,000 (five million) ordinary shares (class "B") of £1 each (together the "**SLAL Option Shares**"). The exercise of such Option shall be conditional upon this Scheme having become effective and SLAL having issued 999,999 ordinary shares of £0.01 each (the "**SLAL Shares**") to SL plc in consideration for the transfer of the Transferred Business from SLAC to SLAL under this Scheme.
- 3.9 At the Effective Time, the membership rights of all persons who are members of SLAC shall be extinguished, and SLAL shall become the sole member of SLAC immediately



after all such membership rights have been extinguished all in accordance with the provisions of the SLAC Regulations in force at such time.

- 3.10 Immediately after the Effective Time, and in consideration for the transfer of the Transferred Business and property and liabilities of SLAC to SLAL as described in paragraph 3.5, SLAL shall allot and issue the SLAL Shares, credited as fully paid, to SL plc.
- 3.11 Immediately following the allotment and issue of the SLAL Shares as described in paragraph 3.10, the Option shall be exercised and the sale and purchase of the SLAL Option Shares shall be completed. Immediately thereafter, the two issued ordinary shares of Newco owned by SLAC as a Residual Asset (the “**Newco Shares**”) shall be transferred to SLAL.
- 3.12 In consideration for the allotment and issue of SLAL Shares to it, SL plc shall, immediately after the transfer of the Newco Shares from SLAC to SLAL and in each case on the terms and subject to the conditions of Part E5, either allot and issue SL plc Shares, each credited as fully paid, or, in certain cases, become liable to make a payment (funded through the allotment and issue of SL plc Shares for subscription) in each case by way of demutualisation entitlement to be provided to or to the order of Eligible Members for the loss of their membership rights in SLAC at the Effective Time.
- 3.13 Part E5 contains provisions for the allocation and application of demutualisation entitlements to Eligible Members as compensation for the loss of their membership rights in SLAC at the Effective Time that (in the opinion of the SLAC Board) will result in a compensation scheme which is fair. The allocation for each Eligible Member shall comprise a single Fixed Allocation and (where applicable) a Total Variable Allocation. Each Variable Allocation shall be determined in accordance with the provisions in Part E5 and the Calculation Manual by reference to each Participating Policy in respect of which a person is an Eligible Member.
- 3.14 Without limitation to paragraph 43.3, it is proposed that, upon Admission, SL plc will issue ordinary shares (or grant rights in respect of such shares) to certain directors, officers and employees of the SLAC group as part of (i) an employee share plan and (ii) the Preferential Offer.
- 3.15 It is proposed that prior to the Effective Time the Bermudan Business shall be transferred from SLAC to SL Bermuda pursuant to and in accordance with the provisions of the Bermudan Scheme. In consideration of the transfer of the Bermudan Business from SLAC to SL Bermuda, it is proposed that SL Bermuda will issue shares to SLAC which SLAC will transfer to Canada Holdco in consideration of the issue of shares by Canada Holdco to SLAC.
- 3.16 If and to the extent that, notwithstanding the transfers proposed to be implemented prior to the Effective Time and referred to in paragraph 3.15, any shares in SL Bermuda are, at the Effective Time, held by SLAC, such shares shall be transferred to SLAL and allocated to the Shareholder Fund.
- 3.17 (A) It is proposed that:

- (i) prior to the Effective Time the entire issued share capital of Canada Holdco shall be transferred to Oversea Holdings Limited pursuant to and in accordance with the terms of a share transfer agreement between SLAC and Oversea Holdings Limited; and
  - (ii) immediately prior to the Effective Time:
    - (a) the Canadian Stacking Policies Business shall be transferred from SLAC to SLAL pursuant to and in accordance with the provisions of: (1) the Canadian Scheme Agreement; (2) the Canadian Stacking Policies Transfer Agreement; and (3) the Canadian Stacking Policies Conveyance Agreement;
    - (b) the Canadian SCDA Business shall be transferred from SLAC to SCDA pursuant to and in accordance with the provisions of: (1) the Canadian Scheme Agreement; (2) the Canadian SCDA Conveyance Agreement; and (3) the Canadian SCDA Transfer Agreement; and
    - (c) all common shares in the capital of SCDA issued to SLAC in connection with the transfer of the Canadian SCDA Business to SCDA referred to in paragraph (b) shall be transferred from SLAC to Canada Holdco.
- (B) If and to the extent the Canadian SCDA Effective Time and the Canadian Stacking Policies Effective Time (as the case may be) has not fallen on or before the Effective Time, then SLAL shall indemnify SLAC in respect of the Canadian SCDA Business and the Canadian Stacking Policy Business on the terms set out in paragraph 12.2(B) and paragraph 12.2(A) respectively and the Canadian Stacking Policies shall be reinsured to SLAL on the terms set out in the Excluded Policies Reinsurance.
- 3.18 If and to the extent that, notwithstanding the transfers proposed to be implemented prior to the Effective Time and referred to in paragraphs 3.17(A)(i) and 3.17(A)(ii)(c), any shares in Canada Holdco or SCDA are, at the Effective Time, held by SLAC, such shares shall be transferred to SLAL and allocated to the Shareholder Fund.
- 3.19 It is proposed that:
- (A) the transfer of the Guernsey Business from SLAC to SLAL by this Scheme shall only take place to the extent that the transfer of such business to SLAL by the Guernsey Scheme has been approved by the Royal Court of Guernsey and has become effective; and
  - (B) the transfer of the Jersey Business from SLAC to SLAL by this Scheme shall only take place to the extent that the transfer of such business to SLAL by the Jersey Scheme has been approved by the Royal Court of Jersey and has become effective.

3.20 If and to the extent that the Guernsey Effective Time or the Jersey Effective Time (as the case may be) has not fallen on or before the Effective Time, then the Guernsey Policies or the Jersey Policies (as the case may be) shall be reinsured to SLAL on the terms set out in the Excluded Policies Reinsurance.

3.21 It is proposed that SL China, SL India and SL (MH) 2006 (and, in the case of SL China and SL India, the agreements to which SLAC is a party in respect of SL China and SL India) may be transferred to SLAL, SL plc or a Shareholder Subsidiary subject to and in accordance with the terms of this Scheme.

3.22 Subject to paragraph 3.23, it is proposed that:

(A) on the Effective Date, but prior to the Effective Time:

- (i) SLAC shall repay the loan (the “**Existing Euro Tier 2 Intra-Group Loan**”) made by SL Finance plc to SLAC in connection with the issue by SL Finance of the Euro Tier 2 Subordinated Debt on 10 July, 2002;
- (ii) SL Finance plc shall transfer to SL plc the beneficial interest in the assets used by SLAC to repay the Existing Euro Tier 2 Intra-Group Loan in consideration of, inter alia, SL plc assuming responsibility as issuer in respect of the Euro Tier 2 Subordinated Debt;
- (iii) SLAC shall repay the loan (the “Existing Sterling Tier 2 Intra-Group Loan”) made by SL Finance plc to SLAC in connection with the issue by SL Finance of the Sterling Tier 2 Subordinated Debt on 10 July, 2002;
- (iv) SL Finance plc shall transfer to SL plc the beneficial interest in the assets used by SLAC to repay the Existing Sterling Tier 2 Intra-Group Loan in consideration of, inter alia, SL plc assuming responsibility as issuer in respect of the Sterling Tier 2 Subordinated Debt;
- (v) SLAC shall repay the Subordinated Members Account Agreement (the “Euro Subordinated Members Account Agreement”) provided by SL MACS PLC to SLAC in connection with the issue by SL MACS PLC of the Euro Tier 1 Subordinated Debt on 1 November, 2004 (except where the Euro Subordinated Members Account Agreement is to be novated on the basis that SLAL will assume the rights and obligations of SLAC, and SL plc will assume the rights and obligations of SL MACS PLC, under such agreement (the “Euro SMA Novation”));
- (vi) SL MACS PLC shall transfer to SL plc the beneficial interest in the assets used by SLAC to repay the Euro Subordinated Members Account Agreement to SL plc in consideration of SL plc assuming responsibility as issuer in respect of the Euro Tier 1 Subordinated Debt (except in the case of the Euro SMA Novation being implemented);
- (vii) SLAC shall repay the Subordinated Members Account Agreement (the “Sterling Subordinated Members Account Agreement”) provided by SL

MACS (No. 2) PLC in connection with the issue by SL MACS (No. 2) PLC of the Sterling Tier 1 Subordinated Debt on 1 November, 2004; and

- (viii) SL MACS (No. 2) PLC shall transfer to SL plc the beneficial interest in the assets used by SLAC to repay the Sterling Subordinated Members Account Agreement to SL plc in consideration of SL plc assuming responsibility as issuer in respect of the Sterling Tier 1 Subordinated Debt; and

(B) at the Effective Time:

- (i) the beneficial interest in the assets used to repay the Existing Euro Tier 2 Intra-Group Loan shall be transferred from SL plc to SLAL;
- (ii) the legal interest in the assets used to repay the Existing Euro Tier 2 Intra-Group Loan shall be transferred from SLAC to SLAL;
- (iii) SLAL shall guarantee SL plc's obligations as the new issuer of the Euro Tier 2 Subordinated Debt (and SLAC shall cease to be the guarantor in respect of such debt);
- (iv) the beneficial interest in the assets used to repay the Existing Sterling Tier 2 Intra-Group Loan shall be transferred from SL plc to SLAL;
- (v) the legal interest in the assets used to repay the Existing Sterling Tier 2 Intra-Group Loan shall be transferred from SLAC to SLAL;
- (vi) SLAL shall guarantee SL plc's obligations as the new issuer of the Sterling Tier 2 Subordinated Debt (and SLAC shall cease to be the guarantor in respect of such debt);
- (vii) subject to paragraph 3.22(B)(ix), the beneficial interest in the assets used to repay the Euro Subordinated Members Account Agreement shall be transferred from SL plc to SLAL;
- (viii) subject to paragraph 3.22(B)(ix), the legal interest in the assets used to repay the Euro Subordinated Members Account Agreement shall be transferred from SLAC to SLAL;
- (ix) in the case of the Euro SMA Novation being implemented, the legal and beneficial interest in the assets to be transferred in connection with such novation (the "Euro SMA Novation Assets") shall be transferred from SLAC to SLAL;
- (x) SL plc shall become the new issuer of the Euro Tier 1 Subordinated Debt and SLAL shall provide a guarantee in respect of such debt;
- (xi) the legal interest in the assets used to repay the Sterling Subordinated Members Account Agreement shall be transferred from SLAC to SLAL;

- (xii) the beneficial interest in the assets used to repay the Sterling Subordinated Members Account Agreement shall be transferred from SL plc to SLAL;
- (xiii) SL plc shall become the new issuer of the Sterling Tier 1 Subordinated Debt and SLAL shall provide a guarantee in respect of such debt; and
- (xiv) all hedge and swap arrangements attributable to the Tier 1 Subordinated Debt and Tier 2 Subordinated Debt will be novated from SLAC to SLAL (or terminated before the Effective Date).

3.23 If any necessary consent or approval to the implementation of any of the transactions in relation to:

- (A) the amendment of the Euro Tier 2 Subordinated Debt referred to in paragraph 3.22 is not obtained prior to the Effective Time (including, without limitation, a vote in favour of such amendment by the requisite majority of the holders of the Euro Tier 2 Subordinated Debt), SLAC's liabilities in respect of the Existing Euro Tier 2 Intra-Group Loan, together with all other property and liabilities of SLAC attributable to the Euro Tier 2 Subordinated Debt (including liabilities attributable to the guarantee given by SLAC in respect of such debt), shall be transferred to SLAL at the Effective Time;
- (B) the amendment of the Sterling Tier 2 Subordinated Debt referred to in paragraph 3.22 is not obtained prior to the Effective Time (including, without limitation, a vote in favour of such amendment by the requisite majority of the holders of the Sterling Tier 2 Subordinated Debt), SLAC's liabilities in respect of the Existing Sterling Tier 2 Intra-Group Loan, together with all other property and liabilities of SLAC attributable to the Sterling Tier 2 Subordinated Debt (including liabilities attributable to the guarantee given by SLAC in respect of such debt), shall be transferred to SLAL at the Effective Time;
- (C) the amendment of the Euro Tier 1 Subordinated Debt referred to in paragraph 3.22 is not obtained prior to the Effective Time (including, without limitation, a vote in favour of such amendment by the requisite majority of the holders of the Euro Tier 1 Subordinated Debt), SLAC's liabilities in respect of the Euro Subordinated Members Account Agreement, together with all other property and liabilities of SLAC attributable to the Euro Tier 1 Subordinated Debt, shall be transferred to SLAL at the Effective Time; or
- (D) the amendment of the Sterling Tier 1 Subordinated Debt referred to in paragraph 3.22 is not obtained prior to the Effective Time (including, without limitation, a vote in favour of such amendment by the requisite majority of the holders of the Sterling Tier 1 Subordinated Debt), SLAC's liabilities in respect of the Sterling Subordinated Members Account Agreement, together with all other property and liabilities of SLAC attributable to the Sterling Tier 1 Subordinated Debt, shall be transferred to SLAL at the Effective Time.

- 3.24 It is proposed that at and with effect from the Effective Time subject to and in accordance with the provisions of:
- (A) the German Transfer Agreement, certain property attributable to the German Business (except the German Policies which shall be transferred under this Scheme) shall be transferred to SLAL;
  - (B) the Austrian Transfer Agreement, certain property attributable to the Austrian Business (except the Austrian Policies which shall be transferred under this Scheme) shall be transferred to SLAL; and
  - (C) the Irish Transfer Agreement, certain property attributable to the Irish Business (except the Irish Policies which shall be transferred under this Scheme) shall be transferred to SLAL.
- 3.25 It is proposed that following the Effective Time SLAL shall seek the sanction of the Court to a capital reduction by means of a cancellation of its share premium account (insofar as such share premium account has arisen as a result of the issue of the SLAL Shares to SL plc in consideration of the transfer contemplated by this Scheme from SLAC to SLAL pursuant to this Scheme).
- 3.26 Each of SLAC, SLAL and SL plc has agreed to appear by Counsel on the hearing of the petition to sanction this Scheme, to undertake to be bound thereby and to execute all such documents and to do all such acts and things as may be necessary or expedient to be done by them respectively for the purposes of giving effect to this Scheme.
- 3.27 This Scheme has been amended subsequent to the Effective Time, including:
- (A) by a previous order of the Court under paragraph 70.2(D) in connection with the transfer of insurance business from SLIF to SLAL on 31 December 2011 (which transfer was effected pursuant to a scheme dated 20 December 2011 as amended from time to time, including pursuant to a deed of variation dated 7 August 2014 relating to Schedule 2 of that scheme as such deed of variation was subsequently amended from time to time);
  - (B) as a result of the implementation of the Solvency II regulatory regime, which became effective on 1 January 2016:
    - (i) under paragraph 70.2(C), pursuant to a deed of amendment dated 23 December 2015 that made changes (primarily to paragraphs 27.1, 31.3 and 31.4) that were considered to be necessary to ensure that the provisions of the Scheme operate in the intended manner following the implementation of Solvency II; and
    - (ii) under paragraph 70.2(D), with the consent of the Court to make further changes (with an effective date of 30 June 2016) that were deemed appropriate following the implementation of Solvency II ~~:- and~~ and
  - (C) in connection with, and in accordance with the terms of, the Brexit Scheme.

## Part B2 – Transfer of SLAC Business to SLAL

### 4. Transfer of Business

At and with effect from the Effective Time, the Transferred Business shall be transferred to SLAL subject to and in accordance with this Part B2.

### 5. Transfer of Assets

- 5.1 At and with effect from the Effective Time, the Transferred Assets and all the title and interest of SLAC in them shall, by the Court Order and without any further act or instrument, be transferred to SLAL, subject to all Encumbrances (if any) affecting such assets.
- 5.2 On and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies (other than any Residual Asset falling within paragraph (F), (G), (H) or (I) of the definition thereof) and all the title and interest of SLAC in such Residual Asset shall, by the Court Order and without any further act or instrument, be transferred to SLAL, subject to all Encumbrances (if any) affecting such asset.
- 5.3 SLAL shall accept, without investigation, such title as SLAC shall have:
  - (A) at the Effective Time to the Transferred Assets; and
  - (B) at each Subsequent Transfer Date to the relevant Residual Asset,
 being transferred to it on each such date.
- 5.4 The Transferred Assets and the Residual Assets shall be allocated as set out in Part C3.
- 5.5
  - (A) If SLAC and SLAL shall have agreed that SL China shall not constitute a Residual Asset in accordance with the provisions of paragraph (F) of the definition thereof, SLAL shall have the option at any time after the Effective Time to acquire, for the benefit of the Shareholder Fund, the shares (or equivalent equity interests) in SL China and the rights, benefits, powers and obligations under the agreements relating to SL China to which SLAC is party (and, if relevant, the proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received, in respect of any such property).
  - (B) The consideration for the exercise of the option granted by paragraph 5.5(A) shall be the assumption by SLAL for the account of the Shareholder Fund (or, in the event of any assignment of such option pursuant to paragraph 5.5(C), by SL plc (or the relevant Shareholder Subsidiary)) of the obligations under such agreements. Such assumption shall be effected either by way of assignment or novation of the relevant agreements referred to in paragraph 5.5(A) or, failing that, by way of indemnity.

- (C) SLAL shall be entitled to assign the option granted by paragraph 5.5(A) to SL plc or a Shareholder Subsidiary for such consideration as SLAL and SL plc (or such Shareholder Subsidiary) shall agree.
- 5.6
- (A) If SLAC and SLAL shall have agreed that SL India shall not constitute a Residual Asset in accordance with the provisions of paragraph (G) of the definition thereof, SLAL shall have the option at any time after the Effective Time to acquire, for the benefit of the Shareholder Fund, the shares (or equivalent equity interests) in SL India and the rights, benefits, powers and obligations under the agreements relating to SL India to which SLAC is party (and, if relevant, the proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received, in respect of any such property).
  - (B) The consideration for the exercise of the option granted by paragraph 5.6(A) shall be the assumption by SLAL for the account of the Shareholder Fund (or, in the event of any assignment of such option pursuant to paragraph 5.6(C) by SL plc (or the relevant Shareholder Subsidiary)) of the obligations under such agreements. Such assumption shall be effected either by way of assignment or novation of the relevant agreements referred to in paragraph 5.6(A) or, failing that, by way of indemnity.
  - (C) SLAL shall be entitled to assign the option granted by paragraph 5.6(A) to SL plc or a Shareholder Subsidiary for such consideration as SLAL and SL plc (or such Shareholder Subsidiary) shall agree.
- 5.7
- (A) If SLAC and SLAL shall have agreed that SL (MH) 2006 shall not constitute a Residual Asset in accordance with paragraph (H) of the definition thereof, SLAL shall have the option at any time after the Effective Time to acquire, for the benefit of the Shareholder Fund, the shares in SL(MH) 2006 (if held by SLAC at such time) provided that the obligations of SLAC under the agreements relating to SL India are assumed by SL(MH) 2006, SL plc or a Shareholder Subsidiary. Such assumption shall be effected either be by way of assignment or novation of such agreements or, failing that, by way of indemnity.
  - (B) The consideration for the exercise of the option granted by paragraph 5.7(A) shall be nil.
  - (C) SLAL shall be entitled to assign the option granted by paragraph 5.7(A) to SL plc or a Shareholder Subsidiary for such consideration as SLAL and SL plc (or such Shareholder Subsidiary) shall agree.

## 6. Transfer of Liabilities

- 6.1 At and with effect from the Effective Time, the Transferred Liabilities shall, by the Court Order and without any further act or instrument, be transferred to, and become the liabilities of, SLAL and shall cease to be the liabilities of SLAC. To the extent that such Transferred Liabilities are in respect of the Promise, such liabilities shall be assumed by SLAL in accordance with paragraph 9.



- 6.2 On and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies (other than any Residual Liability which is attributable to or connected with any Residual Asset falling within paragraph (F), (G), (H) or (I) of the definition thereof) shall, by the Court Order and without any further act or instrument, be transferred to, and become the liability of, SLAL and shall cease to be a liability of SLAC.
- 6.3 The Transferred Liabilities and Residual Liabilities shall be allocated as set out in Part C3.
- 6.4 Save to the extent provided in paragraphs 51.2, 51.3 or 53.2, neither SLAC nor SLAL shall be obliged to make any payment or secure any benefit enhancements in respect of demutualisation entitlements determined pursuant to Part E5, and SL plc shall be responsible for any payment, for securing any benefit enhancement or for the issue of shares in accordance with Part E5. In the event of a conflict between the provisions of this paragraph 6.4 and any other provision of this Scheme, the provisions of this paragraph 6.4 shall prevail.

## **7. Transfer of Policies**

- 7.1 Without prejudice to the generality of paragraphs 5.1 and 5.2, at and with effect from the Effective Time SLAL shall become entitled to all the rights, benefits and powers (whether present or future, actual or contingent) of SLAC subsisting at the Effective Time under or by virtue of the Transferred Policies.
- 7.2 Every person who is a holder of a Transferred Policy shall, at and with effect from the Effective Time, become entitled to the same rights, benefits and powers against SLAL as were available to him against SLAC under such Transferred Policy (except to the extent that such rights, benefits or powers are varied pursuant to this Scheme). Such entitlement shall be in substitution of any rights, benefits and powers which the relevant person may have had against SLAC to the extent attributable to or connected with such Transferred Policy.
- 7.3 If any Optionholder exercises a Replacement Right under a Transferred Policy, such person may require SLAL to issue a Compliant Replacement Policy in satisfaction of the exercise of the Replacement Right. Without prejudice to an Optionholder's right to require SLAL to issue a Compliant Replacement Policy, SLAL shall be entitled to offer (or procure that another New SL Group Member offers) the Optionholder an Equivalent Replacement Policy, in substitution of a Compliant Replacement Policy and in satisfaction of the exercise of the Replacement Right.
- 7.4 Every person who, immediately prior to the Effective Time, is a holder of a Transferred Policy shall, with effect from the Effective Time, and in substitution for any liability owed by him thereunder to SLAC, be subject to the same liability to SLAL and, in particular, but without limitation, shall account to SLAL for any Premiums as and when they become due and payable.
- 7.5 Any reference in any Transferred Policy to SLAC, the SLAC Board or any SLAC Personnel shall, with effect from the Effective Time, be read as a reference to SLAL, the

SLAL Board, the relevant SLAL Personnel (as appropriate) or such other person as the SLAL Board considers (in its sole and absolute discretion) appropriate. In particular, but without limitation, this paragraph 7.5 shall apply to all rights, benefits, powers, duties, responsibilities and obligations which are exercisable, expressed to be exercisable, or required to be fulfilled or performed by SLAC, the SLAC Board or any SLAC Personnel.

## **8. Excluded Policies**

8.1 Subject to paragraph 8.3, the Excluded Policies shall not be transferred to SLAL by this Scheme and all Excluded Liabilities shall remain liabilities of SLAC and be fully reinsured with effect from the Effective Time on the following basis.

- (A) All Excluded Liabilities shall be reinsured in their entirety to SLAL at and with effect from the Effective Time (or, in the case of Excluded Liabilities arising in respect of any Compliant Replacement Policy issued by SLAC pursuant to paragraph 8.2, on and with effect from the date on which such Compliant Replacement Policy is issued).
- (B) The liability of SLAL at and with effect from the Effective Time shall be such that the rights, benefits and powers provided to holders of Excluded Policies (including any Compliant Replacement Policy issued by SLAC pursuant to paragraph 8.2) shall, to the extent possible, be the same as the rights, benefits and powers which would have been provided to such holders if the Excluded Policies had been Transferred Policies.
- (C) The premiums payable by SLAC to SLAL in connection with the provision of the reinsurance described in this paragraph 8.1 shall comprise an amount equal to:
  - (i) in respect of Excluded Policies which are not With Profits Policies, the aggregate amount of the mathematical reserves (net of reinsurance) relating to those Excluded Policies immediately prior to the Effective Time; and
  - (ii) in respect of Excluded Policies which are With Profits Policies, the aggregate amount of the realistic value of the liabilities relating to those Excluded Policies immediately prior to the Effective Time,

provided that such amounts shall be deemed to have been satisfied by the transfer to SLAL of the appropriate proportion of the Transferred Assets or Trust Property and such assets or property shall be allocated to the SLAL Fund to which they would have been allocated had the Excluded Policies been Transferred Policies; and

- (iii) all subsequent Premiums received by SLAC in respect of such Excluded Policies at any time after the Effective Time which Premiums shall be paid to SLAL as soon as practicable after they are received and credited to the SLAL Fund to which the Excluded Policies would have been allocated had they been Transferred Policies (except if and to the

extent that such Premiums relate to the Canadian Stacking Policies and the liabilities in respect of such policies are to be met by SCDA).

- 8.2 If any Optionholder exercises a Replacement Right under an Excluded Policy, such person may require SLAC to issue a Compliant Replacement Policy. Without prejudice to an Optionholder's right to require SLAC to issue a Compliant Replacement Policy, SLAL shall:
- (A) offer (or procure that another New SL Group Member offers) to issue to the relevant Optionholder a Compliant Replacement Policy; or
  - (B) if SLAL is not, at the time of the exercise of such Replacement Right, writing Compliant Replacement Policies, offer (or procure that another New SL Group Member offers) an Equivalent Replacement Policy in substitution of a Compliant Replacement Policy,

in each case in satisfaction of the exercise of the Replacement Right.

- 8.3 If all consents, permissions or other requirements for the transfer of an Excluded Policy from SLAC to SLAL are obtained:
- (A) such Excluded Policy shall be transferred to SLAL, and shall thereafter be treated in all respects, as if it were a Transferred Policy; and
  - (B) any Excluded Liability relating to such Excluded Policy shall be transferred to SLAL, and shall thereafter be treated in all respects, as if it were a Transferred Liability.

## **9. Mortgage Endowment Policies; Mortgage Endowment Promise**

- 9.1 At and with effect from the Effective Time:
- (A) SLAL shall, subject to paragraph 9.2, assume the obligations of SLAC arising in respect of the Promise;
  - (B) the terms and conditions applicable to the Promise, and the nature and extent of SLAL's obligations thereunder, shall be revised and clarified in the manner set out in, and determined solely by reference to the provisions of, Schedule 4 (Mortgage Endowment Promise);
  - (C) SLAL's obligations in respect of the Promise shall be allocated to the With Profits Fund in accordance with paragraph 17.2(C); and
  - (D) without prejudice to paragraphs 9.1(A), 9.1(B) and 9.1(C), the Promise shall, in all respects, be applied and operated in accordance with the provisions of Schedule 4 (Mortgage Endowment Promise).
- 9.2 Every person who is a holder of an MEP Policy shall, at and with effect from the Effective Time, become entitled as against SLAL to the rights, benefits and powers in

respect of the Promise as are specified in Schedule 4 (Mortgage Endowment Promise). Such entitlement shall be in substitution of any rights, benefits and powers which the relevant person may have had against SLAC if and to the extent arising in respect of, or otherwise attributable to or connected with, the Promise.

9.3 The provisions of paragraphs 9.1 and 9.2 shall be subject to, and read in conjunction with, the provisions of paragraph 30 of the Brexit Scheme.

## **10. Premiums; Mandates**

- 10.1 Subject to paragraph 42, all Premiums attributable to a Transferred Policy shall, with effect from the Effective Time, be payable to SLAL and shall be credited: (i) in the case of any Premiums which are attributable to a Transferred Policy which is allocated to the With Profits Fund, to the With Profits Fund; and (ii) in the case of all other such Premiums, to the Non Profit Fund, if and for so long as such Policy is attributed to, and included within, the With Profits Fund or the Non Profit Fund (as appropriate).
- 10.2 Any mandate or other instruction in force at the Effective Time (including any instruction given to a bank or other intermediary by its customer in the form of a direct debit or standing order) and providing for the payment by a banker or other intermediary of any Premium shall, with effect from the Effective Time, take effect as if it had provided for and authorised such payment to SLAL.
- 10.3 Any mandate or other instruction as to the manner of payment of any sum in respect of a Policy which is given to SLAC and which is in force at the Effective Time shall, with effect from the Effective Time, continue in force as an effective authority to SLAL.
- 10.4 Any mandate or other instruction either: (i) in favour of SLAC; or (ii) given by SLAC, which is in force at the Effective Time and not provided for by paragraph 10.2 or 10.3 shall continue in force as an effective authority to or by SLAL from the date on which such property or liability is transferred to SLAL.

## **11. Declaration of trust**

- 11.1 If:
- (A) any property proposed to be transferred to SLAL by this Scheme (or which is otherwise proposed to be transferred to SLAL pursuant to documentation referred to in this Scheme) is not, or is not capable of being, transferred to SLAL at the Effective Time, whether because such property is a Residual Asset or such property is outside the jurisdiction of the Court or otherwise (and including: (i) the Canadian Stacking Policies Assets if and until such assets are transferred to SLAL pursuant to the Canadian Scheme Agreement; (ii) the Guernsey Assets if and until such assets are transferred to SLAL pursuant to the Guernsey Scheme; and (iii) the Jersey Assets if and until such assets are transferred to SLAL pursuant to the Jersey Scheme);
  - (B) the shares (or equivalent equity interests) held by SLAC in SL China or in SL India (or SLAC's rights, benefits and powers under the agreements relating to

SL China or SL India to which SLAC is party) constitute Residual Assets at the Effective Time;

- (C) any Residual Asset is not transferred to SLAL on the relevant Subsequent Transfer Date; or
- (D) the transfer of any property proposed to be transferred by this Scheme is outside the jurisdiction of the Court or is not recognised by the laws of the jurisdiction in which such property is situated

(together, "**Trust Property**"), SLAC shall, with effect from the Effective Time: (i) hold any such Trust Property on irrevocable trust for SLAL; and (ii) comply with any and all directions given by SLAL in respect of such Trust Property until it is either transferred to SLAL, SL plc or a Shareholder Subsidiary or disposed of (whereupon SLAC shall account to SLAL for the proceeds of disposal thereof). SLAL shall have irrevocable authority to act as attorney for SLAC in respect of Trust Property for such purposes.

11.2 If: (i) any payment is made to; (ii) any property is received by; or (iii) any right, benefit or power is conferred upon SLAC on or after the Effective Time in respect of any part of the Transferred Business, any Transferred Asset, any Residual Asset or any Trust Property, such payment, property, right, benefit or power (as the case may be) shall also constitute Trust Property and SLAC shall:

- (A) pay to SLAL the full amount of such payment as soon as reasonably practicable after its receipt;
- (B) transfer such property, right, benefit or power to SLAL as soon as reasonably practicable after it is received by or conferred upon SLAC if and to the extent it is able to do so; and
- (C) otherwise comply with the instructions of SLAL in respect of such payment, property, right, benefit or power if and to the extent it is able to do so.

11.3 If any of SL China, SL India or SL (MH) 2006 are retained by SLAC and do not constitute Residual Assets (pursuant to paragraphs (F), (G), and (H) (as appropriate) of the definition thereof), SLAC shall not do, or omit to do, anything which will prevent SLAL (or SLAL's assignee) from exercising any of the options granted pursuant to paragraphs 5.5(A), 5.6(A) and 5.7(A).

11.4 SLAL shall indemnify SLAC on demand against any costs incurred by SLAC in making any payment, transferring any property, right, benefit or power or complying with SLAL's instructions under this paragraph 11.

## **12. Indemnity; Discharge of liabilities**

12.1 With effect from the Effective Time, SLAL shall, subject to paragraph 12.3 and paragraph 12.4, discharge on SLAC's behalf or, failing that, indemnify SLAC against:

- (A) all Transferred Liabilities and Residual Liabilities which are not, or are not capable of being, transferred to SLAL by this Scheme (whether at the Effective Time, on a Subsequent Transfer Date or otherwise);
- (B) any costs which SLAC may incur in pursuing any claim pursuant to a Third Party Right; and
- (C) except as otherwise provided in this Scheme, any other liability of SLAC in respect of the Transferred Business (whether arising before or after the Effective Time),

provided that, if SLAC or SLAL shall have transferred the shares (or equivalent equity interests) held by SLAC in SL India, SL China or SL (MH) 2006 to SL plc or a Shareholder Subsidiary, then the indemnity in this paragraph 12.1 shall no longer apply in respect of the liabilities of SLAC in respect of SL India, SL China or SL (MH) 2006 (including, in the case of SL India and SL China, the liabilities attributable to or connected with the agreements to which is SLAC is party relating to SL India or SL China (as the case may be)).

12.2 Without prejudice to the generality of paragraph 12.1, but subject to paragraph 12.4, SLAL shall, with effect from the Effective Time, discharge on SLAC's behalf or, failing that, indemnify SLAC against all liabilities attributable to:

- (A) the Canadian Stacking Policies Business;
- (B) the Canadian SCDA Business, but only:
  - (i) if and for so long as the Canadian SCDA Effective Time has not occurred or the Canadian SCDA Business has not otherwise been transferred to or assumed by SCDA or another person;
  - (ii) (in relation to a liability attributable to a Canadian SCDA Policy) if and for so long as the relevant Canadian SCDA Policy remains in force and has not terminated (whether by surrender, maturity or otherwise) by agreement of the relevant parties or by law; and
  - (iii) if and to the extent that SLAC is, absent the availability of the indemnity pursuant to this paragraph 12.2(B), unable to meet its liabilities in respect of the Canadian SCDA Business as they fall due;
- (C) the Canadian Structured Settlements Business, but only:
  - (i) if and for so long as the Canadian Structured Settlements Business has not been transferred to or assumed by SLAL (in accordance with paragraphs 66.2 to 66.4) or another person;
  - (ii) (in relation to a liability attributable to a Canadian Structured Settlement) if and for so long as the relevant Canadian Structured Settlement remains in force and has not terminated (whether by

surrender, maturity or otherwise) by agreement of the relevant parties or by law; and

- (iii) if and to the extent that SLAC is, absent the availability of the indemnity pursuant to this paragraph 12.2(C), unable to meet such Canadian Structured Settlements Liabilities as they fall due;
  - (D) the Guernsey Business;
  - (E) the Jersey Business;
  - (F) any liabilities of SLAC attributable to paragraphs (A) to (H) of the definition of SLAC Retained Construction Agreements;
  - (G) any liabilities of SLAC attributable to paragraph (M) or (N) of the definition of SLAC Retained Construction Agreements; and
  - (H) if such liabilities do not constitute Residual Liabilities at the Effective Date, any liabilities of SLAC attributable to the shares (or equivalent equity interests) held by SLAC in SL India, SL China or SL (MH) 2006 or the agreements relating to SL India or SL China to which SLAC is party for so long as SLAC holds the shares (or equivalent equity interests) in SL India, SL China or SL (MH) 2006 (as the case may be).
- 12.3 SLAL shall not be responsible for discharging on SLAC's behalf, or indemnifying SLAC against, any liabilities attributable to:
- (A) the Canadian SCDA Business except if and to the extent required pursuant to paragraph 12.2(B);
  - (B) the Canadian Structured Settlements Business except if and to the extent required pursuant to paragraph 12.2(C); and
  - (C) the Canadian Domesticated Business except if and to the extent required pursuant to paragraph 17.3(O); and
  - (D) the Bermudan Business.
- 12.4 SLAL shall not indemnify SLAC against any liability of SLAC, whether pursuant to paragraph 12.1 or 12.2, if and to the extent that it is the subject of an indemnity from any third party in favour of SLAC (including by way of insurance) or a claim or right of recovery against any third party (each, a "**Third Party Right**"), unless, and then only to the extent that, SLAC shall have failed to recover any such amount pursuant to such Third Party Right.
- 12.5 SLAC shall use all reasonable endeavours, and shall take all such steps as SLAL may require, to pursue its Third Party Rights. SLAL shall be entitled, upon notice to SLAC, to assume conduct of all Proceedings in respect of any Third Party Rights (including taking such action in the name of and on behalf of SLAC as SLAL shall determine) and, in

such circumstances, SLAC shall give all such assistance as SLAL may reasonably require in conducting such Proceedings.

- 12.6 The costs incurred by SLAL in discharging on SLAC's behalf, or indemnifying SLAC against, liabilities in accordance with paragraphs 12.1 or 12.2 shall be allocated to and discharged out of the property of the relevant SLAL Fund:

- (A) to which the Transferred Liability or Residual Liability (as the case may be) giving rise to the payment of the indemnity has been (in the case of a Transferred Liability) or would have been (in the case of a Residual Liability) allocated; or
- (B) to which the liability to discharge liabilities on SLAC's behalf, or failing that to indemnify SLAC, pursuant to paragraph 12 is allocated,

in each case in accordance with Part C3. Subject to paragraph 17.2(L)(ii), the costs incurred by SLAL in discharging on SLAC's behalf, or indemnifying SLAC against, liabilities in accordance with paragraph 12.2(F) or 12.2(H) shall be allocated to and discharged out of the property of the Shareholder Fund.

### **13. Conduct of Proceedings**

- 13.1 If, at the Effective Time, any Proceedings are pending by or against SLAC in connection with the Transferred Assets, Transferred Business (if and to the extent transferred at the Effective Time), Transferred Liabilities or Transferred Policies, such Proceedings shall be continued by or against SLAL.
- 13.2 If, on any Subsequent Transfer Date, any Proceedings are pending by or against SLAC in connection with the Residual Assets or Residual Liabilities which are to be transferred on such Subsequent Transfer Date, such Proceedings shall be continued by or against SLAL. Until such Subsequent Transfer Date, the relevant Proceedings shall be continued by or against SLAC.
- 13.3 In respect of any Proceedings which are continued by or against SLAL under paragraph 13.1 or 13.2 (or which are commenced against SLAL in connection with the Transferred Business or any of the business or undertaking of SLAC), SLAL shall be entitled to all defences, claims, counterclaims, rights of set-off and all other remedies which would have been available to SLAC in connection with such Proceedings.

### **14. Further assurance**

SLAL and SLAC shall each take all such steps and do all such things (including the execution and delivery of any documents) which may be necessary or desirable to effect or perfect the transfer to SLAL of the Transferred Business in accordance with this Part B2, including the transfer of:

- (A) the Transferred Assets in accordance with paragraph 5.1;
- (B) the Transferred Liabilities in accordance with paragraph 6.1;



- (C) the Transferred Policies in accordance with paragraph 7;
- (D) the Residual Assets subject to and in accordance with paragraph 5.2;
- (E) the Residual Liabilities subject to and in accordance with paragraph 6.2; and
- (F) the Excluded Policies and the Excluded Liabilities subject to and in accordance with paragraph 8.3.

## Part C3 – Constitution of Funds; Allocation to Funds

### 15. Establishment of SLAL Funds

15.1 SLAL shall, on and from the Effective Time, establish and maintain:

- (A) the With Profits Fund; and
- (B) the Non Profit Fund,

as separate funds.

15.2 SLAL shall, on and from the Brexit Scheme Effective Time, continue to maintain:

- (A) the SLAL GWPF; and
- (B) the SLAL GSMWPF.

as separate funds.

### 16. Allocation of assets

16.1 At and with effect from the Effective Time, the following property shall be allocated to the With Profits Fund:

- (A) all Transferred Assets excluding those Transferred Assets allocated to the Non Profit Fund or the Shareholder Fund pursuant to paragraphs 16.3 and 16.4 respectively; and
- (B) all Trust Property, and the right to receive any payment, property, right, benefit or power pursuant to paragraph 11.2, if and to the extent that such Trust Property (or the right to receive any payment, property, right, benefit or power in respect of such Trust Property) would have been allocated to the With Profits Fund if it had been, or had been capable of being, transferred at the Effective Time.

16.2 Without prejudice to the provisions of paragraph 16.1, the property allocated to the With Profits Fund shall include the following Transferred Assets:

- (A) subject to paragraph 16.3(I), all rights, benefits and powers attributable to the WPF Policies and any other Policies written in or allocated to the With Profits Fund, including all rights, benefits and powers arising under contracts, agreements or arrangements in respect of any WPF Policy (or any other Policy written in or allocated to the With Profits Fund); and
- (B) all rights, benefits and powers arising under:
  - (i) the SLIF EB ULL Reinsurance Agreement;

- (ii) the SLIF EB ULP Reinsurance Agreement;
- (iii) subject to paragraph 22.1(B), the SLIF EB Annuities Reinsurance Agreement;
- (iv) the Excluded Policies Reinsurance (if and to the extent that it relates to Excluded Policies which would have been allocated to the With Profits Fund if they had been Transferred Policies); and
- (v) subject to paragraph 19.2, all other reinsurance agreements, contracts or treaties in respect of WPF Policies or other Policies written in or allocated to the With Profits Fund.

16.3 At and with effect from the Effective Time, the following Transferred Assets shall be allocated to the Non Profit Fund:

- (A) all rights, benefits and powers attributable to the NPF Policies and other Policies written in or allocated to the Non Profit Fund, including all rights, benefits and powers arising under contracts, agreements or arrangements in respect of any NPF Policy (or other Policy written in or allocated to the Non Profit Fund);
- (B) assets selected by the SLAL Board (having regard to the advice of the SLAL Actuary and the SLAL WP Actuary) with an admissible value equal to:
  - (i) the mathematical reserves (net of reinsurance), as at the Effective Time, of the NPF Policies; and
  - (ii) the NPF Working Capital Amount.

In making the allocation under this paragraph 16.3(B), the value of the assets and liabilities (including as regards the mathematical reserves of the NPF Policies as at the Effective Time) shall be determined in accordance with PRU and, except to the extent that the relevant provisions of PRU have been amended, modified, supplemented or replaced between the end of the FSA Return Period immediately preceding the Effective Date and the Effective Date, on a valuation basis consistent with that applied in the FSA Returns submitted by SLAC in respect of the most recent FSA Return Period, having regard to changes in financial conditions;

- (C) such of the shares held by SLAC immediately prior to the Effective Time in the capital of the Shareholder Subsidiaries as are selected by the SLAL Board (having regard to the advice of the SLAL Actuary and the SLAL WP Actuary) to meet SLAC's liabilities in respect of the UK Pension Scheme, such shares to have an admissible value greater than or equal to the deficit reduction amount in respect of the UK Pension Scheme on the Effective Date;
- (D) such of the shares held by SLAC immediately prior to the Effective Time in the capital of the Shareholder Subsidiaries as are selected by the SLAL Board

(having regard to the advice of the SLAL Actuary and the SLAL WP Actuary) to meet SLAC's liabilities in respect of the Rol Pension Scheme, such shares to have an admissible value greater than or equal to the deficit reduction amount (or equivalent amount) in respect of the Rol Pension Scheme on the Effective Date;

- (E) all rights, benefits and powers arising under:
  - (i) the SLIF NB Reinsurance Agreement;
  - (ii) the SLIF Stop Loss Retrocession Agreement;
  - (iii) the SLIF Reinsurance Agreement (SIPP Business);
  - (iv) the SLAL (Canada Branch) Services Agreement;
  - (v) the Additional NPF Contracts;
  - (vi) the Excluded Policies Reinsurance (if and to the extent that it relates to Excluded Policies which would have been allocated to the Non Profit Fund if they had been Transferred Policies); and
  - (vii) subject to paragraph 19.2, all other reinsurance agreements, contracts or treaties in respect of NPF Policies or other Policies written in the Non Profit Fund;
- (F) all rights, benefits and powers arising under the SLI Investment Management Agreement;
- (G) all rights, benefits and powers arising under the Service Company Agreements;
- (H) all rights, benefits and powers attributable to the Canadian Stacking Policies Business, including:
  - (i) the Canadian Stacking Policies Assets;
  - (ii) all rights, benefits and powers attributable to the Canadian Stacking Policies; and
  - (iii) all rights, benefits and powers arising under:
    - (a) the Canadian Services Agreement;
    - (b) the Canadian Stacking Policies Conveyance Agreement;
    - (c) the Canadian Stacking Policies Transfer Agreement; and
    - (d) the Canadian Scheme Agreement (if and to the extent that such rights, benefits and powers are attributable to the Canadian

Stacking Policies Business and/or the Canadian Stacking Policies);

- (I) all debts owed to SLAC as at the Effective Time by way of clawback of commission paid by SLAC in respect of Transferred Policies (and any other similar debts owed to SLAC by intermediaries or other sales agents as at the Effective Time in respect of Transferred Policies);
- (J) all rights, benefits and powers arising under employment contracts between SLAC and those persons who are directors, officers or employees of SLAC immediately prior to the Effective Time (except to the extent that the SLAL Board determines that such rights, benefits and powers have accrued or are properly attributable to events occurring prior to the Effective Time);
- (K) the Overseas Infrastructure Assets and all rights, benefits and powers arising under contracts, agreements and arrangements entered into by SLAC prior to the Effective Time in respect of any of the Overseas Infrastructure Assets (except to the extent that the SLAL Board determines that such rights, benefits and powers have accrued or are properly attributable to events occurring prior to the Effective Time); and
- (L) all Trust Property, and the right to receive any payment, property, right, benefit or power pursuant to paragraph 11.2, if and to the extent that such Trust Property (or the right to receive any payment, property, right, benefit or power in respect of such Trust Property) would have been allocated to the Non Profit Fund if it had been, or had been capable of being, transferred at the Effective Time.

16.4 At and with effect from the Effective Time, the following Transferred Assets shall be allocated to the Shareholder Fund:

- (A) all rights, benefits, property and powers arising under the Subordinated Debt Documentation (to the extent not falling within paragraph 16.4(B));
- (B) property with a fair value equal to the Carried Debt Value in respect of the Tier 1 Subordinated Debt and the Tier 2 Subordinated Debt, comprising:
  - (i) in respect of the Euro Tier 1 Subordinated Debt, either:
    - (a) the property selected by the SLAC Board (having regard to the advice of the SLAC WP Actuary) which was transferred by SLAC to SL MACS PLC immediately prior to the Effective Time in repayment of the Euro Subordinated Members Account Agreement (or comprising the Euro SMA Novation Assets in the case of the Euro SMA Novation being implemented); or
    - (b) (where all necessary consents and approvals to the implementation of the restructuring of the Euro Tier 1 Subordinated Debt contemplated by paragraph 3.22 have not

been obtained prior to the Effective Time) property of such value selected by the SLAL Board (having regard to the advice of the SLAL WP Actuary);

- (ii) in respect of the Sterling Tier 1 Subordinated Debt, either:
  - (a) the property selected by the SLAC Board (having regard to the advice of the SLAC WP Actuary) which was transferred by SLAC to SL MACS (No. 2) PLC immediately prior to the Effective Time in repayment of the Sterling Subordinated Members Account Agreement; or
  - (b) (where all necessary consents and approvals to the implementation of the restructuring of the Sterling Tier 1 Subordinated Debt contemplated by paragraph 3.22 have not been obtained prior to the Effective Time) property of such value selected by the SLAL Board (having regard to the advice of the SLAL WP Actuary);
- (iii) in respect of the Euro Tier 2 Subordinated Debt, either:
  - (a) the property selected by the SLAC Board (having regard to the advice of the SLAC WP Actuary) transferred by SLAC to SL Finance plc immediately prior to the Effective Time in repayment of the Existing Euro Tier 2 Intra-Group Loan; or
  - (b) (where all necessary consents and approvals to the implementation of the restructuring of the Euro Tier 2 Subordinated Debt contemplated by paragraph 3.22 have not been obtained prior to the Effective Time) property of such value selected by the SLAL Board (having regard to the advice of the SLAL WP Actuary); and
- (iv) in respect of the Sterling Tier 2 Subordinated Debt, either:
  - (a) the property selected by the SLAC Board (having regard to the advice of the SLAC WP Actuary) which was transferred by SLAC to SL Finance plc immediately prior to the Effective Time in repayment of the Existing Sterling Tier 2 Intra-Group Loan; or
  - (b) (where all necessary consents and approvals to the implementation of the restructuring of the Sterling Tier 2 Subordinated Debt contemplated by paragraph 3.22 have not been obtained prior to the Effective Time) property of such value selected by the SLAL Board (having regard to the advice of the SLAL WP Actuary);
- (C) except to the extent that such property is selected by the SLAL Board to be allocated to the Non Profit Fund pursuant to paragraph 16.3(C) or 16.3(D), all

shares (equity, preference or otherwise) held by SLAC immediately prior to the Effective Time in the capital of the Shareholder Subsidiaries;

- (D) all rights, benefits and powers arising under Subsidiary Contracts;
- (E) all Intellectual Property Rights comprised within the Transferred Assets;
- (F) all Trust Property, and the right to receive any payment, property, right, benefit or power pursuant to paragraph 11.2, if and to the extent that:
  - (i) such Trust Property (or the right to receive any payment, property, right, benefit or power in respect of such Trust Property) would have been allocated to the Shareholder Fund if it had been, or had been capable of being, transferred at the Effective Time; or
  - (ii) such Trust Property (or the right to receive any payment, property, right, benefit or power in respect of such Trust Property) is in respect of any Residual Asset falling within paragraph (F), (G), (H) or (I) of the definition thereof (until such time as it is transferred to SL plc or a Shareholder Subsidiary (as the case may be)).

16.5 On and with effect from the applicable Subsequent Transfer Date, each Residual Asset (other than any Residual Asset falling within paragraph (B)(ii), (F), (G) or (H) of the definition thereof) shall be allocated to the SLAL Fund to which it would have been allocated pursuant to the preceding provisions of this paragraph 16 had it been a Transferred Asset.

16.6 On and with effect from the Brexit Scheme Effective Time:

- (A) all rights, benefits, property and powers arising under the HWPF Reinsurance Agreement shall be allocated to the With Profits Fund;
- (B) all rights, benefits, property and powers arising under the Property-Linked Funds Retrocession Agreement shall be allocated to the With Profits Fund;
- (C) all rights, benefits, property and powers arising in relation to the German WP Investment Element of the GWPF Reinsurance Agreement shall be allocated to the SLAL GWPF;
- (D) subject to paragraph (C), all rights, benefits, property and powers arising under the GWPF Reinsurance Agreement shall be allocated to the Non Profit Fund;
- (E) all rights, benefits, property and powers arising in relation to the German WP Investment Element of the GSMWPF Reinsurance Agreement shall be allocated to the SLAL GSMWPF; and
- (F) subject to paragraph (E), all rights, benefits, property and powers arising under the GSMWPF Reinsurance Agreement shall be allocated to the Non Profit Fund.

## 17. Allocation of liabilities

- 17.1 At and with effect from the Effective Time, all Transferred Liabilities and Demutualisation Costs, excluding those Transferred Liabilities allocated to the Non Profit Fund or the Shareholder Fund pursuant to paragraph 17.2(L)(ii) and 17.4 respectively, shall be allocated to the With Profits Fund.
- 17.2 Without prejudice to the generality of paragraph 17.1, the Transferred Liabilities allocated to the With Profits Fund shall include:
- (A) subject to paragraph 17.3(G), all liabilities attributable to the WPF Policies and any other Policies written in or allocated to the With Profits Fund, including all liabilities attributable to contracts, agreements or arrangements in respect of any WPF Policy (or any other Policy written in or allocated to the With Profits Fund);
  - (B) all liabilities attributable to property which is allocated to the With Profits Fund;
  - (C) all liabilities attributable to the Promise, as applied and operated in accordance with paragraph 9 and Schedule 4 (Mortgage Endowment Promise);
  - (D) any amount paid or payable in respect of:
    - (i) any Proceedings arising out of any act, omission or circumstance occurring prior to the Effective Time;
    - (ii) any decision of the Financial Ombudsman Service where such amount is reasonably attributed to the carrying out of the business of SLAC prior to the Effective Time;
    - (iii) actual or alleged mis-selling of Policies by SLAC or by any representative of SLAC prior to the Effective Time (including costs and expenses incurred in investigating and settling any such actual or alleged mis-selling); and
    - (iv) any breach of contract, actual or alleged negligence or fraud by SLAC prior to the Effective Time;
  - (E) levies payable pursuant to the Financial Services Compensation Scheme and all other industry levies imposed on SLAL to the extent that they can reasonably be attributed to events occurring prior to the Effective Time, except where any such levy has already been charged to NPF Policies (other than to the WP Investment Element of such Policies which is allocated or transferred to the With Profits Fund) by adjustment to the price of any Unit Linked Units or otherwise;
  - (F) all costs, losses and liabilities which relate to or arise out of:



- (i) any breach of contract or other duty (whether legally binding or not) prior to the Effective Time by SLAC, in relation to, or in connection with, any contract of employment, employment relationship or collective agreement;
- (ii) the termination of employment of any employee of SLAC prior to the Effective Time; and
- (iii) emoluments, outgoings, salaries, wages, bonuses, commissions, PAYE, National Insurance contributions and employer contributions or other amounts due (but not paid) from SLAC in respect of the SLAC Pension Schemes as at the Effective Date in respect of any employees or former employees of SLAC,

save, in each case, to the extent that such costs, losses or liabilities are caused or crystallised by any action or omission of any New SL Group Member after the Effective Time;

- (G) all penalties incurred or additional amounts payable under the terms of contracts to which SLAC is a party prior to the Effective Time arising because of the transactions contemplated by this Scheme;
- (H) original tenant liability in relation to any lease formerly held by SLAC;
- (I) all Taxation relating to the business or undertaking of SLAC (including the Transferred Business) prior to the Effective Time arising:
  - (i) in respect of any period of time ending on or before the Effective Time; or
  - (ii) because of or by reference to any event occurring (or deemed to occur for the purposes of Taxation) on or before the Effective Time,

but excluding any Taxation arising because of:

- (a) any increase in established surplus which is carried forward unappropriated within a Long Term Fund of SLAC on or after 1 January 2006; and
  - (b) the transfer of assets direct from the Long Term Fund of SLAC to any SLAL Fund other than the With Profits Fund or Non Profit Fund of SLAL, except for Taxation in respect of realised or unrealised gains or profits, including capital gains computed in accordance with The Taxation of Chargeable Gains Act 1992 and Taxation in respect of debits or credits of either Loan Relationships (as defined by the Finance Act 1996) or Derivative Contracts (as defined by the Finance Act 2002);
- (J) all liabilities attributable to:

- (i) the SLIF EB ULL Reinsurance Agreement;
  - (ii) the SLIF EB ULP Reinsurance Agreement;
  - (iii) the SLIF EB Annuities Reinsurance Agreement;
  - (iv) the Excluded Policies Reinsurance (if and to the extent that it relates to Excluded Policies which would have been allocated to the With Profits Fund if they had been Transferred Policies); and
  - (v) subject to paragraph 19.2, all other reinsurance agreements, contracts or treaties in respect of WPF Policies or other Policies written in the With Profits Fund;
- (K) the liability to indemnify SLAC pursuant to paragraph 11.3 if and to the extent that the payment, property, right, benefit or power to which such indemnity relates is allocated by paragraph 16.1 or 16.2 to the With Profits Fund; and
- (L) the liability to discharge liabilities on SLAC's behalf, or failing that to indemnify SLAC, pursuant to paragraph 12, if and to the extent that such liability relates to:
- (i) a Transferred Liability which is (or, in respect of a Residual Liability, would have been) allocated to the With Profits Fund; or
  - (ii) Taxation arising in respect of the transfer of any of SL India, SL China or SL (MH) 2006 (whether as a Residual Asset on the relevant Subsequent Transfer Date or pursuant to the provisions of paragraph 5.5, 5.6 or 5.7) to SLAL, SL plc or a Shareholder Subsidiary (as the case may be).

17.3 At and with effect from the Effective Time, the following Transferred Liabilities shall be allocated to the Non Profit Fund:

- (A) all liabilities attributable to the NPF Policies (or other Policy written in or allocated to the Non Profit Fund), including all liabilities attributable to contracts, agreements or arrangements in respect of any NPF Policy and other Policies written in or allocated to the Non Profit Fund;
- (B) all liabilities attributable to property which is allocated to the Non Profit Fund;
- (C) all liabilities attributable to:
  - (i) the SLIF NB Reinsurance Agreement;
  - (ii) the SLIF Stop Loss Retrocession Agreement;
  - (iii) the SLIF Reinsurance Agreement (SIPP Business);

- (iv) the SLAL (Canada Branch) Services Agreement;
  - (v) the Additional NPF Contracts;
  - (vi) the Excluded Policies Reinsurance (if and to the extent that it relates to Excluded Policies which would have been allocated to the Non Profit Fund if they had been Transferred Policies); and
  - (vii) subject to paragraph 19.2, all other reinsurance agreements, contracts and treaties in respect of NPF Policies or other Policies written in or allocated to the Non Profit Fund;
- (D) all liabilities attributable to the SLI Investment Management Agreement;
- (E) subject to paragraph 34, all liabilities attributable to the Service Company Agreements;
- (F) all liabilities attributable to the Canadian Stacking Policies Business, including all liabilities attributable to:
- (i) the Canadian Stacking Policies;
  - (ii) the Canadian Services Agreement;
  - (iii) the Canadian Stacking Policies Conveyance Agreement;
  - (iv) the Canadian Stacking Policies Transfer Agreement; and
  - (v) the Canadian Scheme Agreement (if and to the extent that such rights, benefits and powers are attributable to the Canadian Stacking Policies Business and/or the Canadian Stacking Policies);
- (G) all amounts payable by SLAC at the Effective Time by way of commissions (or other similar amounts payable to intermediaries or other sales agents) in respect of Transferred Policies;
- (H) subject to paragraph 17.2(F), all liabilities attributable to employment contracts between SLAC and those persons who are directors, officers or employees of SLAC immediately prior to the Effective Time (except to the extent that the SLAL Board determines that such liabilities have accrued or are properly attributable to events occurring prior to the Effective Time);
- (I) all costs, losses and liabilities as are described in paragraphs 17.2(F)(i) to (iii) but only if and to the extent that such costs, losses or liabilities are caused or crystallised by any action or omission of any New SL Group Member after the Effective Time;
- (J) subject to paragraph 17.2(F)(iii), all liabilities of SLAC in respect of the SLAC Pension Schemes, together with (subject to paragraph 34) any other liability

which SLAL may come under after the Effective Time (whether it relates to a period or event before or after the Effective Time) in respect of either or both of those schemes;

- (K) all liabilities attributable to the Overseas Infrastructure Assets, including any liabilities attributable to contracts, agreements and arrangements entered into by SLAC prior to the Effective Time in respect of any of the Overseas Infrastructure Assets (except to the extent that the SLAL Board determines that such liabilities have accrued or are properly attributable to events occurring prior to the Effective Time);
- (L) the liability to indemnify SLAC pursuant to paragraph 11.3 if and to the extent that the payment, property, right, benefit or power to which such indemnity relates is allocated by paragraph 16.3 to the Non Profit Fund;
- (M) the liability to discharge liabilities on SLAC's behalf or, failing that, to indemnify SLAC pursuant to paragraph 12.2(A), in respect of all liabilities attributable to the Canadian Stacking Policies Business (together with all other liabilities of SLAL attributable to such business);
- (N) the liability to discharge liabilities on SLAC's behalf or, failing that, to indemnify SLAC pursuant to paragraph 12.2(C), in respect of liabilities attributable to the Canadian Structured Settlements Business;
- (O) the Canadian Transferred Liability; and
- (P) the liability to discharge liabilities on SLAC's behalf, or failing that to indemnify SLAC, pursuant to paragraph 12, if and to the extent that such liability relates to a Transferred Liability which is (or, in respect of a Residual Liability, would have been) allocated to the Non Profit Fund.

17.4 At and with effect from the Effective Time, the following Transferred Liabilities shall be allocated to the Shareholder Fund:

- (A) all liabilities attributable to the Subordinated Debt Documentation;
- (B) all liabilities attributable to property which is allocated to the Shareholder Fund;
- (C) all liabilities attributable to Subsidiary Contracts;
- (D) all liabilities in respect of Taxation arising because of:
  - (i) any increase in established surplus which is carried forward unappropriated within a Long Term Fund of SLAC on or after 1 January, 2006; and
  - (ii) the transfer of assets direct from the Long Term Fund of SLAC to any SLAL Fund other than the With Profits Fund or Non Profit Fund of SLAL, except for Taxation in respect of realised or unrealised gains or

profits, including capital gains computed in accordance with The Taxation of Chargeable Gains Act 1992 and Taxation in respect of debits or credits of Loan Relationships (as defined by the Finance Act 1996) or Derivative Contracts (as defined by the Finance Act 2002);

- (E) the liability to indemnify SLAC pursuant to paragraph 11.3 if and to the extent that the payment, property, right, benefit or power to which such indemnity relates is allocated by paragraph 16.4 to the Shareholder Fund; and
- (F) the liability to discharge liabilities on SLAC's behalf, or failing that to indemnify SLAC, pursuant to paragraph 12, if and to the extent that such liability relates to:
  - (i) a Transferred Liability which is (or, in respect of a Residual Liability, would have been) allocated to the Shareholder Fund; or
  - (ii) any liability of SLAC attributable to the shares (or equivalent equity interests) held by SLAC in SL India, SL China or SL (MH) 2006 or the agreements relating to SL India or SL China to which SLAC is party (in each case whether or not as a Residual Liability) but excluding the liabilities referred to in paragraph 17.2(L)(ii).

17.5 On and with effect from the applicable Subsequent Transfer Date, each Residual Liability shall be allocated to the SLAL Fund to which it would have been allocated pursuant to the preceding provisions of this paragraph 17 had it been a Transferred Liability.

17.6 At and with effect from the Effective Time, the liability of SLAL to discharge liabilities on SLAC's behalf, or failing that to indemnify SLAC, pursuant to paragraph 12.2(F) or paragraph 12.2(H) shall (subject to paragraph 17.2(L)(ii)) be allocated to the Shareholder Fund.

17.7 On and with effect from the Brexit Scheme Effective Time:

- (A) subject to paragraph 30.11, all liabilities under the HWPF Reinsurance Agreement shall be allocated to the With Profits Fund;
- (B) all liabilities under the Property-Linked Funds Retrocession Agreement shall be allocated to the With Profits Fund;
- (C) subject to paragraph 72.5, all liabilities arising in relation to the German WP Investment Element of the GWPF Reinsurance Agreement shall be allocated to the SLAL GWPF;
- (D) subject to paragraph (C), all liabilities under the GWPF Reinsurance Agreement shall be allocated to the Non Profit Fund;

(E) all liabilities arising in relation to the German WP Investment Element of the GSMWPF Reinsurance Agreement shall be allocated to the SLAL GSMWPF; and

(F) subject to paragraph (E), all liabilities under the GSMWPF Reinsurance Agreement shall be allocated to the Non Profit Fund.

## **18. Allocation of policies**

18.1 At and with effect from the Effective Time:

- (A) all the Transferred Policies, other than the NPF Policies, shall be allocated to the With Profits Fund; and
- (B) all the NPF Policies shall be allocated to the Non Profit Fund.

18.2 At and with effect from the Canadian Stacking Policies Effective Time, all the Canadian Stacking Policies shall be allocated to the Non Profit Fund.

18.3 If, in the opinion of the SLAL Board, any Transferred Policy should not be allocated in accordance with paragraph 18.1, then the SLAL Board may, in its discretion but subject to PRIN 6 and having regard to the advice of the SLAL WP Actuary, allocate such Transferred Policy to such SLAL Fund (other than the Shareholder Fund) as it shall determine. If any Transferred Policy is allocated pursuant to this paragraph 18.3 it shall thereafter be treated in all respects as if it were a Policy allocated to such other SLAL Fund.

## **19. Allocation: general provisions**

19.1 If any New SL Group Member, other than SLAL or a Subsidiary of SLAL the shares of which are allocated to the With Profits Fund, makes any payment in respect of any liability allocated to the With Profits Fund, an appropriate amount (as determined by the SLAL Board) shall be recovered from the With Profits Fund.

19.2 If: (i) any reinsurance agreement, contract or treaty (whether in respect of reinsurances ceded or reinsurances accepted); or (ii) any other contract, agreement or arrangement relates to:

- (A) both WPF Policies (or other Policies written in or allocated to the With Profits Fund) and NPF Policies (or other Policies written in or allocated to the Non Profit Fund); and/or
- (B) rights, benefits, powers or liabilities transferred or allocated to both the With Profits Fund and the Non Profit Fund,

the SLAL Board shall, having regard to the advice of the SLAL WP Actuary and subject to paragraph 28, determine an appropriate apportionment between the With Profits Fund and the Non Profit Fund of the rights, benefits, powers arising under, and liabilities attributable to, such agreement, contract, treaty or arrangement.

- 19.3 If, in the opinion of the SLAL Board (having regard to the advice of the SLAL WP Actuary), the allocation of any property or liability is uncertain, the property or liability shall be allocated to such SLAL Fund or proportionately to each SLAL Fund in such manner as the SLAL Board shall determine.
- 19.4 Any allocation of property or attribution of liabilities, and any reallocation or reattribution of the same, which is made under this Scheme for the purposes of the establishment, operation or maintenance of any of the SLAL Funds is for the purposes of establishing or recognising respective policyholder and shareholder entitlements and shall not be taken to limit the availability of all of the property from time to time of SLAL to meet the liabilities which SLAL is obliged by law to meet from time to time.

## **20. Linked funds**

- 20.1 At and with effect from the Effective Time the property and associated liabilities comprised in each SLAC Linked Fund shall be allocated to and become comprised in a new corresponding SLAL Linked Fund within the relevant SLAL Fund, comprising the same number and value of units as were comprised within the relevant SLAC Linked Fund immediately prior to the Effective Time.
- 20.2 At and with effect from the Effective Time:
- (A) rights, benefits and powers under any Transferred Policy which, immediately prior to the Effective Time, were linked to any SLAC Linked Fund shall become linked to the corresponding SLAL Linked Fund and SLAL shall, as at the Effective Time, allocate to each such Transferred Policy the same number and classes of units in the corresponding SLAL Linked Fund as the number and class of units in the relevant SLAC Linked Fund which were allocated to the Transferred Policy immediately prior to the Effective Time;
  - (B) in respect of any rights, benefits or powers under Transferred Policies which are linked to any SLAL Linked Fund, SLAL shall become entitled to the same rights, benefits and powers and be subject to the same liabilities as applied to SLAC in relation to the corresponding SLAC Linked Fund immediately prior to the Effective Time; and
  - (C) if any Trust Property is comprised in a Linked Fund of SLAC, such Trust Property shall be allocated to the SLAL Linked Fund to which such Trust Property would have been allocated had it been a Transferred Asset.
- 20.3 On and with effect from the relevant Subsequent Transfer Date, each Residual Asset which is comprised in a SLAC Linked Fund shall be allocated to the SLAL Linked Fund to which it would have been allocated had it been a Transferred Asset or, if such SLAL Linked Fund has been closed, amalgamated or divided by SLAL, such other SLAL Linked Fund as the SLAL Board determines is the appropriate SLAL Linked Fund.
- 20.4 Subject to the Act and the requirements of PRIN 6, the SLAL Board may (having regard to the advice of the SLAL Actuary):

- (A) open new Linked Funds;
- (B) close existing Linked Funds;
- (C) amalgamate, reinsure or transfer any Linked Fund or any part thereof with or to (as the context requires) any other Linked Fund or any part thereof (whether established and maintained by SLAL or another New SL Group Member);
- (D) divide any Linked Fund into one or more Linked Funds; or
- (E) effect any combination of the aforesaid,

in each case whether or not SLAC would, prior to the Effective Time, have been so entitled.



## Part D4 – Operation of Funds

### 21. Fund maintenance

21.1 Subject to paragraph 25, SLAL shall procure that:

(A) the With Profits Fund, the Non Profit Fund and the Shareholder Fund are separately maintained; ~~and~~

(B) the SLAL GWPF and SLAL GSMWPF are separately maintained; and

(C) ~~(B)~~ separate accounting records for each such fund are maintained which are sufficient to enable the separate identification of the property and liabilities respectively allocated or attributable to each such fund.

21.2 Nothing in this Scheme shall prevent SLAL from establishing and maintaining additional funds or sub-funds in respect of any part of its Long Term Business from time to time.

### 22. Reinsurance arrangements: SLIF EB Annuities Reinsurance Agreement

22.1 If the SLIF EB Annuities Reinsurance Agreement: (i) is terminated in accordance with its terms; or (ii) otherwise ceases to have effect as a result of a scheme of transfer pursuant to Part VII of the Act under which all or substantially all of the business of SLIF is transferred to SLAL:

(A) the SLAL Board shall procure that, no later than the date on which the SLIF EB Annuities Reinsurance Agreement is terminated or otherwise ceases to have effect (as the case may be), an alternative arrangement is implemented to provide reinsurance of the Reinsured Liabilities (as defined in the SLIF EB Annuities Reinsurance Agreement). Such alternative arrangement shall be on terms determined by the SLAL Board which are not materially less beneficial to the With Profits Fund than the SLIF EB Annuities Reinsurance Agreement and may, at the discretion of the SLAL Board, be provided either by a SLAL Fund (other than the With Profits Fund), a New SL Group Member and/or any other person; and

(B) notwithstanding paragraph 16.2(B)(iii), at the discretion of the SLAL Board:

(i) where the SLIF EB Annuities Reinsurance Agreement is terminated in accordance with its terms, any entitlement of SLAL to an Interim Recapture Amount, a Final Recapture Amount (in each case as defined in the SLIF EB Annuities Reinsurance Agreement) or any other amount payable because of the termination of the SLIF EB Annuities Reinsurance Agreement; or

(ii) where the SLIF EB Annuities Reinsurance Agreement ceases to have effect as a result of a scheme of transfer pursuant to Part VII of the Act under which all or substantially all of the business of SLIF is transferred to SLAL, such assets (and/or rights to such assets) as are agreed

between SLIF and SLAL to be of an aggregate value that is equal to the amount that would have been payable by SLIF to SLAL had the SLIF EB Annuities Reinsurance Agreement terminated in accordance with its terms,

shall be: (i) attributed to a SLAL Fund other than the With Profits Fund which is assuming the reinsurance obligations of SLIF in the manner contemplated by paragraph 22.1(A); or (ii) transferred to another New SL Group Member or other person who is assuming such reinsurance obligations.

- 22.2 Any decision or determination to be made by the SLAL Board pursuant to paragraph 22.1 above must be made having regard to the advice of the SLAL WP Actuary.

### **23. Reinsurance arrangements: Unitised With Profits Policies**

- 23.1 This paragraph 23 applies to any Unitised With Profits Policy written in, allocated to, or reinsured by any SLAL Fund (the “**Primary Fund**”) other than the With Profits Fund but only if and to the extent that the WP Investment Element is transferred or allocated to, or reinsured by, the With Profits Fund. Such transfer, allocation or reinsurance shall be subject to the limitations specified in paragraph 28.
- 23.2 Any Premium received by SLAL on or after the Effective Time in respect of a Unitised With Profits Policy to which this paragraph 23 applies (a “**UWP Primary Fund Policy**”) shall be credited to the relevant Primary Fund and the WP Investment Element in respect thereof shall be debited from the relevant Primary Fund and credited to the With Profits Fund and applied in allocating With Profits Units in respect of such UWP Primary Fund Policy.
- 23.3 Any amounts in respect of a UWP Primary Fund Policy to be allocated to With Profits Units on or after the Effective Time as a result of a switch from Unit Linked Units to With Profits Units, or otherwise, in accordance with the terms of the relevant Policy shall be debited from the relevant Primary Fund and credited to the With Profits Fund and applied in allocating With Profits Units in respect of the relevant Policy.
- 23.4 If any event occurs which, under the terms of a UWP Primary Fund Policy, gives rise to the cancellation of With Profits Units attaching to such UWP Primary Fund Policy (other than switches to other types of With Profits Units in the With Profits Fund), an amount shall be debited from the With Profits Fund and credited to the relevant Primary Fund equal to the amount which the terms of the relevant UWP Primary Fund Policy provide shall be payable or transferable on cancellation of With Profits Units in such circumstances.
- 23.5 Any transfer pursuant to paragraph 23.4 shall take account of any applicable final bonus or unit price adjustment (and other charges and deductions properly attributable to the With Profits Fund in accordance with the PPFM) required by the terms of the relevant Policy, but shall disregard any charges and deductions applicable under the terms of the Policy which are properly attributable to the relevant Primary Fund.

- 23.6 From time to time there shall be debited from the With Profits Fund and credited to the relevant Primary Fund in accordance with the terms of the relevant UWP Primary Fund Policies all charges levied on Asset Shares (other than in respect of guarantees met by the With Profits Fund) less investment management fees debited from the With Profits Fund pursuant to paragraph 34 in respect of such Asset Shares.
- 23.7 The liability of the With Profits Fund in respect of the UWP Primary Funds Policies shall cease at the same time as the liability of the relevant Primary Fund ceases in respect of each such UWP Primary Funds Policies.
- 23.8 In substitution of the arrangements described in this paragraph 23, the SLAL Board may at any time effect such alternative arrangements between the With Profits Fund and the relevant Primary Fund as it determines is appropriate, provided that any such alternative arrangements (and any consequential transfers which are effected in order to implement such alternative arrangements) are: (i) compliant with PRIN 6 and the limitations set out in paragraph 28; and (ii) undertaken having regard to the advice of the SLAL WP Actuary.
- 24. Reinsurance arrangements: New Investment Funds**
- 24.1 This paragraph 24 applies to any Policy or SL Intl HWPF Reinsured Policy written in, allocated to, or reinsured by the With Profits Fund but only if and to the extent that the WP Investment Element or UL Investment Element (together, the “**Investment Element**”) is transferred or allocated to, or reinsured by, a SLAL Fund other than the With Profits Fund (a “**New Investment Fund**”).
- 24.2 Any Premium received by SLAL on or after the Effective Time in respect of a Policy or SL Intl HWPF Reinsured Policy to which this paragraph 24 applies (a “**New Investment Policy**”) shall be credited to the With Profits Fund and the Investment Element in respect thereof, to the extent that it is transferred or allocated to, or reinsured by, a New Investment Fund, shall be debited from the With Profits Fund and credited to the relevant New Investment Fund and applied by allocating With Profits Units or Unit-Linked Units (as appropriate) (together, “**Units**”) to such New Investment Policy in the relevant New Investment Fund (“**New Investment Fund Units**”).
- 24.3 Any amounts to be allocated to New Investment Fund Units on or after the Effective Time as a result of a switch from Units in the With Profits Fund (“**With Profits Fund Units**”) to New Investment Fund Units, or otherwise, in accordance with the terms of the relevant Policy shall be debited from the With Profits Fund and credited to the relevant New Investment Fund and applied in allocating New Investment Fund Units in respect of the relevant New Investment Policy.
- 24.4 Any amounts debited from the With Profits Fund pursuant to paragraph 24.3 shall take account of any applicable final bonus or unit price adjustment (and other charges and deductions made in accordance with the PPFM) required by the terms of the relevant Policy or SL Intl HWPF Reinsured Policy.
- 24.5 If any event occurs which, under the terms of a New Investment Policy, gives rise to the cancellation of New Investment Fund Units attaching to such New Investment Policy

(other than switches to other New Investment Fund Units), an amount shall be debited from the relevant New Investment Fund and credited to the With Profits Fund equal to the amount which the terms of the relevant New Investment Policy and, if applicable, the Principles and Practices of Financial Management applicable to the relevant New Investment Fund provide shall be payable or transferable on cancellation of New Investment Fund Units in such circumstances and, if applicable, the relevant portion of such amount shall be applied in allocating Units in accordance with the terms of the relevant New Investment Policy.

- 24.6 From time to time there shall be debited from the relevant New Investment Fund and credited to the With Profits Fund all charges levied on the New Investment Fund Units allocated to the New Investment Policy (including as a result of any switch) in accordance with the terms of the relevant New Investment Policy, less any investment management expenses incurred by the New Investment Fund in respect of such New Investment Fund Units.
- 24.7 In substitution of the arrangements described in this paragraph 24, the SLAL Board may at any time effect such alternative arrangements between the With Profits Fund and the relevant New Investment Fund as it determines is appropriate, provided that any such alternative arrangements (and any consequential transfers which are effected in order to implement such alternative arrangements) are: (i) compliant with PRIN 6; and (ii) undertaken having regard to the advice of the SLAL WP Actuary.

## **25. Cessation of the With Profits Fund**

- 25.1 At any time after the Final Adjustment Date (as defined in Schedule 4 (Mortgage Endowment Promise)), if the level of the ~~with profits~~with-profit policy liabilities (other than future policy-related liabilities) on the relevant Valuation Date in respect of the With Profits Fund falls below:

- (A) £0.5 billion (adjusted annually from the Effective Date to reflect the change in the RPI over each relevant year), the SLAL Board may apply to the Regulator for its approval to be released from its obligation to maintain the With Profits Fund; or
- (B) £0.1 billion (adjusted annually from the Effective Date to reflect the change in RPI over each relevant year), SLAL shall be, if the SLAL Board so elects, released from its obligation to maintain the With Profits Fund.

If SLAL: (i) applies to be released from its obligations to maintain the With Profits Fund under paragraph 25.1(A) and the relevant approval is obtained from the Regulator; or (ii) elects to be released from its obligation to maintain the With Profits Fund under paragraph 25.1(B), then the following provisions of this paragraph 25 shall apply.

- 25.2 The SLAL Board shall calculate:

- (A) the “**WPF Policy Assets**” comprising:
  - (i) the value of with-profits assets of the With Profits Fund;

less

- (ii) the value of the liabilities attributable to the obligations of the With Profits Fund in respect of all potential transfers of Reference Period Transfer Amounts to a Surplus Transfer Fund pursuant to paragraph 30; and
- (iii) the future policy-related liabilities of the With Profits Fund, but only to the extent that such liabilities constitute: (a) future costs of financial options; (b) financing costs; or (c) other future costs which liabilities are included as items 4, 6 and 7 respectively of the definition of future policy-related ~~liabilities~~liabilities in the Glossary of the PRA Rulebook,

such calculation to be made on a basis which is consistent with 4.1 of the Surplus Funds section of the PRA Rulebook and which the SLAL Board considers appropriate by reference to the recent financial and operating experience of the With Profits Fund and the SLAL Board's best estimate of the likely future financial and other operating experience of the With Profits Fund;

- (B) in respect of each WPF With Profits Policy (or, at the sole and absolute discretion of the SLAL Board, and to the extent permitted by Regulation, each group of WPF With Profits Policies):
  - (i) the gross premium valuation of such Policy or Policies (allowing for guaranteed surrender values and paid up values but disregarding future bonuses), such calculation to be made on the basis that the With Profits Fund holds appropriate matching assets for the liabilities in respect of such guaranteed benefits (the "**Guaranteed Value**") provided that any of the future policy-related liabilities referred to in paragraph 25.2(A)(iii) shall be excluded from the assessment under this paragraph 25.2(B)(i); and
  - (ii) the corresponding ~~with profits~~with-profit policy liabilities (other than future policy-related liabilities) (the "**WPAS**");
- (C) any "**Guarantee Cost**" in respect of each WPF With Profits Policy (or group of WPF With Profits Policies, as the case may be), being an amount equal to the Guaranteed Value less the WPAS, subject to a minimum of zero; and
- (D) the "**Benefit Value**" attributable to each WPF With Profits Policy (or group of WPF With Profits Policies, as the case may be). For this purpose, if the aggregate of: (i) the WPAS; and (ii) the Guarantee Cost (if any), in respect of all WPF With Profits Policies is:
  - (i) greater than the WPF Policy Assets, the Benefit Value of each WPF With Profits Policy shall be the greater of the relevant WPAS and the Guaranteed Value; or

- (ii) less than the WPF Policy Assets, then the corresponding excess shall be applied to the WPAS in respect of each WPF With Profits Policy (or group of WPF With Profits Policies, as the case may be) on a basis which, in the opinion of the SLAL Board (having regard to the PPFM), is consistent with the manner in which such excess would have been allocated to the WPAS over the remaining lifetime in force of the corresponding WPF With Profits Policies had paragraph 25.1 not applied, and the Benefit Value shall be the WPAS as adjusted pursuant to this paragraph 25.2(D)(ii). If and to the extent that, by virtue of an adjustment being made to the WPAS pursuant to this paragraph 25.2(D)(ii), the Guaranteed Value is altered, the provisions of paragraphs 25.2(B) to (D) shall be applied *mutatis mutandis* until the WPF Policy Assets do not exceed the aggregate of (1) the WPAS and (2) the Guarantee Cost (if any).

25.3 If the approval of the Regulator is obtained pursuant to paragraph 25.1(A), or SLAL elects to be released from its obligation to maintain the With Profits Fund pursuant to paragraph 25.1(B):

- (A) the guaranteed benefits payable in respect of each WPF With Profits Policy shall be amended such that they are:
  - (i) compliant with the requirements of PRIN 6; and
  - (ii) without prejudice to the generality of paragraph 25.3(A)(i) above, of an amount with a present value (determined assuming that appropriate matching assets are held in respect of the guaranteed liabilities), having regard to future premiums payable, at least equal to the relevant Benefit Value, adjusted to reflect any expenses which would have been incurred, or charges (excluding deductions for guarantees) which would have been made, had SLAL not ceased to maintain the With Profits Fund pursuant to this paragraph 25;
- (B) the WPF With Profits Policies shall cease to carry any right to participate in the profits of SLAL or any SLAL Fund;
- (C) (i) the property and liabilities of the With Profits Fund, (ii) the WPF With Profits Policies (and all other Policies written in or allocated to the With Profits Fund) and (iii) all amounts which would under any other provision of this Scheme fall to be allocated to the With Profits Fund shall each be transferred or allocated to the appropriate SLAL Fund; ~~and~~
- (D) all provisions of this Scheme which solely relate to the establishment or operation of the With Profits Fund shall cease to have effect and, in particular but without limitation, the obligation to maintain the With Profits Fund shall no longer apply ~~:-~~ and

(E) the provisions of paragraph 20 of the Brexit Scheme shall apply.

- 25.4 Any decision, determination or calculation to be made by the SLAL Board pursuant to this paragraph 25 must be made having regard to the advice of the SLAL WP Actuary.
- 25.5 This paragraph 25 may be varied by SLAL provided that any such variation is approved by:
- (A) the SLAL WP Actuary (on the basis that the proposed variation is not expected to materially and adversely affect: (i) the contractual rights of the holders of WPF With Profits Policies; or (ii) their reasonable expectations regarding non-contractual rights under such Policies); and
  - (B) the Regulator.

## 26. Administration

SLAL shall, on and from the Effective Time, take over from SLAC the administration and negotiation of proposals for insurance (falling within paragraph (B) of the definition of Transferred Policies) and shall bear all liabilities in relation thereto. This paragraph 26 shall not oblige SLAL to accept any proposal for insurance received by or on behalf of SLAC before the Effective Time which was not accepted by SLAC.

## 27. Principles and Practices of Financial Management

### 27.1

- (A) Subject to paragraph 27.1(C), SLAL shall conduct the business of the With Profits Fund in accordance with the Core Principles.
- (B) SLAL shall, to the extent reasonably practicable, carry on its business so that there is no significant foreseeable risk that a Capital Event as set out in paragraph 27.1(C) arises and requires that the business of the With Profits Fund will not be conducted in accordance with the Core Principles.
- (C) If SLAL is at any time, in the reasonable opinion of the SLAL Board (having regard to the advice of the SLAL WP Actuary and SLAL Actuary), unduly exposed to a risk that SLAL will be unable to meet its SCR, or its capital needs (as determined in accordance with regulatory requirements to be adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due) (a “**Capital Event**”), SLAL shall carry on its business in a manner which:
  - (i) ensures that, in the reasonable opinion of the SLAL Board (having regard to the advice of the SLAL WP Actuary and SLAL Actuary) it does not unduly expose SLAL to a risk that SLAL will be unable to meet its SCR, or its capital needs (as determined in accordance with regulatory requirements to be adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due); and

- (ii) subject to satisfying paragraph 27.1(C)(i), enables SLAL to conduct the business of the With Profits Fund as far as reasonably practicable in accordance with the Core Principles.
- (D) SLAL shall notify the Regulator as soon as reasonably practicable after it has determined that a Capital Event has occurred or is reasonably likely to occur.
- 27.2 SLAL will, on and from the Effective Date, establish and maintain Principles and Practices of Financial Management in relation to the With Profits Fund which are consistent with the Core Principles (or, if there has been a Capital Event, in accordance with SLAL's conduct pursuant to paragraph 27.1(C)(ii)).
- 27.3 Nothing in this Scheme shall prevent SLAL from varying the PPFM provided that such variation is consistent with the Core Principles, (or, if there has been a Capital Event, in accordance with SLAL's conduct pursuant to paragraph 27.1(C)(ii)), the other provisions of this Scheme and all applicable regulatory requirements.

## **28. New business**

- 28.1 The SLAL Board may, from time to time, write new business in the With Profits Fund provided that it has determined (any such determination to be made in accordance with the advice of the SLAL WP Actuary) that the writing of such proposed new business:
  - (A) is not expected to materially and adversely affect the quantum of the residual estate of the With Profits Fund or to impose any material constraint on the manner and timing of its distribution;
  - (B) is not expected to materially and adversely affect the reasonable expectations of the holders of Policies written in or allocated to the With Profits Fund; and
  - (C) will not be inconsistent with any of the Core Principles (or, if there has been a Capital Event, in accordance with SLAL's conduct pursuant to paragraph 27.1(C)(ii)) or the PPFM.

If any such business is written pursuant to this paragraph 28.1, the SLAL Board shall ensure that the With Profits Fund is remunerated appropriately for the use of its capital, and the risks which it is assuming, in writing or accepting such new business.

- 28.2 Other than new business permitted to be written in the With Profits Fund pursuant to paragraph 28.1, the only new business which may be written in the With Profits Fund after the Effective Time is:
  - (A) replacement Policies (but not new or additional Policies) written by SLAL pursuant to paragraphs 7.3 and 8.2, other than where any such Policy would have been an NPF Policy if it had been a Transferred Policy;
  - (B) Excluded Policies being transferred to SLAL pursuant to paragraph 8.3 and allocated to the With Profits Fund under Part C3;



- (C) increases to Premiums or benefits in respect of WPF Policies, including Annuity Augmentations (as defined in the SLIF EB Annuities Reinsurance Agreement);
- (D) any new business arising in respect of the application of Earmarked Amounts and PSC Amounts towards the allocation of With Profits Units under Unitised With Profit Policies or the securing of benefits under Conventional Participating Policies or with profit annuities pursuant to Part E5;
- (E) Policies which would, had they been written at or prior to the Effective Time, have been administered as increments to WPF Policies;
- (F) Policies issued on the exercise of options or rights under WPF Policies, other than non-profit immediate annuities issued on the vesting of Policies to which paragraph 29 applies;
- (G) new business arising in respect of new members of group policies which are allocated to the With Profits Fund and which are, as at the Effective Time, administered on:
  - (i) SLAC's CIRVIE system; or
  - (ii) other systems used by SLAC where the benefits and/or premiums attributable to such new members are not separately identifiable at the time such business is written;
- (H) Policies written in substitution of WPF Policies that are cancelled;
- (I) new business comprised of reinsurances accepted by SLAL after the Effective Time pursuant to reinsurance treaties entered into between SLAC and any other person prior to the Effective Time where the corresponding liability would, had it been accepted at or prior to the Effective Time, have been administered as an increment; and
- (J) any amounts transferred or allocated from a SLAL Fund other than the With Profits Fund to the With Profits Fund pursuant to paragraph 24.5.

28.3 For the purposes of this paragraph 28, "**new business**" shall include:

- (A) the allocation of Policies written after the Effective Time to the With Profits Fund; and
- (B) the transfer or allocation to the With Profits Fund of any liability in respect of:
  - (i) a Policy written after the Effective Time in another SLAL Fund or by another New SL Group Member; or
  - (ii) a reinsurance accepted by SLAL after the Effective Time, whether or not from another New SL Group Member; other than the HWPF Reinsurance Agreement, which shall not constitute new business for the

purposes of this paragraph 28 and which shall be allocated to the With Profits Fund pursuant to paragraphs 16.6 and 17.7).

including the transfer or allocation to the With Profits Fund from another SLAL Fund of the WP Investment Element of any Unitised With Profits Policies written by, or reinsured to, such other SLAL Fund (including any amounts transferred into the With Profits Fund from another SLAL Fund in respect of switches from Unit Linked Units to With Profits Units) in each case pursuant to paragraph 23.

## 29. Annuity benefits

29.1 If a non-profit immediate annuity (an “**Annuity Benefit**”) is to be provided on vesting (including where such vesting arises on retirement or death) of a Transferred Policy (or other Policy written in or allocated to the With Profits Fund) or SL Intl HWPF Reinsured Policy in respect of which: (i) the principal benefits are expressed in terms of an annuity; or (ii) such Policy contains an option and/or contains another term, which requires annuities to be issued at a guaranteed rate or for a guaranteed minimum amount per annum, then the following shall apply:

(A) Subject to paragraph 29.1(C), SLAL shall provide the Annuity Benefit from within a SLAL Fund (other than the With Profits Fund) or procure its provision by another New SL Group Member and an amount equal to the cost of such Annuity Benefit, as determined in accordance with paragraph 29.1(B) (the “**Annuity Benefit Cost**”), shall be debited from the With Profits Fund and credited to the relevant SLAL Fund or paid to the relevant New SL Group Member (as appropriate). In respect of a SL Intl HWPF Reinsured Policy, the Annuity Benefit Cost shall be debited from the With Profits Fund and transferred to SL Intl pursuant to the HWPF Reinsurance Agreement, unless paragraph 31.1(c) of the Brexit Scheme applies.

(B) The Annuity Benefit Cost is to be determined by the SLAL Board on the basis of:

- (i) the most favourable annuity rates being offered to purchasers of annuities of a similar type and in the same country as the relevant Annuity Benefit by New SL Group Members (including SL Intl in respect of any SL Intl HWPF Reinsured Policy) and SLAL Funds (other than the With Profits Fund) at the time at which such Annuity Benefit is to be provided; or
- (ii) if such rates are unavailable, such rates as are determined by the SLAL Board.

(C)

- (i) If the SLAL WP Actuary considers that the Annuity Benefit Cost exceeds that which is reasonable then he may require that SLAL shall provide such Annuity Benefit from within the With Profits Fund (including, in the case of a SL Intl HWPF Reinsured Policy, by continuing to provide

reinsurance under the HWPF Reinsurance Agreement in respect of such Policy including where the circumstances in paragraph 31.1(C) of the Brexit Scheme arise). In such circumstances, the SLAL Board shall be informed as to how the SLAL WP Actuary has reached his conclusion under this paragraph 29.1(C).

(ii) If the SLAL Board considers pursuant to paragraph 31.1(C) of the Brexit Scheme that the Annuity Benefit Cost exceeds that which is reasonable and requires that SLAL shall provide such Annuity Benefit from within the With Profits Fund by continuing to provide reinsurance under the HWPF Reinsurance Agreement in respect of the relevant SL Intl HWPF Reinsured Policy the liability of the With Profits Fund in respect of that SL Intl HWPF Reinsured Policy pursuant to the HWPF Reinsurance Agreement shall, unless the SLAL WP Actuary agrees otherwise in writing or that liability is reassured by a person other than SLAL, and subject to paragraph 29.1(C)(i), be allocated to the Non Profit Fund.

(D) All costs and liabilities relating to the provision of the Annuity Benefit will be reassured by transferred to, or remain in, as the case may be, the SLAL Fund or New SL Group Member (including SL Intl in respect of any SL Intl HWPF Reinsured Policy) from which the Annuity Benefit is to be provided. This paragraph 29.1(D) shall not prevent the liabilities in respect of any Annuity Benefit from being reassured with a third party, such reinsurance to be on terms acceptable to the SLAL WP Actuary if the Annuity Benefit is to be provided from the With Profits Fund.

29.2 If, in the event of vesting of a Transferred Policy (or other Policy written in or allocated to the With Profits Fund) or SL Intl HWPF Reinsured Policy in respect of which the principal benefits are expressed in terms of cash (otherwise than where an annuity arises under an option in respect of a Policy which requires annuities to be issued at a guaranteed rate), the Policyholder elects to take all or part of the benefits as an annuity, SLAL shall transfer the cash (or relevant proportion of the cash) from the With Profits Fund:

- (A) where the annuity is to be provided by another SLAL Fund, to the SLAL Fund which is to provide the annuity, in which case the annuity shall be provided on the basis of the annuity rate determined by the SLAL Board; or
- (B) where the annuity is to be provided by a New SL Group Member, to the relevant New SL Group Member, in which case the annuity shall be provided on the basis of the annuity rate being offered by the relevant New SL Group Member. In respect of a SL Intl HWPF Reinsured Policy, the cash (or relevant proportion of the cash) shall be transferred from the With Profits Fund to SL Intl, and the annuity shall be provided by SL Intl on the basis of the annuity rate being offered by SL Intl.

**30. Allocation of surplus arising in the With Profits Fund; Transfers out of the With Profits Fund and Termination of HWPF Reinsurance Agreement**

- 30.1 Except as expressly permitted or required by this Scheme (including pursuant to this paragraph 30 and paragraph 16, 35, 36 or 37):
- (A) no part of any surplus in the With Profits Fund shall be applied over time other than as bonus on, or reduction, rebate or suspension of premiums to, or otherwise applied for the benefit of, any With Profits Policy which is written in, or reassured or allocated to, the With Profits Fund (including to meet liabilities of the same). The manner and timing of the distribution of such surplus shall be determined by the SLAL Board in accordance with the PPFM and shall be as fair and equitable as is practicable, subject to the need to ensure a prudent amount is retained in respect of any amounts which may be charged to the With Profits Fund in accordance with this Scheme; and
  - (B) neither the Shareholder Fund nor the Non Profit Fund shall be entitled to any surplus arising in the With Profits Fund.
- 30.2 The SLAL Board may, subject to the provisions of this Scheme, carry forward to the next Valuation Period any surplus arising in the With Profits Fund as unappropriated.
- 30.3 Bonuses declared on Policies (including in respect of SL Intl HWPF Reinsured Policies) written in, or allocated to or reassured to, the With Profits Fund shall have regard to the interests and reasonable expectations (as varied by this Scheme) of the holders of such Policies and be determined in accordance with the Core Principles (or, if there has been a Capital Event, in accordance with SLAL's conduct pursuant to paragraph 27.1(C)(ii)) and the PPFM.
- 30.4 On each Valuation Date (each, a "**Reference Valuation Date**"), the SLAL Board (having regard to the advice of the SLAL Actuary and the SLAL WP Actuary) shall determine:
- (A) in respect of the Valuation Period which ends on that Reference Valuation Date (the "**Reference Valuation Period**"), the Reference Period Transfer Amount; and
  - (B) the amount which can be transferred out of the With Profits Fund (in respect of each Reference Valuation Period, the "**Transferable Amount**") without any of the following occurring (each a "**Transferable Amount Event**"):
    - (i) the elimination of the with-profits fund surplus in the With Profits Fund;
    - (ii) SLAL ceasing to be able to demonstrate that it is reasonable to expect continued compliance with the requirements in COBS 20.1A.5R in respect of the With Profits Fund; and
    - (iii) (unless there is a current Capital Event) the Notional Company having insufficient assets to cover its technical provisions.

30.5 In calculating the Transferable Amount for the purposes of paragraph 30.4:

- (A) the obligation to transfer the Proposed Transfer Amount in respect of such Reference Valuation Period shall be disregarded;
- (B) any disapplication of the obligation to transfer future Reference Period Transfer Amounts pursuant to paragraph 30.7(B) shall be disregarded; and
- (C) any loan repayment or transfer of assets to be made pursuant to paragraph 32.2 on the Reference Valuation Date shall be assumed to have already been made.

30.6 Where the Proposed Transfer Amount in respect of a Reference Valuation Period is negative:

- (A) the SLAL Board will provide (or procure the provision of) a contingent loan (or otherwise make assets available) to the With Profits Fund in an amount equal to or, at the SLAL Board's sole and absolute discretion, greater than the absolute value of the Proposed Transfer Amount. Where any contingent loan is made, or other assets are made available, to the With Profits Fund under this paragraph 30.6(A):
  - (i) the rate of return on such contingent loan or assets shall be determined by the SLAL Board but shall, in any event, not exceed:
    - (a) where such loan is, or such assets are, provided by another SLAL Fund, notional interest at LIBOR (net of Tax); or
    - (b) where such loan is, or such assets are, provided by another person, interest at LIBOR (gross of Tax); and
  - (ii) neither the Non Profit Fund nor the Shareholder Fund may treat such loan or assets as an asset for the purposes of complying with paragraph 31.4; and
  - (iii) the contingent loan or assets (and any interest accrued thereon pursuant to paragraph 30.6(A)(i)) shall be repaid by the With Profits Fund or transferred out of the With Profits Fund (as appropriate) on such terms (including as to the manner and timing of repayment) as the SLAL Board thinks fit. Any such repayment or transfer may only be made by using any Proposed Transfer Amounts which are available for transfer to a Surplus Transfer Fund in future Valuation Periods in accordance with the provisions of this paragraph 30; and
- (B) no transfer shall be made on the Reference Valuation Date to a Surplus Transfer Fund and the Surplus Support Account (as defined in paragraph 30.7(B)) shall have a balance of zero.

30.7 Where the Proposed Transfer Amount in respect of a Reference Valuation Period is positive, then if, on the Reference Valuation Date:

- (A) the Proposed Transfer Amount is less than or equal to the Transferable Amount an amount equal to the Proposed Transfer Amount shall be transferred from the With Profits Fund to the Surplus Transfer Fund on the Reference Valuation Date and the Surplus Support Account shall have a balance of zero;
- (B) the Proposed Transfer Amount is greater than the Transferable Amount, then the obligation of SLAL to transfer Reference Period Transfer Amounts in the future pursuant to this paragraph 30.7 shall be disapplied on the basis that the obligation in respect of the Reference Period Transfer Amount which would in the future be transferred last shall be disapplied first, the obligation in respect of the Reference Period Transfer Amount which would in the future be transferred second from last shall be disapplied second and so forth until either:
  - (i) transferring the entire Proposed Transfer Amount from the With Profits Fund to the Surplus Transfer Fund will not result in the occurrence of any Transferable Amount Event; or
  - (ii) the obligation in respect of all Reference Period Transfer Amounts required to be transferred in the future has been disapplied under this paragraph 30.7(B),

whichever is the earlier. Where paragraph 30.7(B)(i) applies, the Proposed Transfer Amount shall be transferred to the Surplus Transfer Fund on the Reference Valuation Date. Where paragraph 30.7(B)(ii) applies:

- (a) to the extent that transferring the Proposed Transfer Amount from the With Profits Fund to the Surplus Transfer Fund will result in the occurrence of any Transferable Amount Event such amount shall be recorded in the Surplus Support Account as a **"Withheld Transfer Amount"**; and
- (b) an amount equal to the Proposed Transfer Amount less such Withheld Transfer Amount (if positive) shall be transferred from the With Profits Fund to the Surplus Transfer Fund on the Reference Valuation Date.

Any transfer pursuant to this paragraph 30.7 may only be made if and to the extent that any amount to be so transferred has not been applied in repaying any contingent loan pursuant to paragraph 30.6(A)(iii).

30.8 If a Related Transaction (as defined in paragraph 35.3) in the form of a Contingent RCF Loan has been entered into, the proceeds of such loan (or any property acquired, or being utilised, by SLAL as collateral or otherwise to provide security in respect of such Contingent RCF Loan) shall be applied in making any transfer of the Proposed Transfer Amount (or proportion thereof) required pursuant to this paragraph 30 in priority to the transfer of any other property.

- 30.9 The obligations of SLAL under this paragraph 30 shall continue until the With Profits Fund ceases to be maintained pursuant to paragraph 25.
- 30.10 For the purposes of this paragraph 30, the “**Proposed Transfer Amount**” for each Reference Valuation Period means the sum of:
- (A) the Reference Period Transfer Amount determined in respect of the Reference Valuation Period pursuant to paragraph 30.4;
  - (B) any amounts recorded in the Surplus Support Account on the immediately preceding Reference Valuation Date; and
  - (C) an amount equal to the notional interest which would have accrued at LIBOR (net of Tax) on all amounts recorded in the Surplus Support Account in the Reference Valuation Period, the amount of such interest being determined by the SLAL Board.

30.11 Following the termination of the HWPF Reinsurance Agreement any amount which is payable by SLAL to SL Intl in accordance with:

- (A) Clauses 17 and 21 of that agreement can only be transferred out of the With Profits Fund to the extent it does not result in any of the following occurring:
  - (i) the elimination of the with-profits fund surplus in the With Profits Fund;
  - (ii) SLAL ceasing to be able to demonstrate that it is reasonable to expect continued compliance with the requirements in COBS 20.1A.5R in respect of the With Profits Fund; and
  - (iii) (unless there is a current Capital Event) the Notional Company having insufficient assets to cover its technical provisions.
- (B) If the provisions of paragraph 30.11(A) would result in SLAL paying less than it would have paid SL Intl under Clauses 17 and 21 of the HWPF Reinsurance Agreement had the provisions of paragraph 30.11(A) not applied (the difference between the amount it would have paid and the lesser amount, the “Termination Amount Shortfall”) then the Shareholder Fund shall transfer the Termination Amount Shortfall to SL Intl in accordance with the provisions of the HWPF Reinsurance Agreement; and
- (C) Clause 17 of that agreement to the extent it relates to the Cost of Capital or Estimated Cost of Capital (each as defined in the HWPF Reinsurance Agreement) may not be transferred out of the With Profits Fund but shall be transferred by the Shareholder Fund to SL Intl in accordance with the provisions of that agreement.

30.12 The only assets allocated to the With Profits Fund, which can be posted as collateral pursuant to clause 23.2 of the HWPF Reinsurance Agreement, are the assets backing:

- (A) the Current WP Liability (as defined in the HWPF Reinsurance Agreement) in respect of the HWPF Reinsured Liabilities (as defined in the HWPF Reinsurance Agreement);
- (B) the Non-Profit BEL (as defined in the HWPF Reinsurance Agreement) in respect of the HWPF Reinsured Liabilities;
- (C) reserves held for outstanding claims in respect of the HWPF Reinsured Liabilities; and
- (D) reserves held for Accounting Liabilities held in respect of the HWPF Reinsured Liabilities.

### 31. Further Capital Support Account

- 31.1 At and from the Effective Time SLAL shall maintain a memorandum account designated the further capital support account (the “**Further Capital Support Account**”). The amount recorded in the Further Capital Support Account (the “**Further Capital Support Amount**”) as at the Effective Time shall be zero.
- 31.2 If, in respect of the calculation of a Reference Period Transfer Amount pursuant to paragraph 30, there is a Reference Period Securitisation Receipt, the Further Capital Support Amount shall be adjusted so that it is equal to the value of the liabilities of the With Profits Fund (as used in the calculation of the with-profits fund surplus) in respect of the relevant Contingent RCF Loan on the relevant Reference Valuation Date. The Further Capital Support Amount shall subsequently be adjusted periodically (and, in any event, no less frequently than on each Valuation Date) so that it is equal to the value of the liabilities of the With Profits Fund (as calculated as a component of the with-profits fund surplus) in respect of the relevant Contingent RCF Loan on the date of such adjustment. This paragraph 31.2 is without prejudice to the provisions of paragraph 31.5.
- 31.3 Subject to paragraph 31.4, no amount may be transferred (whether by way of dividend or otherwise) from the Shareholder Fund if the effect of such transfer would be to reduce the excess of the value of the assets of the Non Profit Fund and the Shareholder Fund over the value of the liabilities of the Non Profit Fund and the Shareholder Fund, below the Further Capital Support Amount from time to time.
- 31.4 For the purposes of paragraph 31.3, the following shall apply:
- (A) Subject to paragraphs 31.4(B) and 31.4(C), the value of the assets and the value of the liabilities of the Non Profit Fund and the Shareholder Fund shall be calculated by the SLAL Board in a consistent manner to the calculation of the ~~with-profits~~with-profits fund surplus.
  - (B) The outstanding balance:



- (i) recorded in the Surplus Support Account from time to time (if and to the extent that such balance is, having regard to paragraph 30.8, in respect of a Reference Period Securitisation Receipt); and
- (ii) in respect of any contingent loan or other assets made available to the With Profits Fund from the Non Profit Fund and/or the Shareholder Fund from time to time,

shall be deemed to constitute an asset of the Non Profit Fund and/or Shareholder Fund (as appropriate).

- (C) The obligations of the With Profits Fund in respect of all potential transfers of Reference Period Transfer Amounts to the Surplus Transfer Fund shall not constitute an asset of the Non Profit Fund and/or the Shareholder Fund.

31.5 This paragraph 31.5 applies where a revised regulatory capital regime is applied to SLAL as a result of changes to applicable Regulation or legislation within the ten year period immediately following the Effective Date (including changes introduced following the Solvency II review of the regulatory regime of the insurance industry being undertaken by the European Commission) (a “**Revised Regulatory Capital Regime**”). Where a Revised Regulatory Capital Regime gives rise, in the opinion of the SLAL Board (having regard to the advice of the SLAL WP Actuary), to a material increase, in aggregate, to the amount which can be transferred to a Surplus Transfer Fund pursuant to paragraph 30 (an “**Increased Transfer Amount**”) because, in the Reference Valuation Period in which the Revised Regulatory Capital Regime comes into force, the Revised Regulatory Capital Regime affects the calculation of: (i) the Reference Period Transfer Amount (including by the Transitional Amount being positive in aggregate); or (ii) the Transferable Amount in respect of such Reference Valuation Period, the SLAL Board shall, unless otherwise agreed with the SLAL WP Actuary, record such Increased Transfer Amount in the Further Capital Support Account and the preceding provisions of this paragraph 31 shall apply to the Further Capital Support Account. The SLAL Board shall thereafter reduce the Increased Transfer Amount by an equal amount in each of the ten years following its addition to the Further Capital Support Account so that, at the end of such ten year period, the amount recorded in the Further Capital Support Account which is attributable to an Increased Transfer Amount shall be zero.

31.6 The obligation of SLAL to maintain the Further Capital Support Account shall continue until the With Profits Fund ceases to be maintained in accordance with paragraph 25.

## **32. Shareholder Support Mechanism**

32.1 Subject to paragraph 35, the SLAL Board may from time to time make a contingent loan, or otherwise make assets available, to the With Profits Fund from any other SLAL Fund, in each case on such terms (including as to the rate of return on such loan or assets and the manner of repayment) as it thinks fit.

32.2 If a loan has been made, or other assets have been made available, to the With Profits Fund, the loan may only be repaid, or the assets transferred, out of the With Profits Fund, if the repayment or transfer is of an amount which is less than the Transferable

Amount at the time of such repayment or transfer. Such repayment or transfer shall be separate to the transfer of the Proposed Transfer Amount (or any portion thereof) to a Surplus Transfer Fund.

32.3 In calculating the Transferable Amount for the purpose of this paragraph 32:

- (A) if the calculation is being made on a Reference Valuation Date the obligation of the With Profits Fund to transfer any Proposed Transfer Amount in respect of the relevant Reference Valuation Period shall be disregarded; and
- (B) the obligation of the With Profits Fund in respect of all potential transfers of Reference Period Transfer Amounts in the future shall be disregarded.

### **33. Allocation of surplus arising in the Non Profit Fund**

After the Effective Time, the SLAL Board may transfer assets from the Non Profit Fund to a Surplus Transfer Fund (subject to Regulation in force at the time of transfer).

### **34. With Profits Fund Costs**

Save as set out in this Scheme, there shall be debited from the With Profits Fund:

- (A) the expenses (including investment management expenses) and commissions which in the reasonable opinion of the SLAL Board (having regard to the advice of the SLAL WP Actuary) have been incurred or will be incurred in the operation of the With Profits Fund (but, for this purpose, liabilities to either of the SLAC Pension Schemes will only be regarded as having been incurred in the operation of the With Profits Fund to the extent that the SLAL Board (having regard to the advice of the SLAL WP Actuary) reasonably considers that they relate to or arise out of benefit accruals, or other matters occurring, after the Effective Time); and
- (B) the additional expenses in Schedule 2 (Additional Expenses).

### **35. Transactions in the With Profits Fund**

35.1 After the Effective Time SLAL may enter into any Related Transaction provided that it is on terms which, in the opinion of the SLAL Board (having regard to the advice of the SLAL WP Actuary), are unlikely to have a material adverse effect on the interests of the holders of WPF With Profits Policies.

35.2 Without prejudice to the generality of paragraph 35.1, if a Related Transaction includes the making of a loan to a connected person using assets in the With Profits Fund, or the giving of a guarantee to, or for the benefit of, a connected person, where the guarantee will be backed using assets in the With Profits Fund, such Related Transaction may be effected if the loan or guarantee:

- (A) will be on commercial terms;

- (B) will be, in the reasonable opinion of the SLAL Board, beneficial to the holders of WPF With Profits Policies; and
  - (C) will not, in the reasonable opinion of the SLAL Board, expose such Policyholders to undue credit or group risk.
- 35.3 In this paragraph 35, “**Related Transaction**” means a material transaction or arrangement entered into by SLAL (on behalf of and to the account of the With Profits Fund):
- (A) with any other SLAL Fund;
  - (B) with any other person; or
  - (C) which otherwise affects the property or liabilities of the With Profits Fund.
- 35.4 This paragraph 35 shall not in any way restrict or prohibit SLAL from entering into any transaction or arrangement which is required to be entered into, or which is expressly contemplated by, this Scheme. For this purpose, by virtue of the provisions of paragraph 36, any Contingent RCF Loan shall be deemed to be a transaction which is expressly contemplated by this Scheme.

### 36. Contingent RCF Loans

- 36.1 The SLAL Board may require the With Profits Fund to enter into a Contingent RCF Loan which would, but for the provisions of paragraph 35.4, be a Related Transaction to which either or both of paragraphs 35.1 and 35.2 would apply, on the basis that such a Contingent RCF Loan is expressly contemplated and permitted by the provisions of this paragraph 36 and paragraphs 30 and 31 and Schedule 3 (*Reference Period Transfer Amount*).
- 36.2 Notwithstanding paragraph 36.1, the SLAL Board may require that (notwithstanding the provisions of paragraph 30 and Schedule 3 (*Reference Period Transfer Amount*)) the Contingent RCF Loan is otherwise structured in a manner and/or implemented on terms which the SLAL Board deems appropriate (having regard to the advice of the SLAL WP Actuary). Such structuring or terms may include a variation of the calculation of the Recourse Cashflows on which the repayment of the Contingent RCF Loan will be contingent provided that any such variation has been approved by:
- (A) the SLAL WP Actuary (on the basis that the proposed variation of the calculation of the Recourse Cashflows is not expected to materially and adversely affect: (i) the quantum of the residual estate in the With Profits Fund (or to impose a material constraint on the manner and timing of its distribution); (ii) the contractual rights of the holders of WPF With Profits Policies; or (iii) their reasonable expectations regarding non-contractual benefits under such Policies); and
  - (B) the Regulator.

### **37. Contingent Financing Arrangements**

- 37.1 The SLAL Board may require the With Profits Fund to enter into a Contingent Financing Arrangement which is a Related Transaction provided that it is satisfied that the requirements of paragraph 35.1 and, if relevant, paragraph 35.2 are satisfied on the basis of the provisions of this paragraph 37.
- 37.2 For the purposes of paragraph 35.1 (if and to the extent that it is applicable to the Contingent Financing Arrangement being contemplated), any Contingent Financing Arrangement shall not be considered to have a material adverse effect on the interests of the holders of WPF With Profits Policies if the SLAL Board is reasonably satisfied (having regard to the advice of the SLAL WP Actuary) that the obligations undertaken by the With Profits Fund under the Contingent Financing Arrangement will not be likely to materially and adversely affect: (a) the quantum of the residual estate in the With Profits Fund (or to impose a material constraint on the manner and timing of its distribution); (b) the contractual rights of the holders of such Policies; or (c) their reasonable expectations regarding non-contractual benefits under such Policies, taking into account whether or not the holders of such Policies have any right or expectation to participate in any of the cashflows which are to be used to repay any such Contingent Financing Arrangement.
- 37.3 For the purposes of paragraph 35.2 (if and to the extent that it is applicable to the Contingent Financing Arrangement being contemplated), the SLAL Board shall determine at its sole and absolute discretion what form of benefit is appropriate to be provided to the With Profits Fund and may otherwise implement the Contingent Financing Arrangement on terms which it deems appropriate.

### **38. Standard Life Pension Funds Limited**

- 38.1 SLAL may be a party to an insurance business transfer scheme pursuant to Part VII of, and Schedule 12 to, the Act pursuant to which SLPF will transfer the SLPF Annuity Business to SLAL (a “**SLPF Scheme**”). Any SLPF Scheme must contain provisions, and be effected on a basis, which the SLAL Board deems appropriate.
- 38.2 If the SLAL Board determines that, upon implementation of the transfer pursuant to an SLPF Scheme, the SLPF Annuity Business shall be allocated to the With Profits Fund, the SLAL Board shall have regard to the advice of the SLAL WP Actuary in determining whether or not the provisions contained in such SLPF Scheme, and the proposed basis of the transfer of the SLPF Annuity Business, are appropriate. In such circumstances, the SLPF Scheme may only be effected if the SLAL WP Actuary has approved the SLPF Scheme on the basis that it is not expected to materially and adversely affect: (i) the quantum of the residual estate in the With Profits Fund (or to impose a material constraint on the manner and timing of its distribution); (ii) the contractual rights of the holders of WPF With Profits Policies; or (iii) their reasonable expectations regarding non-contractual benefits under such Policies.
- 38.3 Any reinsurance contracts, agreements or arrangements between SLAL and SLPF in relation to the SLPF Annuity Business will be terminated on or prior to any SLPF Scheme becoming effective.

- 38.4 For the purposes of this paragraph 38, the “**SLPF Annuity Business**” means the business and undertaking of SLPF which comprises the writing of life or annuity contracts of insurance under paragraph I of Part II of Schedule 1 to the Regulated Activities Order and which is from time to time reinsured into the With Profits Fund, together with all of the property and liabilities of SLPF attributable to such business and undertaking.

### 39. Taxation

- 39.1 In respect of any period commencing on or after the Effective Time, there shall be debited from or credited to (as appropriate) the With Profits Fund an amount in respect of Taxation calculated on the basis of the following assumptions:
- (A) The With Profits Fund constitutes the whole of the long term fund of a mutual life assurance company (the “**Notional Life Company**”) carrying on business in the United Kingdom and elsewhere with no business other than the business carried on in the With Profits Fund.
  - (B) The amount of Taxation debited from or credited to the With Profits Fund pursuant to this paragraph 39.1 shall exclude amounts arising because of or by reference to:
    - (i) any Contingent RCF Loan (including: (a) the investment return or receipts arising under the Contingent RCF Loan which form part of the Reference Period Securitisation Receipts (if and to the extent transferred to a Surplus Transfer Fund); and (b) any notional interest accruing on any Reference Period Securitisation Receipt pursuant to paragraph 3(B) of Schedule 3 (Reference Period Transfer Amount));
    - (ii) any Contingent Financing Arrangement; and
    - (iii) amounts transferred to a Surplus Transfer Fund under paragraph 30.
  - (C) All Taxation allowances, reliefs and rights to repayment that would reasonably be expected to be claimed or received by the Notional Life Company are successfully claimed and received.
  - (D) The Notional Life Company has the benefit of all reliefs and other credits in respect of Taxation available for carry forward in relation to the Transferred Business from periods commencing before the Effective Time, other than in respect of reliefs and other credits not transferred to SLAL under applicable legislation in each of the jurisdictions in which SLAC operated immediately before the Effective Time.
- 39.2 The amounts calculated pursuant to paragraph 39.1 shall be calculated by the SLAL Board (having taken such advice as it deems appropriate) on the basis of Taxation law and practice prevailing in respect of the period of calculation.

- 39.3 The amounts debited from or credited to the With Profits Fund pursuant to paragraph 39.1 shall be debited or credited on the latest due date on which they would have been paid or received by the Notional Life Company. If and to the extent that they are not actually debited or credited on such date, the amounts debited or credited shall be adjusted to reflect the delay between the time when they were due and the time when they are actually made.
- 39.4 If and to the extent that any amount debited from or credited to the With Profits Fund pursuant to paragraph 39.1 is subsequently shown to have been incorrect, an appropriate credit to or debit from the With Profits Fund in respect of such amount shall be made. Any amount credited or debited under this paragraph 39.4 shall be adjusted to reflect the delay between the time when the adjusting credit or debit is made and the time when the original credit or debit was made, or the time when the last correcting credit or debit in respect of the same period was made, whichever is the later.
- 39.5 If there is a material change in the basis on which life assurance companies are subject to Taxation in the United Kingdom or elsewhere, paragraph 39.1 shall be amended to the extent that the SLAL Board (having taken such advice as it deems appropriate) considers necessary or desirable to ensure that the effect of paragraph 39.1 is that the With Profits Fund will be debited or credited in respect of any liability to Taxation with the amount with which it would have been debited or credited had it been a separate mutual life assurance company carrying on business under the changed basis of Taxation.
- 39.6 The allocation of credits and debits in respect of Taxation to the With Profits Fund under this Scheme, including pursuant to paragraph 39.1, shall be made on a fair and arm's length basis and, notwithstanding the terms of any assessment, agreement or settlement submitted to, or made with, any Taxation authority by any New SL Group Member, no amounts in respect of Taxation shall be debited from or credited to the With Profits Fund in excess of the amounts which would have been so debited or credited on a fair and arm's length basis.
- 39.7 No amounts in respect of Taxation shall be debited from the With Profits Fund if and to the extent that such amounts represent penalties which have arisen because of any act or omission occurring after the Effective Time.
- 39.8 Taxation payable or recoverable by SLAL which relates to the Shareholder Fund shall be charged or credited to the Shareholder Fund.
- 39.9 All Taxation relating to SLAL not specifically referred to above in this paragraph 39 or elsewhere in this Scheme shall be debited from or credited to (as appropriate) the Non Profit Fund.

#### **40. Credits to the With Profits Fund**

With effect from the Effective Time, there shall be credited to the With Profits Fund all of the following:

- (A) all property transferred or allocated to the With Profits Fund in accordance with Part B2 and Part C3 (including any Residual Assets transferred or allocated to the With Profits Fund on a Subsequent Transfer Date);
- (B) all amounts received by SLAL in respect of the Excluded Policies Reinsurance in respect of any Excluded Policy which, had it been a Transferred Policy, would have been allocated to the With Profits Fund;
- (C) all amounts paid to SLAL in consideration of or in connection with the transfer or novation to SLAL at any time on or after the Effective Time of any Excluded Policy which is allocated to the With Profits Fund pursuant to Part C3;
- (D) subject to paragraph 42, all Premiums and other amounts attributable to WPF Policies if and for so long as such Policies are attributed to, and included within, the With Profits Fund;
- (E) all amounts paid, and all property transferred, by SLAC to SLAL pursuant to paragraph 11.2 if and to the extent that such amounts or property fall to be allocated to the With Profits Fund pursuant to Part C3;
- (F) all payments from third parties arising from any Proceedings continued by or against SLAL to the extent that such Proceedings relate to Policies, property or liabilities allocated to the With Profits Fund;
- (G) subject to paragraph 42, all amounts received by SLAL in respect of WPF Policies or other Policies written in or allocated to the With Profits Fund;
- (H) all amounts received by SLAL pursuant to:
  - (i) the SLIF EB ULL Reinsurance Agreement;
  - (ii) the SLIF EB ULP Reinsurance Agreement;
  - (iii) subject to paragraph 22.1(B), the SLIF EB Annuities Reinsurance Agreement; ~~and~~
  - (iv) the HWPE Reinsurance Agreement; and
  - (v) ~~(iv)~~ subject to paragraph 19, other reinsurance ~~agreements~~, contracts-  
of agreements or arrangements in respect of WPF Policies or other Policies written in or allocated to the With Profits Fund;
- (I) all amounts payable to the With Profits Fund in accordance with paragraph 23;
- (J) all amounts payable to the With Profits Fund in accordance with paragraph 24;
- (K) all amounts payable to the With Profits Fund in respect of new business written in the With Profits Fund in accordance with paragraph 28;

- (L) any amount transferred into the With Profits Fund (by way of contingent loan or otherwise) pursuant to paragraph 30.6 or 32;
- (M) any amount payable to the With Profits Fund in respect of a Contingent RCF Loan or Contingent Financing Arrangement entered into in accordance with paragraphs 36 and 37 respectively;
- (N) any amount to be credited to the With Profits Fund pursuant to paragraph 39;
- (O) such property as is transferred to the With Profits Fund pursuant to paragraph 42;
- (P) all commission clawback (or similar amounts) payable by intermediaries and other sales agents after the Effective Time in respect of WPF Policies and other Policies written in or allocated to the With Profits Fund;
- (Q) all investment gains, earnings, income and profits arising from the property and business allocated to, or written in, the With Profits Fund;
- (R) all amounts resulting from the sale of any property allocated to the With Profits Fund; and
- (S) any other amounts which are:
  - (i) required by this Scheme to be credited to or received by the With Profits Fund; or
  - (ii) determined by the SLAL Board (having regard to the advice of the SLAL WP Actuary) in accordance with the principles underlying this Scheme to be properly attributable to or properly received by the With Profits Fund.

#### **41. Debits from the With Profits Fund**

With effect from the Effective Time, there shall be debited from, and charged to, the With Profits Fund, all of the following:

- (A) all amounts paid by SLAL in respect of those liabilities which are transferred or allocated to the With Profits Fund pursuant to Part B2 and Part C3 (including any Residual Liabilities transferred or allocated to the With Profits Fund on a Subsequent Transfer Date);
- (B) all amounts paid by SLAL in respect of the Excluded Policies Reinsurance in respect of any Excluded Policy which, had it been a Transferred Policy, would have been allocated to the With Profits Fund;
- (C) all amounts paid by SLAL in respect of the Mortgage Endowment Promise pursuant to paragraph 9 and Schedule 4 (*Mortgage Endowment Promise*);



- (D) all amounts paid to SLAC by SLAL pursuant to the indemnities contained in paragraph 12, if and to the extent that such amounts relate to Transferred Liabilities, Residual Liabilities, costs and any other liabilities which are allocated to the With Profits Fund pursuant to Part C3;
- (E) all payments to third parties arising from any Proceedings continued by or against SLAL to the extent that such Proceedings relate to Policies, property or liabilities allocated to the With Profits Fund;
- (F) any costs incurred by SLAL pursuant to paragraph 14 in respect of the transfer of any property or liability to the With Profits Fund in accordance with Part B2 or Part C3;
- (G) subject to paragraph 42, all amounts paid by SLAL in respect of WPF Policies or other Policies written in or allocated to the With Profits Fund;
- (H) all amounts paid by SLAL pursuant to:
  - (i) the SLIF EB ULL Reinsurance Agreement;
  - (ii) the SLIF EB ULP Reinsurance Agreement;
  - (iii) the SLIF EB Annuities Reinsurance Agreement; ~~and~~
  - (iv) subject to paragraph 30.11. the HWPF Reinsurance Agreement;
  - (v) the Property-Linked Funds Retrocession Agreement; and
  - (vi) ~~(iv)~~ subject to paragraph 19, other reinsurance contracts, agreements or arrangements in respect of WPF Policies or other Policies written in or allocated to the With Profits Fund;
- (I) all amounts paid or payable by the With Profits Fund pursuant to paragraph 17.2;
- (J) all amounts payable by the With Profits Fund in accordance with paragraph 23;
- (K) any amounts transferred or allocated from a SLAL Fund other than the With Profits Fund to the With Profits Fund pursuant to paragraph 24;
- (L) all amounts payable by the With Profits Fund in respect of new business written in the With Profits Fund in accordance with paragraph 28;
- (M) any amount transferred out of the With Profits Fund (whether in respect of a Proposed Transfer Amount, the repayment of a contingent loan or otherwise) pursuant to paragraph 30 or 32;
- (N) all amounts to be debited from or charged to the With Profits Fund pursuant to paragraph 34 and Schedule 2 (Additional Expenses);

- (O) any amount payable by the With Profits Fund in respect of a Contingent RCF Loan or Contingent Financing Arrangement entered into in accordance with paragraphs 36 and 37 respectively;
- (P) any amount charged to the With Profits Fund pursuant to paragraph 39;
- (Q) such property as is transferred out of the With Profits Fund pursuant to paragraph 42;
- (R) any commission (or similar amounts payable to intermediaries or other sales agents) in respect of WPF Policies and other Policies written or allocated to the With Profits Fund;
- (S) any amount written-off in respect of commission clawback payable by intermediaries or other sales agents where the SLAL Board has determined that such amounts are properly attributable to WPF Policies or other Policies written in or allocated to the With Profits Fund;
- (T) all amounts payable in respect of WPF Policies and other Policies written in or allocated to the With Profits Fund arising by reason of surrender, death, disability, maturity or other event giving rise to a claim (including amounts payable because of any guarantee or option in any such Policy or the payment or vesting of an annuity);
- (U) all costs, liabilities, losses and declines in value of investments arising from the property allocated to the With Profits Fund;
- (V) all costs, expenses, charges, losses and liabilities resulting from the purchase, holding, valuation or sale of any property allocated to the With Profits Fund; and
- (W) any other amounts which are:
  - (i) required by this Scheme to be debited from or charged to the With Profits Fund; or
  - (ii) determined by the SLAL Board (having regard to the advice of the SLAL WP Actuary) in accordance with the principles underlying this Scheme to be properly debited from, or properly charged to, the With Profits Fund.

#### **42. Miscellaneous operation provisions**

- 42.1 None of the provisions for separation of the With Profits Fund and the Non Profit Fund shall prevent the exchange of property between the SLAL Funds at fair market value. In such circumstances, any liabilities attributable to the property which is being exchanged shall also be transferred.
- 42.2 Notwithstanding paragraph 10.1, SLAL may credit all Premium receipts (or a proportion thereof), together with all other income, consideration or proceeds attributable to a

Transferred Policy (together, "**Policy Income**") to a bank account within the With Profits Fund or the Non Profit Fund and account for such Policy Income on this basis. Where Policy Income (or a proportion thereof) is accounted for in a different SLAL Fund to that which the relevant Transferred Policy is allocated to or written in SLAL shall, subject to paragraph 40:

- (A) calculate the amount of the Policy Income which is properly attributable to each SLAL Fund and adjust its accounting records accordingly; and
- (B) if there is a delay between the receipt of the Policy Income and conducting the calculation and adjustments referred to in paragraph 42.2(A), make an appropriate adjustment in respect of the interest accrued on the relevant Policy Income, such adjustment to be made on a fair and reasonable basis and in accordance with the advice of the SLAL WP Actuary.

42.3 SLAL may debit or charge all amounts (including in respect of any commission and claims) payable in respect of any Transferred Policy (together "**Policy Outgoings**") from a bank account within the With Profits Fund or the Non Profit Fund and account for such Policy Outgoings on this basis. Where Policy Outgoings (or a proportion thereof) are accounted for in a different SLAL Fund to that which the relevant Transferred Policy is allocated to or written in SLAL shall, subject to paragraph 41:

- (A) calculate the amount of the Policy Outgoings which is properly attributable to each SLAL Fund and adjust its accounting records accordingly; and
- (B) if there is a delay between the payment of such Policy Outgoings and conducting the calculation and adjustments referred to in paragraph 42.3(A), make an appropriate adjustment in respect of interest, such adjustment to be made on a fair and reasonable basis and in accordance with the advice of the SLAL WP Actuary.

42.4 If there is, for any reason, any doubt as to the proper attribution of any Policy Income or Policy Outgoings to any SLAL Fund, the SLAL Board shall (having regard to the advice of the SLAL WP Actuary) determine a fair and equitable attribution of the relevant Policy Income or Policy Outgoings (as the case may be) between the SLAL Funds.

42.5 If there is, for any reason, any delay (for which provision is not expressly made in this Scheme) in the allocation of any receipt, payment or other item to or from any SLAL Fund in accordance with this Scheme, the SLAL Board may (having regard to the advice of the SLAL Actuary and the SLAL WP Actuary) make such adjustments between the With Profits Fund or the Non Profit Fund and the other SLAL Funds as it considers appropriate in accordance with the principles underlying this Scheme to take account of such delay.

42.6 In allocating property between SLAL Funds (whether pursuant to paragraph 16 or otherwise), the SLAL Board may allocate any such property to more than one SLAL Fund provided that, in such circumstances, the proportion of the value of each asset attributable to each such SLAL Fund is calculated and accounted for on this basis.

## **Part E5 – Compensation for Eligible Members**

### **43. Basis of allocation of compensation for Eligible Members**

43.1 Each Eligible Member shall receive a demutualisation entitlement in accordance with the provisions of this Part E5 as compensation for that Eligible Member's loss of membership rights in SLAC at the Effective Time.

43.2 In order to determine the amount of each Eligible Member's demutualisation entitlement, each Eligible Member shall be notionally allocated:

- (A) a single Fixed Allocation; and
- (B) where applicable, a Total Variable Allocation determined in accordance with paragraph 45.

This notional allocation shall be made at such time before the Effective Date as is determined by SLAC in its discretion.

43.3 The provisions of this Part E5 and the Calculation Manual are the only basis on which any person whomsoever shall be entitled to any demutualisation entitlement whatsoever arising under or in connection with SLAC's demutualisation.

### **44. With profits investments subject to a Supplementary Declaration to be disregarded**

44.1 Any with profits investment in respect of which a person remains subject to a Supplementary Declaration shall be disregarded for the purposes of determining the demutualisation entitlement (if any) of such person under this Part E5.

44.2 A Policy can not be a Participating Policy for the purposes of this Part E5 if a person is subject to a Supplementary Declaration in respect of all the with profits investments held under that Policy:

- (A) in relation to a Matured Non-OPS Policy, immediately prior to the Non-OPS Involuntary Termination; and
- (B) in relation to a Matured OPS Policy, immediately prior to the OPS Involuntary Termination; and
- (C) in all other cases, immediately prior to the Effective Time.

### **45. Determination of Total Variable Allocation**

#### **45.1 Basis of Calculation**

- (A) The Total Variable Allocation (if any) required to be notionally allocated to an Eligible Member under paragraph 43.2(B) shall be determined by aggregating the Variable Allocations (if any) for that Eligible Member.

- (B) The number (if any) of the SL plc Shares required to be notionally allocated to each Eligible Member by way of Variable Allocation shall be determined by reference to each Participating Policy in respect of which that person is an Eligible Member, using this Part E5 and the Calculation Manual.
- (C) There shall be no minimum and no maximum level of Variable Allocation or Total Variable Allocation. The determinations made pursuant to this paragraph 45 may therefore result in certain Eligible Members not being notionally allocated any SL plc Shares by way of Variable Allocation or Total Variable Allocation.
- (D) For the purposes of paragraph 45.1(B), but subject to paragraph 45.1(E):
  - (i) the Calculation Manual shall determine the Variable Allocation by reference (among other things) to the with profits investment held (or deemed to have been so held by reference to the Records) under a Participating Policy as at the Relevant Time on the Compensation Calculation Date (all as more fully described in the Calculation Manual); and
  - (ii) in determining the Variable Allocation, no account shall be taken of:
    - (a) any with profits investment made under a Participating Policy after the Relevant Time on the Compensation Calculation Date; or
    - (b) any change in the amount invested in with profits under a Participating Policy which occurs after the Relevant Time on the Compensation Calculation Date so long as the amount remaining invested in with profits under that Policy is sufficient to ensure that the relevant Policy remains a Participating Policy.
- (E) Paragraph 45.1(D) shall apply except if and to the extent:
  - (i) expressly stated otherwise in paragraph 53.1(B) or the Calculation Manual; or
  - (ii) that there has been any increase in the with profits investment held under a Participating Policy as at the Relevant Time on the Compensation Calculation Date resulting from redress payments made in relation to pensions mis-selling in accordance with the guidelines laid down by the Personal Investment Authority (and its successor body, the Regulator) that are credited to that Participating Policy during the period from (but excluding) the Compensation Calculation Date to (and including) the Relevant Time on the SGM Date. Where this applies, the with profits investment held under that Participating Policy as at the Relevant Time on the Compensation Calculation Date shall be deemed to have been increased by the face value of that part of the redress payments credited to that with profits investment, and such increase shall be treated as if it were an increment made as at the Relevant Time

on the Compensation Calculation Date for the purposes of the determinations to be made under the Calculation Manual.

#### **45.2 Determination of Variable Allocation by reference to an Earmarked Policy**

Where the notional allocation required to be made by way of Variable Allocation is to be determined by reference to an Earmarked Policy in respect of which a person is an Eligible Member, that determination shall be made in accordance with this Part E5 and the Calculation Manual as follows:

- (A) each Eligible Scheme Participant under that Earmarked Policy shall be treated, solely for the purposes of determining the Variable Allocation by reference to that Earmarked Policy, as if that Eligible Scheme Participant were an Eligible Member in respect of a Participating Policy:
  - (i) to which only the with profits investments held in relation to that Eligible Scheme Participant under that Earmarked Policy have been credited; and
  - (ii) which is otherwise on the same terms and conditions applied to that Eligible Scheme Participant under that Earmarked Policy; and
- (B) the Variable Allocation for the actual Eligible Member determined by reference to that Earmarked Policy shall be the aggregate of the Variable Allocations (if any) for all of the Eligible Scheme Participants for that Earmarked Policy as determined in accordance with this paragraph 45.2.

#### **46. Vesting of demutualisation entitlements at the Effective Time**

Eligible Members shall become entitled to their demutualisation entitlements at the Effective Time, in each case on the terms and subject to the conditions of this Part E5.

#### **47. Form of demutualisation entitlements and elections available for certain recipients of demutualisation entitlements**

##### **47.1 General provisions**

- (A) Subject to paragraph 47.1(B), each Eligible Member who:
  - (i) is a Permitted Country Member shall:
    - (a) receive a demutualisation entitlement in accordance with paragraph 48 comprising SL plc Shares that are equal in number to those SL plc Shares that were notionally allocated to that Eligible Member under paragraph 43.2; and
    - (b) be provided with the option to elect, as set out in this paragraph 47, either to retain or to sell that demutualisation entitlement of SL plc Shares as part of the IPO Sale or (where

applicable) under paragraph 52. Any such election must be made by using the Share Sale Form or Share Retention Form (as applicable) in the Required Manner; or

- (ii) is a Non-Permitted Country Member shall receive (subject to paragraph 52) a demutualisation entitlement in accordance with paragraph 50 comprising a payment. This demutualisation entitlement shall be funded through the allotment and issue of that number of SL plc Shares for subscription as part of the IPO Sale or (where applicable) under paragraph 52 as is equal to the number of SL plc Shares notionally allocated to that Eligible Member under paragraph 43.2, but these SL plc Shares shall not be allotted or issued to or to the order of that Non-Permitted Country Member.

(B) Each person who is the Eligible Member in respect of at least one Occupational Pension Scheme Policy shall:

- (i) (if that person is a Permitted Country Member) be provided with the option to elect to retain or to sell as part of the IPO Sale or (where applicable) pursuant to paragraph 52 that part of that person's demutualisation entitlement of SL plc Shares as has been determined by reference to that Occupational Pension Scheme Policy (including the whole or part of any Fixed Allocation included in that part under paragraph 47.1(C)) (the "**OPS Shares**"). Any such election must be made by using the relevant Pension Scheme Election Form in the Required Manner. In the absence of this election being made, where the Occupational Pension Scheme Policy is:
  - (a) an Earmarked Policy, the relevant OPS Shares of the relevant Eligible Member shall be sold as part of the IPO Sale or (where applicable) under paragraph 52 and (subject to paragraph 52) the sale proceeds shall be applied in making benefit enhancements (subject to paragraph 51.3) in relation to that Earmarked Policy; and
  - (b) a Non-Earmarked Policy, the relevant OPS Shares of the relevant Eligible Member shall either be sold as part of the IPO Sale or (where applicable) under paragraph 52 if the Eligible Member is a Canadian Member and (subject to paragraph 52) the sale proceeds shall be paid to or to the order of that relevant Eligible Member or retained if the Eligible Member is not a Canadian Member,

in accordance with this Part E5; or

- (ii) (if that person is a Non-Permitted Country Member) receive (subject to paragraph 52) a demutualisation entitlement comprising a payment which shall comprise or include that part of that person's demutualisation entitlement as has been determined by reference to

that Occupational Pension Scheme Policy (including the whole or part of any Fixed Allocation included in that part under paragraph 47.1(C)) (the “**OPS Amount**”). There shall be no other option available to the Eligible Member where the relevant Occupational Pension Scheme Policy is a Non-Earmarked Policy. Where that Occupational Pension Scheme Policy is an Earmarked Policy, the relevant Eligible Member shall be provided with the option to elect to receive the relevant OPS Amount by way of a payment. Any such election must be made by using the relevant Overseas Pension Scheme Election Form in the Required Manner. In the absence of this election being made, the relevant OPS Amount shall be applied in making benefit enhancements (subject to paragraph 51.3) in relation to that Earmarked Policy in accordance with this Part E5.

- (C) For the purposes of applying the provisions of paragraph 47.1(B), the part of the relevant Eligible Member’s demutualisation entitlement representing the single Fixed Allocation for each person who is an Eligible Member:

- (i) in respect of just one Occupational Pension Scheme Policy, shall be included in that part of the Eligible Member’s demutualisation entitlement as has been determined by reference to that Occupational Pension Scheme Policy; or
- (ii) in respect of more than one Occupational Pension Scheme Policy, shall be divided equally on a per Policy basis among each Occupational Pension Scheme Policy in respect of which that person is an Eligible Member and the relevant part shall be included in that part of the Eligible Member’s demutualisation entitlement as has been determined by reference to each such Occupational Pension Scheme Policy,

unless the Eligible Member requests (by notice in writing received by SLAC in sufficient time before the Effective Date for the Eligible Member’s instructions to be recorded in the Records) that the part of the relevant Eligible Member’s demutualisation entitlement representing the single Fixed Allocation forms part of the demutualisation entitlement for that Eligible Member’s own account or as trustee (other than as an Occupational Pension Scheme Trustee) where that person is also an Eligible Member in respect of one or more Participating Policies held either alone or jointly with any other person, and in that case the whole of the single Fixed Allocation shall not be treated as forming part of the OPS Shares or an OPS Amount (as applicable).

- (D) Each person who is the Eligible Member in respect of at least one Occupational Pension Scheme Policy shall be provided with the option to make a different election in respect of the OPS Shares or an OPS Amount (as the case may be) as has been determined by reference to an Occupational Pension Scheme Policy from any election which that Eligible Member is entitled to make in respect of:



- (i) any remaining demutualisation entitlement which is not determined by reference to an Occupational Pension Scheme Policy; and
- (ii) the OPS Shares or an OPS Amount as has been determined by reference to any other Occupational Pension Scheme Policy,

in each case on the basis set out under the relevant Pension Scheme Election Form or Overseas Pension Scheme Election Form (as applicable) and on the terms, and subject to the conditions, of this Part E5.

- (E) Subject to paragraph 47.1(D), any election made by an Eligible Member under the elections provided for in this paragraph 47 shall apply to that Eligible Member's entire demutualisation entitlement, irrespective of:
  - (i) the number of Participating Policies by reference to which that Eligible Member's demutualisation entitlement has been determined;
  - (ii) whether that Eligible Member holds one or more Participating Policies as a joint policyholder or trustee; and
  - (iii) the number of Share Sale Forms, Share Retention Forms, Pension Scheme Election Forms and/or Overseas Pension Scheme Election Forms (as applicable) which that Eligible Member receives or returns.

#### **47.2 Elections available to Permitted Country Members (other than Canadian Members and Occupational Pension Scheme Trustees)**

- (A) Subject to paragraphs 47.2(D) and 47.4, in each case where:
  - (i) an Eligible Member is to receive a demutualisation entitlement of SL plc Shares on the terms, and subject to the conditions, of this Part E5;
  - (ii) that Eligible Member is a Permitted Country Member (other than a Canadian Member);
  - (iii) the Eligible Member has Validated in a Timely Manner; and
  - (iv) the Eligible Member does not make an election to have the SL plc Shares forming their demutualisation entitlement sold as part of the IPO Sale or (where applicable) under paragraph 52 by using the Share Sale Form in the Required Manner,

the relevant number of SL plc Shares (in each case the "**Retained Shares**") shall be allotted and issued to or to the order of that Eligible Member (each a "**Share Recipient**") or to or to the order of the Share Nominee to be held for and on behalf of that Share Recipient in accordance with paragraph 48.

- (B) Subject to paragraphs 47.2(D) and 47.4, in each case where an Eligible Member:

- (i) meets the requirements of paragraphs 47.2(A)(i), 47.2(A)(ii) and 47.2(A)(iii); and
- (ii) makes an election to have their demutualisation entitlement of SL plc Shares sold as part of the IPO Sale or (where applicable) under paragraph 52 and (subject to paragraph 52) to be paid the sale proceeds of those SL plc Shares by using the Share Sale Form in the Required Manner,

the relevant number of SL plc Shares (in each case the “**Sale Election Shares**”) shall be allotted and issued to or to the order of the Sale Nominee to be held for and on behalf of that Eligible Member (each a “**Sale Election Recipient**”) in accordance with paragraph 48.

- (C) Subject to paragraphs 47.2(D) and 47.4, in each case where an Eligible Member who meets the requirements of paragraph 47.2(A)(i) and 47.2(A)(ii) is a Late Validator, the relevant number of SL plc Shares forming their demutualisation entitlement (in each case the “**Unclaimed Retained Shares**”) shall be allotted and issued to or to the order of the Trustee of the Unclaimed Assets Trust to be held for and on behalf of that Late Validator in accordance with paragraph 48.
- (D) Paragraphs 47.2 and 47.3 shall not apply to that part of an Eligible Member’s demutualisation entitlement as represents OPS Shares or an OPS Amount (as applicable), and instead paragraph 47.4 shall apply to that part of the Eligible Member’s demutualisation entitlement.

### **47.3 Elections available to Canadian Members (other than Occupational Pension Scheme Trustees)**

Subject to paragraphs 47.2(D) and 47.4, in each case where:

- (A)
  - (i) an Eligible Member is to receive a demutualisation entitlement of SL plc Shares on the terms, and subject to the conditions, of this Part E5;
  - (ii) that Eligible Member is a Canadian Member;
  - (iii) the Eligible Member has Validated in a Timely Manner; and
  - (iv) the Eligible Member makes an election that the SL plc Shares forming their demutualisation entitlement shall not be sold as part of the IPO Sale or (where applicable) under paragraph 52 by using the Share Retention Form in the Required Manner,

the relevant number of SL plc Shares (in each case the “**Share Election Shares**”) shall be allotted and issued to or to the order of that Eligible Member (each a “**Share Election Recipient**”) in accordance with paragraph 48;

- (B) an Eligible Member who meets the requirements of paragraphs 47.3(A), 47.3(ii) and 47.3(A)(iii) does not make the election referred to in paragraph 47.3(A)(iv),

the relevant number of SL plc Shares forming their demutualisation entitlement (in each case the “**Default Sale Shares**”) shall be allotted and issued to or to the order of the Sale Nominee to be held for and on behalf of that Eligible Member (each a “**Share Sale Recipient**”) in accordance with paragraph 48; and

- (C) an Eligible Member who is a Canadian Member is a Late Validator, the relevant number of SL plc Shares forming their demutualisation entitlement (in each case the “**Unclaimed Sale Shares**”) shall be allotted and issued to or to the order of the Sale Nominee to be held for and on behalf of that Late Validator (each a “**Canadian Late Validator**”) in accordance with paragraph 48.

#### 47.4 Elections available to Occupational Pension Scheme Trustees

- (A) In each case where a Permitted Country Member is the Eligible Member in respect of at least one Non-Earmarked Policy and:

- (i) that Eligible Member has Validated in a Timely Manner; and

(ii)

~~(iii)~~

(a)

~~(a)~~

(if that Eligible Member is not a Canadian Member) the Eligible Member does not make an election to sell OPS Shares determined by reference to one or more Non-Earmarked Policies in respect of which that person is the Eligible Member as part of the IPO Sale or (where applicable) under paragraph 52 by using the Pension Scheme Election Form in the Required Manner; or

- (b) (if that Eligible Member is a Canadian Member) the Eligible Member makes an election that OPS Shares determined by reference to one or more Non-Earmarked Policies in respect of which that person is the Eligible Member shall not be sold as part of the IPO Sale or (where applicable) under paragraph 52 by using the Pension Scheme Election Form in the Required Manner,

the relevant OPS Shares (in each case the “**Non-Earmarked Shares**”) shall be allotted and issued to or to the order of the Eligible Member (each a “**Non-Earmarked Share Recipient**”) or (except in the case of a Canadian Member) to or to the order of the Share Nominee to be held for and on behalf of that Non-Earmarked Share Recipient in accordance with paragraph 48.

- (B) In each case where a Permitted Country Member is the Eligible Member in respect of at least one Non-Earmarked Policy and:

- (i) that Eligible Member has Validated in a Timely Manner; and

(ii)

- (a) ~~(ii)~~ ~~(a)~~ (if that Eligible Member is not a Canadian Member) the Eligible Member makes an election to sell OPS Shares determined by reference to one or more Non-Earmarked Policies in respect of which that person is the Eligible Member as part of the IPO Sale or (where applicable) under paragraph 52 and (subject to paragraph 52) to be paid the sale proceeds by using the Pension Scheme Election Form in the Required Manner; or
- (b) (if that Eligible Member is a Canadian Member) the Eligible Member does not make an election that the OPS Shares determined by reference to one or more Non-Earmarked Policies in respect of which that person is the Eligible Member shall not be sold as part of the IPO Sale or (where applicable) under paragraph 52 by using the Pension Scheme Election Form in the Required Manner,

the relevant OPS Shares (in each case the “**Non-Earmarked Sale Shares**”) shall be allotted and issued to or to the order of the Sale Nominee to be held for and on behalf of that Eligible Member (each a “**Non-Earmarked Share Sale Recipient**”) in accordance with paragraph 48.

- (C) In each case where a Permitted Country Member is the Eligible Member in respect of at least one Non-Earmarked Policy and is a Late Validator, the OPS Shares determined by reference to each Non-Earmarked Policy in respect of which that person is the Eligible Member shall:
- (i) (if that Eligible Member is not a Canadian Member) be allotted and issued to or to the order of the Trustee of the Unclaimed Assets Trust to be held for and on behalf of that Late Validator (in each case the “Unclaimed Non-Earmarked Retained Shares”) in accordance with paragraph 48; or
  - (ii) (if that Eligible Member is a Canadian Member) be allotted and issued to or to the order of the Sale Nominee (in each case the “**Unclaimed Non-Earmarked Sale Shares**”) to be held for and on behalf of that Canadian Late Validator in accordance with paragraph 48.
- (D) In each case where a Permitted Country Member is the Eligible Member in respect of at least one Earmarked Policy and:
- (i) that Eligible Member makes an election that OPS Shares determined by reference to one or more Earmarked Policies in respect of which that person is the Eligible Member shall not be sold as part of the IPO Sale or (where applicable) under paragraph 52 by using the Pension Scheme Election Form in the Required Manner, the relevant OPS Shares (in each case the “Earmarked Shares”) shall be allotted and

issued to or to the order of the Eligible Member (each an “Earmarked Share Recipient”) or (except in the case of a Canadian Member) to or to the order of the Share Nominee to be held for and on behalf of that Earmarked Share Recipient in accordance with paragraph 48;

- (ii) that Eligible Member makes an election to sell OPS Shares determined by reference to one or more Earmarked Policies in respect of which that person is the Eligible Member as part of the IPO Sale or (where applicable) under paragraph 52 and (subject to paragraph 52) to be paid the sale proceeds by using the Pension Scheme Election Form in the Required Manner, the relevant OPS Shares (in each case the “**Earmarked Sale Shares**”) shall be allotted and issued to or to the order of the Sale Nominee to be held for and on behalf of that Eligible Member (each an “**Earmarked Share Sale Recipient**”) in accordance with paragraph 48; and/or

- (iii) that Eligible Member:

- (a) does not make an election that OPS Shares determined by reference to one or more Earmarked Policies in respect of which that person is the Eligible Member either:

- (1) shall not be sold as part of the IPO Sale or (where applicable) under paragraph 52; or
- (2) shall be so sold and (subject to paragraph 52) to be paid the sale proceeds,

in either case by using the Pension Scheme Election Form in the Required Manner; or

- (b) is the Crown,

the relevant OPS Shares (in each case the “**Earmarked Benefit Enhancement Sale Shares**”) shall be allotted and issued to or to the order of the Sale Nominee to be held for and on behalf of that Eligible Member (each a “**Benefit Enhancement Sale Recipient**”) in accordance with paragraph 48.

- (E) In each case where a Non-Permitted Country Member is the Eligible Member in respect of at least one Occupational Pension Scheme Policy, that Eligible Member shall (subject to paragraph 52):

- (i) be paid the OPS Amount determined by reference to each Non-Earmarked Policy in respect of which that person is the Eligible Member in accordance with paragraph 50 without an option to make any other election under this Part E5 whatsoever in respect of the OPS Amount. Where the Eligible Member is a Late Validator, that Eligible

Member's demutualisation entitlement shall be dealt with in accordance with paragraph 50; and/or

- (ii) either:
  - (a) (where that Eligible Member makes an election to be paid the OPS Amount determined by reference to one or more Earmarked Policies in respect of which that person is the Eligible Member by using the Overseas Pension Scheme Election Form in the Required Manner) be paid the relevant OPS Amount in accordance with paragraph 50; and/or
  - (b) (where that Eligible Member does not make an election in respect of the OPS Amount determined by reference to one or more Earmarked Policies in respect of which that person is the Eligible Member by using the Overseas Pension Scheme Election Form in the Required Manner) have the relevant OPS Amount (each a **"Benefit Enhancement Cash Recipient"**) applied in making benefit enhancements (in each case the **"Benefit Enhancement OPS Amount"**) in accordance with paragraph 51.2 (subject to paragraph 51.3).

#### **47.5 Non-Permitted Country Members**

Except if and to the extent paragraph 47.4(E) otherwise provides, Non-Permitted Country Members shall not be provided with an option to make any election under this Part E5 whatsoever in respect of their demutualisation entitlement.

#### **48. Allotment and issue of demutualisation entitlements of SL plc Shares**

48.1 Immediately after the transfer of the Newco Shares after the Effective Time from SLAC to SLAL as described in paragraph 3.11, SL plc shall allot, each credited as fully paid:

- (A) the appropriate number of Retained Shares, Share Election Shares, Non-Earmarked Shares and Earmarked Shares, which are to be issued in accordance with paragraph 48.2, to or to the order of each of those Eligible Members who are respectively Share Recipients, Share Election Recipients, Non-Earmarked Share Recipients and Earmarked Share Recipients who either:
  - (i) have elected (where that option has been provided to them) to receive a share certificate in respect of the Retained Shares, Non-Earmarked Shares and/or Earmarked Shares that they are respectively to receive by using a Share Sale Form or Pension Scheme Election Form (as applicable) in the Required Manner; or
  - (ii) are required (as notified in the Share Sale Form, Share Retention Form and/or Pension Scheme Election Form) to receive a share certificate in respect of the Retained Shares, Share Election Shares, Non-

Earmarked Shares and/or Earmarked Shares that they are respectively to receive;

- (B) the appropriate number of Retained Shares, Non-Earmarked Shares and Earmarked Shares, which are to be issued in accordance with paragraph 48.2, to or to the order of the Share Nominee to hold for and on behalf of each of those Eligible Members:
  - (i) who are respectively Share Recipients, Non-Earmarked Share Recipients and Earmarked Share Recipients; and
  - (ii) who have not been allotted Retained Shares, Share Election Shares, Non-Earmarked Shares and/or Earmarked Shares to or to their order in accordance with paragraph 48.1(A),

and in each case those SL plc Shares shall be held by the Share Nominee on the terms, and subject to the conditions, of the Share Nominee Service;

- (C) the Sale Election Shares, Default Sale Shares, Non-Earmarked Sale Shares, Earmarked Sale Shares, Earmarked Benefit Enhancement Sale Shares, Unclaimed Sale Shares and Unclaimed Non-Earmarked Sale Shares, which are to be issued in accordance with paragraph 48.2, to or to the order of the Sale Nominee to hold for and on behalf of each of those Eligible Members who are respectively Sale Election Recipients, Share Sale Recipients, Non-Earmarked Share Sale Recipients, Earmarked Share Sale Recipients, Benefit Enhancement Sale Recipients and Canadian Late Validators. In each case those SL plc Shares shall be held by the Sale Nominee on the terms, and subject to the conditions, of the Initial Share Sale Facility; and
- (D) the Unclaimed Retained Shares and Unclaimed Non-Earmarked Retained Shares, which are to be issued in accordance with paragraph 48.2, to or to the order of the Trustee of the Unclaimed Assets Trust to hold for and on behalf of each of those Eligible Members who are Late Validators (but are not Canadian Late Validators) and those SL plc Shares shall be held by the Trustee of the Unclaimed Assets Trust on the terms, and subject to the conditions, of the Unclaimed Assets Trust.

48.2 SL shall procure that immediately after the respective allotments of SL plc Shares referred to in paragraph 48.1, the name and address of, and the relevant number of SL plc Shares allotted to:

- (A) each Eligible Member (or, as applicable, each nominee of that Eligible Member);
- (B) the Share Nominee (or, as applicable, its nominee(s));
- (C) the Sale Nominee (or, as applicable, its nominee(s)); or
- (D) the Trustee of the Unclaimed Assets Trust (or, as applicable, its nominee(s)),

in accordance with paragraph 48.1 shall be entered in the register of members of SL plc, and those SL plc Shares shall thereby be issued.

**49. Crediting CREST accounts and delivery of SL plc Shares statements of entitlement and share certificates**

49.1 On or as soon as reasonably practicable after the allotment and issue of SL plc Shares under paragraph 48 and in any event prior to Admission, SL plc shall procure that CRESTCo (subject to any condition agreed with CRESTCo relating to a requirement for the Admission of those SL plc Shares) is instructed to credit a CREST Stock Account of:

- (A) the Share Nominee (or its nominee(s) or such other CREST Member or CREST Members as is or are nominated in writing by the Share Nominee to SL plc in sufficient time prior to the Effective Date) with that number of SL plc Shares as is in aggregate equal in number to the aggregate of the Retained Shares, Non-Earmarked Shares and Earmarked Shares referred to in paragraph 48.1(B);
- (B) the Sale Nominee (or its nominee(s) or such other CREST Member or CREST Members as is or are nominated in writing by the Sale Nominee to SL plc in sufficient time prior to the Effective Date) with that number of SL plc Shares as is in aggregate equal in number to the aggregate of the Sale Election Shares, Default Sale Shares, Non-Earmarked Sale Shares, Earmarked Sale Shares, Earmarked Benefit Enhancement Sale Shares, Unclaimed Sale Shares and Unclaimed Non-Earmarked Sale Shares referred to in paragraph 48.1(C); and
- (C) the Trustee of the Unclaimed Assets Trust (or its nominee(s) or such other CREST Member or CREST Members as is or are nominated in writing by the Trustee of the Unclaimed Assets Trust to SL plc in sufficient time prior to the Effective Date) with that number of SL plc Shares as is in aggregate equal in number to the aggregate of the Unclaimed Retained Shares and Unclaimed Non-Earmarked Retained Shares referred to in paragraph 48.1(D).

49.2 As soon as reasonably practicable, and in any event no later than the fourteenth day following the Effective Date, SL plc shall send (or procure the sending on its behalf of) one or more share certificates in respect of the relevant Retained Shares, Share Election Shares, Non-Earmarked Shares and Earmarked Shares allotted and issued under paragraph 48 to each Eligible Member to whom paragraph 48.1(A) applies (or to that Eligible Member's order). The share certificates shall be sent without charge to the recipients.

49.3 As soon as reasonably practicable, and in any event no later than the fourteenth day following the Effective Date, SL plc shall procure that the Share Nominee shall send (or procure the sending on its behalf of) one or more statements of entitlement setting out each relevant Eligible Member's entitlement to the relevant Retained Shares, Non-Earmarked Shares and Earmarked Shares allotted and issued to or to the order of the Share Nominee under paragraph 48 to each Eligible Member on whose behalf those SL plc Shares are held by the Share Nominee (or to that Eligible Member's order). The statements of entitlement shall be sent without charge to the recipients.



## **50. Payment of demutualisation entitlements to Non-Permitted Country Members**

- 50.1 Each Non-Permitted Country Member shall become entitled to a payment immediately after the transfer of the Newco Shares after the Effective Time from SLAC to SLAL as described in paragraph 3.11 (but the making of the payment shall be subject to paragraph 52). Subject to paragraph 52, this demutualisation entitlement shall be funded through the allotment and issue of that number of SL plc Shares for subscription as part of the IPO Sale as is equal in number to the SL plc Shares notionally allocated to the relevant Non-Permitted Country Member under paragraph 43.2. Non-Permitted Country Members shall have no right, title or interest in or to any SL plc Shares allotted or issued as part of the IPO Sale (or allotted or issued in any other manner where paragraph 52 applies).
- 50.2 Subject to paragraphs 53.5, 53.6, 56, 57 and 58, where an Eligible Member is a Non-Permitted Country Member, the demutualisation entitlement of that Eligible Member shall be calculated by multiplying the number of SL plc Shares notionally allocated to that Eligible Member under paragraph 43.2 by the IPO Cash Price (subject to paragraph 52, in which case the price shall be the price at which the equivalent number of SL plc Shares are allotted and issued for subscription in accordance with paragraph 52).
- 50.3 Each Non-Permitted Country Member who has Validated in a Timely Manner shall be paid the amount to which that person is entitled to or to that person's order as soon as reasonably practicable after receipt of the relevant proceeds of the IPO Sale (subject to paragraphs 50.4 and 52).
- 50.4 The Benefit Enhancement OPS Amount attributable to a Benefit Enhancement Cash Recipient (irrespective of whether or not that person is a Late Validator) shall be paid to SLAL and applied in making benefit enhancements for and on behalf of that Benefit Enhancement Cash Recipient under paragraph 51.2 (subject to paragraphs 51.3 and 52).
- 50.5 Subject to paragraphs 50.4 and 52, where a Non-Permitted Country Member is a Late Validator, that person's demutualisation entitlement (subject to paragraphs 53.5, 53.6, 56, 57 and 58) shall be held by the Trustee of the Unclaimed Assets Trust on the terms, and subject to the conditions, of the Unclaimed Assets Trust.

## **51. Use of proceeds and applications towards benefit enhancements**

### **51.1 Payments to Sale Election Recipients and Share Sale Recipients**

SL plc shall procure that the Sale Nominee or its nominee (as applicable) shall (subject to paragraph 52):

- (A) sell the Sale Election Shares and Default Sale Shares allotted and issued to it to hold for and on behalf of the Sale Election Recipients and the Share Sale Recipients at the IPO Cash Price as part of the IPO Sale; and

- (B) pay to or to the order of each Sale Election Recipient and Share Sale Recipient the sale proceeds from the sale of their Sale Election Shares or Default Sale Shares (as the case may be) as soon as reasonably practicable after the receipt of the relevant proceeds of the IPO Sale by the Sale Nominee,

in each case on the terms, and subject to the conditions, of the Initial Share Sale Facility.

## 51.2 Use of sale proceeds or subscription proceeds of Eligible Members in respect of Occupational Pension Scheme Policies

- (A) SL plc shall procure that the Sale Nominee or its nominee (as applicable) shall (subject to paragraph 52):
- (i) sell the Non-Earmarked Sale Shares and Earmarked Sale Shares allotted and issued to it to hold for and on behalf of the Non-Earmarked Share Sale Recipients and Earmarked Share Sale Recipients at the IPO Cash Price as part of the IPO Sale; and
  - (ii) pay to or to the order of each Non-Earmarked Share Sale Recipient and Earmarked Share Sale Recipient the sale proceeds from the sale of their Non-Earmarked Sale Shares or Earmarked Sale Shares (as the case may be) as soon as reasonably practicable after the receipt of the relevant proceeds of the IPO Sale by the Sale Nominee,

in each case on the terms, and subject to the conditions, of the Initial Share Sale Facility.

(B)

~~(i)~~

(i)

~~(B) (i)~~

SL plc shall procure that (subject to paragraph 52):

- (a) the Sale Nominee or its nominee (as applicable) shall sell the Earmarked Benefit Enhancement Sale Shares allotted and issued to it to hold for and on behalf of the Benefit Enhancement Sale Recipients at the IPO Cash Price as part of the IPO Sale, in each case on the terms, and subject to the conditions, of the Initial Share Sale Facility;
- (b) that number of SL plc Shares as is equal in aggregate to the number of SL plc Shares notionally allocated in respect of all Benefit Enhancement OPS Amounts shall be allotted and issued for subscription at the IPO Cash Price as part of the IPO Sale; and
- (c) (in the case of both (a) and (b)), the sale proceeds and the subscription proceeds shall be notionally allocated to the relevant Earmarked Policy by reference to which the relevant

demutualisation entitlement was determined, the amount being in each case the “**Earmarked Amount**”.

- (ii) The Earmarked Amount in respect of an Earmarked Policy shall be notionally allocated as between each Eligible Scheme Participant as follows:
  - (a) each Eligible Scheme Participant shall be notionally allocated an equal share of that part of the Earmarked Amount as represents the whole or part of any Fixed Allocation; and
  - (b) each Eligible Scheme Participant shall be notionally allocated that part of the remaining Earmarked Amount as bears the same relationship to the remaining Earmarked Amount as:
    - (1) the number of SL plc Shares notionally allocated to that Eligible Scheme Participant in calculating the aggregate Variable Allocation determined by reference to that Earmarked Policy under paragraph 45.2

bears to:

- (2) the number of SL plc Shares comprising the aggregate Variable Allocation for all Eligible Scheme Participants in respect of that Earmarked Policy as calculated under paragraph 45.2.

The total amount notionally allocated in respect of an Earmarked Policy to an Eligible Scheme Participant, where there is or are not one or more Pension Scheme Claimants with an entitlement over the whole of that notional allocation, shall constitute a “**Participant Amount**”. The total amount notionally allocated in respect of that Earmarked Policy to an Eligible Scheme Participant, where there is or are one or more Pension Scheme Claimants with an entitlement over the whole of that notional allocation, shall constitute a “**PSC Amount**”, and PSC Amounts shall be applied in accordance with paragraph 51.3.

- (iii) SL plc shall procure that an amount equal to the aggregate of the Participant Amounts in respect of each Earmarked Policy (the “**Applied Earmarked Amount**”) shall be paid to SLAL as soon as reasonably practicable after receipt of the relevant proceeds from the IPO Sale or (where paragraph 52 applies) the relevant proceeds under that paragraph 52 and shall procure that SLAL shall apply the Applied Earmarked Amount in respect of each Earmarked Policy as follows:
  - (a) subject to paragraph 51.2(B)(iii)(d), where the Applied Earmarked Amount is attributable to a Unitised With Profit Policy (which is not a Stanplan V Policy):

- (1) each Participant Amount forming part of the Applied Earmarked Amount shall be used to acquire further With Profits Units under that Policy in relation to the relevant Eligible Scheme Participant at the price applying for purchases of such With Profits Units on the day of receipt of the Applied Earmarked Amount by SLAL or, if there is no such price applicable on the day of receipt of that Applied Earmarked Amount for whatever reason, the price applying for such With Profits Units which next applies; and
  - (2) the further With Profits Units acquired by each Participant Amount shall be credited under that Policy to the relevant Eligible Scheme Participant;
- (b) subject to paragraph 51.2(B)(iii)(d), where the Applied Earmarked Amount is attributable to a Conventional Participating Policy:
- (1) each Participant Amount forming part of the Applied Earmarked Amount shall be used to secure further benefits under that Policy in relation to each Eligible Scheme Participant on terms and conditions consistent with those that would have applied immediately prior to the Effective Time to the application of payments made to SLAC in relation to that Eligible Scheme Participant under that Policy, but in each case this shall be subject to paragraph 51.2(B)(iv); and
  - (2) the benefits so acquired shall be credited under that Policy to the relevant Eligible Scheme Participant;
- (c) where the Applied Earmarked Amount is attributable to a Stanplan V Policy:
- (1) each Participant Amount forming part of the Applied Earmarked Amount shall be used (after notionally enhancing the value of each Participant Amount to the extent required to cancel the effect of any deduction that would result from the bid/offer spread that would apply on the application of each such Participant Amount in this way) to acquire further Unit Linked Units under that Policy in relation to the relevant Eligible Scheme Participant at the price applying for purchases of such Unit Linked Units on the day of receipt of the Applied Earmarked Amount by SLAL or, if there is no such price applicable on the day of receipt of such Applied Earmarked Amount for whatever reason, the

price applying for such Unit Linked Units which next applies; and

- (2) the further Unit Linked Units acquired by each Participant Amount shall be credited under that Policy to the relevant Eligible Scheme Participant; and
- (d) where the Applied Earmarked Amount is either attributable to:
  - (1) a Conventional Participating Policy which is held by the same Occupational Pension Scheme Trustees as hold a Unitised With Profit Policy; or
  - (2) a Unitised Participating Policy that holds both With Profits Units and conventional with profits investments,

then each Participant Amount forming part of that Applied Earmarked Amount shall be applied to the Unitised With Profit Policy or the section of the Unitised Participating Policy that holds With Profits Units (as applicable) in relation to each Eligible Scheme Participant under the Conventional Participating Policy or in respect of whom an allocation has been determined by reference to the conventional with profits investments section of the Unitised Participating Policy (as applicable) in accordance with paragraph 51.2(B)(iii)(a).

- (iv) SLAL shall treat the application of each Applied Earmarked Amount under this paragraph 51.2 in the same manner as it would a single additional payment being made in respect of the relevant Earmarked Policy to SLAL, save that neither broker commissions nor consultant credits shall be deducted in applying either such payment under paragraphs 51.2(B)(iii)(a) to (iii)(d) or any notional enhancement to that Applied Earmarked Amount under paragraph 51.2(B)(iii)(c).
- (v) Without limitation to paragraph 58, a Benefit Enhancement Recipient shall not be entitled to receive or to be credited with any interest in respect of the period from (and including) the sale of, or subscription for, SL plc Shares as part of the IPO Sale or (where paragraph 52 applies) under that paragraph 52 to (and including) the investment of the sale proceeds or subscription proceeds in the relevant fund of SLAL under paragraph 51.2 or an application of sale proceeds or subscription proceeds under paragraph 51.3.

### **51.3 Pension Scheme Claimants**

- (A) SL plc shall procure that an amount equal to the aggregate of the PSC Amounts in respect of each Earmarked Policy shall be paid to SLAL as soon as reasonably practicable after receipt of the relevant proceeds from the IPO Sale or (where paragraph 52 applies) the relevant proceeds resulting under that

paragraph 52 and shall procure that SLAL shall apply each PSC Amount in accordance with this paragraph 51.3 as soon after receipt by SLAL of the PSC Amounts as is reasonably practicable in the circumstances.

- (B) Subject to paragraphs 51.3(C) and 51.3(D), SLAL shall use its reasonable endeavours in the case of each PSC Amount to do such of the following things as it considers appropriate in the circumstances:
- (i) pay an amount equal to the relevant PSC Amount for and on behalf of the relevant Benefit Enhancement Recipient to or to the order of the relevant Pension Scheme Claimant;
  - (ii) use an amount equal to the relevant PSC Amount for and on behalf of the relevant Benefit Enhancement Recipient either to increase payments under an existing annuity for which a New SL Group Member is the provider or to purchase an annuity from a New SL Group Member. The annuity may be held by one or more trustees of an Occupational Pension Scheme for the benefit of the Pension Scheme Claimant or by the Pension Scheme Claimant. SLAL shall agree the terms and conditions of each increase in payments or purchase of an annuity with the SLAL WP Actuary (in the case of a purchase of, or enhancement to, a with profit annuity) or the SLAL Actuary (in the case of a purchase of, or enhancement to, a non-profit annuity). SLAL shall apply the relevant PSC Amount in the same manner as it would a single payment being made in respect of an annuity purchase or enhancement, save that neither broker commissions nor consultant credits shall be deducted in applying such a payment; or
  - (iii) pay an amount equal to the relevant PSC Amount for and on behalf of the relevant Benefit Enhancement Recipient in respect of the relevant Pension Scheme Claimant to the trustee, administrator or insurer (as relevant) in respect of a pension scheme arrangement or personal pension policy (as applicable) to which the benefits to which a Pension Scheme Claimant was entitled under the Occupational Pension Scheme that resulted in that person being a Pension Scheme Claimant have been entirely transferred so that the relevant PSC Amount can be used to purchase or enhance an annuity or the benefits under such arrangement for the relevant Pension Scheme Claimant.
- (C) Subject to paragraph 51.3(D), in each case where:
- (i) SLAL considers that there may be more than one Pension Scheme Claimant with an entitlement to benefit from all or some part of a PSC Amount;
  - (ii) SLAL considers that there would be a cost or delay incurred in complying with paragraph 51.3(B) by SLAL (or any other New SL Group Member) and that this cost or delay is material in relation to the size of a relevant PSC Amount; or

- (iii) an instruction in writing has been received by one of SL plc, SLAC or SLAL in sufficient time before the Effective Date from the Benefit Enhancement Recipient requesting that a relevant PSC Amount be paid instead to or to the order of the Benefit Enhancement Recipient,

SLAL shall pay or apply an amount equal to the relevant PSC Amount to or to the order of the relevant Benefit Enhancement Recipient. Without limitation, SLAL (or another New SL Group Member) may, in its discretion, agree with the relevant Benefit Enhancement Recipient to apply a PSC Amount in accordance with terms agreed between SLAL and the Benefit Enhancement Recipient either to increase payments under an existing annuity for which a New SL Group Member is the provider or to purchase an annuity from a New SL Group Member.

- (D) SLAL's obligations under paragraphs 51.3(B) and 51.3(C) are subject to such conditions, and any amounts required to be paid are subject to such deductions for Tax, as are required by the Appropriate Revenue Authority.

#### **51.4 Provision of sale proceeds to the Trustee of the Unclaimed Assets Trust**

SL plc shall procure that the Sale Nominee or its nominee (as applicable) shall (subject to paragraph 52):

- (A) sell the Unclaimed Sale Shares and Unclaimed Non-Earmarked Sale Shares allotted and issued to it to hold for and on behalf of the Canadian Late Validators at the IPO Cash Price as part of the IPO Sale; and
- (B) pay to or to the order of the Trustee of the Unclaimed Assets Trust the sale proceeds as soon as reasonably practicable after the receipt of the relevant proceeds of the IPO Sale by the Sale Nominee,

in each case on the terms, and subject to the conditions, of the Initial Share Sale Facility, and those sale proceeds shall be held by the Trustee of the Unclaimed Assets Trust for and on behalf of the relevant Canadian Late Validators on the terms, and subject to the conditions, of the Unclaimed Assets Trust.

#### **52. Contingency arrangements in the event of no Admission and/or IPO Sale on the Effective Date**

Notwithstanding any provision in this Part E5 to the contrary, SL plc shall procure that the following shall apply if Admission and/or IPO Sale does not take place on the Effective Date:

- (A) subject to paragraph 52(B) and without prejudice to the generality of paragraph 3.26, SLAC, SL plc and SLAL shall use their respective reasonable endeavours:
  - (i) (where Admission has not taken place) to proceed to Admission as soon as reasonably practicable after the Effective Date;

- (ii) (where the IPO Sale has not taken place) to complete the IPO Sale as soon as reasonably practicable after the Effective Date, failing which to arrange as soon as reasonably practicable after the Effective Date:

(a)

(1) ~~(a)~~ ~~(1)~~ for the allotment and issue of that number of SL plc Shares for subscription as is equal in aggregate to those notionally allocated to Eligible Members who are Non-Permitted Country Members (including Benefit Enhancement Cash Recipients) at the best price reasonably obtainable in the circumstances and on such other terms and conditions as SLAC, SL plc and SLAL may obtain; and

(2) ~~(2)~~ for the subscription proceeds to be used as soon as reasonably practicable after this subscription to make the payments or apply the benefit enhancements (or to pay or apply the amounts in respect of Pension Scheme Claimants) required in respect of the Non-Permitted Country Members,

in each case in accordance with the other provisions of this Part E5 (with any variations necessary in the circumstances of this paragraph 52 applying); and

- (b) subject to paragraph 52(A)(iii):

(1) for the sale by the Sale Nominee or its nominee (as applicable) for and on behalf of the relevant Eligible Members of the Sale Election Shares, Default Sale Shares, Non-Earmarked Sale Shares, Earmarked Sale Shares, Earmarked Benefit Enhancement Sale Shares, Unclaimed Sale Shares and Unclaimed Non-Earmarked Sale Shares at the best price reasonably obtainable in the circumstances and on such other terms and conditions as SLAC, SL plc and SLAL may obtain;

(2) for the sale proceeds from the sale of those SL plc Shares (other than Earmarked Benefit Enhancement Sale Shares) to be used as soon as reasonably practicable to make payments to or to the order of, respectively, the relevant Sale Election Recipients, the Share Sale Recipients, the Non-Earmarked Share Sale Recipients, the Earmarked Share Sale Recipients and the Trustee of the Unclaimed Assets Trust; and

(3) for the sale proceeds from the sale of the Earmarked Benefit Enhancement Sale Shares to be paid to SLAL



as soon as reasonably practicable and applied in either making benefit enhancements or paying or applying the amounts in respect of Pension Scheme Claimants for and on behalf of the Benefit Enhancement Sale Recipients in respect of the relevant Earmarked Policies,

in each case in accordance with the other provisions of this Part E5 (with any variations necessary in the circumstances of this paragraph 52 applying); and/or

- (iii) if and to the extent the directors of SLAC, SL plc and SLAL consider it more appropriate in the circumstances than complying with paragraph 52(A)(ii)(b), for the relevant Sale Election Shares, Default Sale Shares, Non-Earmarked Sale Shares, Earmarked Sale Shares, Earmarked Benefit Enhancement Sale Shares, Unclaimed Sale Shares and/or Unclaimed Non-Earmarked Sale Shares to be transferred from the Sale Nominee or its nominee (as applicable) to the relevant Eligible Members (or their nominees) for and on behalf of whom the Sale Nominee is holding the relevant SL plc Shares and/or to the Trustee of the Unclaimed Assets Trust (or its nominee) (as applicable) for and on behalf of the relevant Eligible Members for and on behalf of whom the Sale Nominee is holding the relevant SL plc Shares and for one or more share certificates in respect of the relevant number of SL plc Shares to be sent as soon as reasonably practicable in the circumstances to or to the order of the relevant Eligible Members and/or the Trustee of the Unclaimed Assets Trust (as applicable), in each case to the relevant address recorded in the records of SL plc; or

- (B) where the directors of SLAC, SL plc and SLAL do not consider that the arrangements in paragraph 52(A) would result in Eligible Members obtaining the best value that is reasonably obtainable in the circumstances for their respective demutualisation entitlements, SLAC, SL plc and SLAL may (but shall not be obliged to) make such alternative arrangements as they all agree would be appropriate in the circumstances to deliver that value, provided that prior to implementing any such alternative arrangement they shall have first obtained:

- (i) confirmation in writing from each of the SLAC WP Actuary, the SLAL WP Actuary and the Independent Expert (or, where he is unavailable, another independent expert as appointed by SLAC, SL plc and SLAL and approved by the Regulator) that those alternative arrangements are acceptable in the circumstances; and
- (ii) confirmation in writing from the Regulator that it does not object to the implementation of those alternative arrangements in the circumstances.

## 53. Provisions applying to allocations

### 53.1 Entitlement based on the Records

- (A) Subject to paragraph 53.2, SL plc shall only be obliged to make a notional allocation under paragraph 43.2 to each person who (at such time before the Effective Date as is determined by SLAC in its discretion) has been identified as an Eligible Member by reference to the Records and the SLAC Regulations in force immediately prior to the Effective Time.
- (B) Subject to paragraphs 53.1(C), 53.1(D) and 53.1(E), the amount of any notional allocation to be made in respect of each Eligible Member in accordance with this Part E5 shall be determined by reference to:
  - (i) those Participating Policies (including Matured Non-OPS Policies and Matured OPS Policies) recorded in the Records as at the Relevant Time on the SGM Date in respect of which that person is an Eligible Member; and
  - (ii) the data held in those Records in relation to those Participating Policies.

Without limitation to the foregoing provisions of this paragraph 53.1(B), the following applies:

- (a) in certain circumstances, the Records may show that a with profits investment held under an Earmarked Policy in relation to a participant may have been previously transferred from one Policy (the “**original policy**”) and immediately reinvested in another Policy (the “**successor policy**”) or previously disinvested from one notional with profits sub-fund (the “**original sub-fund**”) and immediately reinvested in another notional with profits sub-fund (the “**successor sub-fund**”) notwithstanding that the with profits investment is held under the same Policy.

In such circumstances:

- (1) the Records may show that the allocation date for the with profits investment held in relation to the relevant participant under the successor policy or successor sub-fund is the allocation date shown in the Records for the original policy or original sub-fund at the time of the transfer of the relevant with profits investment out of the original policy or disinvestment of the relevant with profits investment from the original sub-fund. A transfer or disinvestment may occur on more than one occasion and the same principles would apply on each occasion; and
- (2) the allocation date shown in the Records shall be used for the purposes of determining whether the requirements of the

definitions of Eligible Scheme Participant and Participant Eligibility Period have been met (as well as determining any Variable Allocation (or part thereof) that is required to be calculated by reference to that participant under paragraph 45.2) in respect of any person who is or was a participant under an Earmarked Policy and this shall apply notwithstanding that:

- (A) the relevant person may not have been a participant under the same Earmarked Policy throughout the Participant Eligibility Period applicable to that person; or
  - (B) the allocation date for that person shown in the Records may precede the date of issue of a Participating Policy or the date on which a relevant with profits investment was first held under that Participating Policy; and
- (b) where a person who is a spouse, dependant or personal representative of a person who was a participant under an Earmarked Policy (the “**original participant**”) becomes a participant in an Occupational Pension Scheme holding that Earmarked Policy as shown in the Records (the “**successor participant**”) as a result of the death of the original participant occurring after the Compensation Calculation Date and prior to the Closure Date then the with profits investment held in relation to that original participant during the period ending immediately prior to the original participant’s death will be taken into account in determining:
- (1) whether or not the successor participant meets the requirements of the definitions of Eligible Scheme Participant, Participant Eligibility Period and Participant Involuntary Termination; and
  - (2) any Variable Allocation (or part thereof) that is required to be calculated in relation to that successor participant under paragraph 45.2.
- (C) SLAC may make such corrections to the Records as SLAC shall consider appropriate in the circumstances prior to making the notional allocations required to determine demutualisation entitlements in accordance with this Part E5.
- (D) Any allocation shown in a Share Allocation Statement or Share Allocation Breakdown Report is provisional and is subject to change until such time as the determinations required under this Part E5 are made, including as to whether a person to whom the Share Allocation Statement or Share Allocation Breakdown Report is delivered is an Eligible Member.

- (E) SL plc reserves the right to take any action it considers appropriate to recover any payments or SL plc Shares provided by way of demutualisation entitlement (together with any dividends, interest or other amounts accrued in respect of such payments or SL plc Shares) to, or for and on behalf of, any person it determines (in accordance with this Part E5 and the Calculation Manual) is not entitled to such payments or SL plc Shares (or other amounts) under this Part E5, including by disapplying benefit enhancements, and any amounts so recovered (including (in the case of SL plc Shares) the relevant proceeds of sale) shall be used by SL plc in its discretion for its general corporate purposes.

### 53.2 Shortfalls and unmade allocations

- (A) Each of SLAC, SL plc and SLAL shall be entitled to rely on the accuracy and completeness of the Records without incurring any liability to any person by reason of any inaccuracy in, or omission from, the Records.
- (B) Where after the time on which determinations have been made in respect of demutualisation entitlements under this Part E5 it is determined by:

- (i) SL plc; or
- (ii) a final and unappealable order of a court, regulator, arbitrator or governmental authority which is binding on SLAC, SL plc or SLAL,

that:

- (a) the amount of any notional allocation required to have been made under this Part E5 to an Eligible Member should have been greater than the notional allocation actually made to that person under this Part E5 with the result that that Eligible Member has not received the correct demutualisation entitlement; or
- (b) no notional allocation has been made under this Part E5 to a person who should have been treated as entitled to a notional allocation with the result that that person has not received any demutualisation entitlement,

then SL plc shall:

- (1) (A) allot and issue that number of SL plc Shares to or to the order of that person if that person is resident in a Permitted Country as is equal to the additional number of SL plc Shares that person would have been notionally allocated under paragraph 43.2 had that person received the correct demutualisation entitlement or been entitled to receive a demutualisation entitlement; or

- (B) make a payment to or to the order of that person if that person is resident outside a Permitted Country so that it is equal, so far as is possible, to the additional cash amount that person would have received from the allotment and issue for subscription at the time of the IPO Sale or (where paragraph 52 applies) under paragraph 52 of the additional SL plc Shares that the person would have been notionally allocated under paragraph 43.2 had the person received the correct demutualisation entitlement or been entitled to receive a demutualisation entitlement. The currency for such payment shall be determined on the basis provided for in paragraph 53.5 at the time when such determination is made; and
- (C) (where applicable) procure that SLAL shall use the sale proceeds from the sale of any SL plc Shares in (A) or the payment in (B) to apply benefit enhancements of the relevant amount for and on behalf of that person where the demutualisation entitlement was or should have been determined by reference to an Earmarked Policy, in accordance with the other provisions of this Part E5; and/or
- (2) make additional or alternative arrangements with the affected person, including as to dividends, distributions or interest foregone; and/or
- (3) (where applicable) otherwise comply with the terms of the order,

in each case as soon as reasonably practicable after the determination by SL plc or in accordance with the terms of the order (as applicable).

- (C) Subject to the terms of any order referred to in paragraph 53.2(B)(ii) to the contrary, none of SLAC, SL plc or SLAL shall be required to meet any shortfall that would otherwise be owed under this paragraph 53.2 where the value of the relevant shortfall is £50 or less.
- (D) None of SLAC, SL plc or SLAL shall be obliged to make good any shortfall or unmade allocation if none of SLAC, SL plc or SLAL shall have received a notice, claim or demand in writing made by or on behalf of the relevant person in relation to a shortfall or unmade allocation on or before the tenth anniversary of the Effective Date.

### 53.3 Conclusiveness of determinations

- (A) Subject to the terms of any order referred to in paragraph 53.2(B)(ii), each determination of any of SLAC, SL plc or SLAL made under or pursuant to this Part E5 shall (other than in the case of fraud) be final and binding on every person concerned, including every person who is or was at any time a member or Policyholder of SLAC.
- (B) Without limitation to paragraph 53.3(A), this paragraph 53.3 shall apply to the determination of which Policies are Participating Policies for the purposes of this Part E5, the Eligible Members in respect of such Participating Policies and any and all determinations made in relation to the Fixed Allocation, Variable Allocation and Total Variable Allocation required to be made by reference to any Participating Policies for the purposes of this Part E5.

### 53.4 Rounding

- (A) Where the Fixed Allocation is divided on a per Policy basis in accordance with, and for the purposes of, paragraph 47.1(C), and that division does not result in a whole number of OPS Shares, SL plc shall determine in its discretion an appropriate basis for the division of the Fixed Allocation for each Occupational Pension Scheme Policy.
- (B) Any Variable Allocation which does not result in a whole number of SL plc Shares being notionally allocated to an Eligible Member under paragraph 45.1(B) shall be rounded upwards, in each case to the nearest whole number of SL plc Shares.
- (C) Where a payment is to be made to any person entitled to such payment on the terms, and subject to the conditions, of this Part E5 which would otherwise not amount to a whole hundredth of one Sterling, one Euro or one Canadian Dollar (as applicable), such payment shall be rounded upwards to the nearest hundredth of one Sterling, one Euro or one Canadian Dollar (as applicable) in each case.
- (D) Where a benefit enhancement is to be credited to an Eligible Scheme Participant on the terms, and subject to the conditions, of this Part E5 which would otherwise not amount to a whole hundredth of one Sterling, one Euro or one Canadian Dollar (as applicable), such amount of benefit enhancement shall be rounded upwards to the nearest hundredth of one Sterling, one Euro or one Canadian Dollar (as applicable) in each case.

### 53.5 Currency of payment

- (A) Subject to paragraph 53.5(C), any payment to or to the order of an Eligible Member or the Trustee of the Unclaimed Assets Trust (as applicable) in accordance with the provisions of this Part E5 shall be made in:
  - (i) Canadian dollars, in the case of a payment:

- (a) in respect of a Canadian Member; or
    - (b) in respect of a Non-Permitted Country Member who is an Eligible Member in respect of one or more Participating Policies that are Canadian Policies;
  - (ii) Euros, in the case of a payment:
    - (a) in respect of an Eligible Member whose last recorded address, as recorded in the Records on the SGM Date, is in any of Austria, Germany or the Republic of Ireland according to the Records of SLAC on the SGM Date; or
    - (b) in respect of a Non-Permitted Country Member who is an Eligible Member in respect of one or more Participating Policies that are Austrian Policies, German Policies and/or Irish Policies; and
  - (iii) Sterling, in any other case.
- (B) Where the provisions of paragraph 53.5(A) would otherwise require a payment to be made to a person in more than one currency, SL plc shall determine the currency in which payment shall be made in its discretion.
- (C) Any amount required to be paid or applied in accordance with paragraph 51.2 or 51.3 shall be paid or applied in Sterling where the relevant Earmarked Policy is or was a UK Occupational Pension Scheme Policy or Euros where the relevant Earmarked Policy is or was an Irish Occupational Pension Scheme Policy. This shall apply regardless of the country of residence of the Eligible Member, Eligible Scheme Participant or Pension Scheme Claimant.
- (D) Notwithstanding the above, if any of the above currencies have been replaced at the date of making payment as the lawful currency of the relevant jurisdiction, then payment shall be made in the relevant successor lawful currency.

### **53.6 Exchange rate**

Where any payment is to be made or applied under paragraph 53.5 in a currency other than Sterling, the relevant amount of such payment shall be converted from Sterling into Canadian dollars or Euros (as the case may be) at the rate of exchange obtained by SL plc for the purchase of the relevant currency with Sterling in the London foreign exchange market on, or as close as reasonably practicable in the circumstances to, the date on which the cheque, electronic transfer or other payment method used to make or apply the payment is sent.

### **54. Co-operation of SLAC and SLAL with SL plc**

SLAC and, from the Effective Time, SLAL undertake to provide all information, assistance, facilities and access to records (including the Records) which SL plc may

reasonably require to identify persons as Eligible Members and determine their respective entitlements (including the form in which they receive their entitlements).

**55. Risk on share certificates or payments**

- 55.1 Share certificates in respect of SL plc Shares and any statements of entitlement in respect of SL plc Shares will be sent at the risk of the persons entitled to such certificates or statements.
- 55.2 Payments made by cheque, electronic or other means will be made at the risk of the persons to whom the payments are sent.

**56. No obligation to gross-up**

- 56.1 Any payment made to any Eligible Member or any other person in accordance with this Part E5 shall be net of any deductions or withholdings as are required to be made by the payer to meet any liability of the payer to Taxation in respect of any such payment.
- 56.2 Any such payment to be made to any Eligible Member or any other person shall not be increased to take account of any such deduction or withholding made under paragraph 56.1.

**57. Deductions for dealing, foreign exchange and other costs**

- 57.1 No deduction shall be made from any payment made or payment applied towards benefits enhancements to or for and on behalf of Eligible Members who are Non-Permitted Country Members in respect of:
- (A) administration costs, dealing commission, stamp duty and/or stamp duty reserve tax (or amounts in respect of stamp duty and/or stamp duty reserve tax) payable in connection with the allotment and issue of the relevant SL plc Shares for subscription as part of the IPO Sale which are to be issued to fund a payment or an application of benefit enhancements required in respect of such persons under this Part E5; and
  - (B) (in the case of any payment made or payment applied towards benefit enhancements in accordance with paragraph 53.5 in Canadian dollars or Euros) foreign exchange costs.
- 57.2 No deduction shall be made from any payment made or payment applied towards benefit enhancements to or for and on behalf of Eligible Members who are Benefit Enhancement Sale Recipients or Canadian Members (including Canadian Late Validators) in respect of:
- (A) administration costs, dealing commission, stamp duty and/or stamp duty reserve tax (or amounts in respect of stamp duty and/or stamp duty reserve tax) payable in connection with the sale of:
    - (i) the Earmarked Benefit Enhancement Sale Shares in relation to Benefit Enhancement Sale Recipients; and



- (ii) the relevant Default Sale Shares, Non-Earmarked Sale Shares, Unclaimed Sale Shares and Unclaimed Non-Earmarked Sale Shares in relation to Canadian Members (including Canadian Late Validators),

as part of the IPO Sale or (where applicable) under paragraph 52 in accordance with paragraphs 51.1, 51.2(A), 51.2(B)(i) and 51.4; and

- (B) (in the case of any payment made or payment applied towards benefit enhancements in accordance with paragraph 53.5 in Canadian dollars or Euros) foreign exchange costs

in each case on the terms, and subject to the conditions, of the Initial Share Sale Facility.

57.3 Any payment made to or to the order of a Sale Election Recipient, Non-Earmarked Share Sale Recipient or Earmarked Share Sale Recipient (in each case, other than to a Canadian Member) shall be made net of the payment of an amount in or towards the payment of:

- (A) administration costs, dealing commission, stamp duty and/or stamp duty reserve tax (or amounts in respect of stamp duty and/or stamp duty reserve tax) that is payable in connection with the sale of the relevant Sale Election Shares, Non-Earmarked Sale Shares and Earmarked Sale Shares (as applicable) as part of the IPO Sale or (where applicable) under paragraph 52 in accordance with paragraphs 51.1 and 51.2(A); and
- (B) (in the case of any payment made in accordance with paragraph 53.5 in Euros) foreign exchange costs,

in each case on the terms, and subject to the conditions, of the Initial Share Sale Facility.

## **58. No interest**

Without limitation of paragraph 51.2(B)(v) and subject to paragraph 53.2 and the terms and conditions of the Unclaimed Assets Trust, no person shall have any entitlement to interest on any amount becoming payable in accordance with this Part E5.

## **59. Variations**

- 59.1 (A) Notwithstanding the provisions of paragraph 70, SL plc and SLAC (in respect of any variation to be made prior to the Effective Time) or SL plc and SLAL (in respect of any variation to be made at or after the Effective Time) may make such variations to the Calculation Manual and this Part E5 as are:
  - (i) of a formal, minor or technical nature;
  - (ii) necessary to correct a manifest error; or

- (iii) (in their opinion) necessary better to meet the objective of fairness referred to in paragraph 3.13,

as they both shall agree, subject to paragraph 59.1(B).

- (B) (i) The SLAC WP Actuary, in respect of a variation to be made prior to the Effective Time, or the SLAL WP Actuary, in respect of a variation to be made at or after the Effective Time, as applicable, must also approve of such variation in writing prior to it coming into effect; and

- (ii) in the case of a variation proposed under paragraph 59.1(A)(iii) above, the Independent Expert or, where he is unavailable, another independent expert (as appointed by SLAC or SLAL (as applicable) and SL plc and approved by the Regulator) must also approve of such variation in writing prior to it coming into effect by producing a certificate to the effect that, in such person's opinion, the proposed variation will not materially and adversely affect the interests of persons entitled to demutualisation entitlements under this Part E5.

59.2 No variation to the Calculation Manual or this Part E5 shall require the approval of any person whose approval is not expressly mentioned in paragraph 59.1.

## **60. Reliance on Forms**

60.1 Each of SLAC, SL plc and SLAL shall be entitled (but not obliged) to rely on any Form, including, without limitation, any declaration, consent or election made thereon, which on its face has been correctly completed and signed.

60.2 Each of SLAC, SL plc and SLAL shall be entitled (but not obliged) to deem any Form (provided it is signed) as having been correctly completed and returned where it is not completed in all respects or not returned by the required date and/or to the required address.

60.3 Where more than one Form is returned by a person in relation to an Eligible Member's demutualisation entitlement (and such Forms are inconsistent in their instructions), SLAC, SL plc and/or SLAL (as applicable) shall be entitled to determine in their discretion on which (if any) Form to rely.

## **61. Restrictions on delivery of SL plc Shares, benefit enhancements and payments**

- (A) Notwithstanding the allotment and issue of SL plc Shares, and the entry into the register of members of SL plc of the relevant members, in accordance with the provisions in paragraph 48, SL plc reserves the right not to (and may procure that other persons do not):

- (i) deliver share certificates, statements of entitlement or other evidence of legal or beneficial ownership of SL plc Shares to any person;

- (ii) apply benefit enhancements for and on behalf of, or in relation to, any person; or
- (iii) make payments to any person,

as would otherwise be required in accordance with the provisions of this Part E5 and to take any other steps which SL plc considers reasonable in the circumstances, where (in its reasonable opinion) it considers such delivery, application or payment would or might reasonably be expected to result in any of SLAC, SL plc or SLAL (or anyone acting on behalf of any one or more of them):

- (a) being in breach of an order of a court, regulator, government or arbitrator in relation to any person which applies to the SL plc Shares, benefit enhancements or payments to be made in accordance with the provisions of this Part E5 or assisting, aiding or abetting a breach of such order;
  - (b) committing a criminal offence (or being subject to a criminal sanction, penalty or fine) under any applicable law or Regulation; or
  - (c) being liable to a third party by virtue of a claim over the whole or part of the Eligible Member's demutualisation entitlement of which SLAC, SL plc or SLAL is aware.
- (B) Where paragraph 61(A) applies, any such delivery, application or payment shall be withheld from the relevant person (including an Eligible Member, Eligible Scheme Participant or Pension Scheme Claimant), unless and until such time as SL plc considers paragraph 61(A) to be no longer applicable in relation to the relevant person. The provisions of paragraph 58 shall apply in relation to any amount withheld.

## **62. Exclusion of liability**

- 62.1 Except as expressly provided in this Part E5, neither SLAC, SL plc nor SLAL shall incur any liability towards any person by reason of the accidental omission to send the Proposal Document, any Form, notice or payment to any person who is, or was, at any time a member or Policyholder or former member or Policyholder of SLAC.
- 62.2 Neither SLAC, SL plc, SLAL, any New SL Group Member nor any other person acting on behalf of any one or more such persons shall be responsible for the manner in which an Eligible Member who is a joint policyholder or trustee in relation to one or more Participating Policies applies any demutualisation entitlement received by the Eligible Member in accordance with this Part E5 or the consequences arising from any application of such demutualisation entitlement, including the application of such demutualisation entitlements in either making benefit enhancements or paying or applying PSC Amounts in accordance with this Part E5.

### 63. Definitions

For the purposes of this Part E5, the following definitions shall have the following meanings:

<b>“Applied Earmarked Amount”</b>	has the meaning given to it in <u>paragraph 51.2(B)(iii)</u> ;
<b>“Appropriate Revenue Authority”</b>	means, as appropriate to the Policy in question, HM Revenue & Customs, The Revenue Commissioners of the Republic of Ireland, The Controller of Income Tax in Jersey, The Administrator of Income Tax for the States of Guernsey or the Assessor of Income Tax of the Isle of Man;
<b>“Benefit Enhancement Cash Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.4(E)(ii)(b)</u> applies;
<b>“Benefit Enhancement OPS Amount”</b>	has the meaning given to it in <u>paragraph 47.4(E)(ii)(b)</u> ;
<b>“Benefit Enhancement Recipient”</b>	means: <ul style="list-style-type: none"> <li>(A) a Benefit Enhancement Sale Recipient; or</li> <li>(B) a Benefit Enhancement Cash Recipient,</li> </ul> as applicable;
<b>“Benefit Enhancement Sale Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.4(D)(iii)</u> applies;
<b>“Calculation Manual”</b>	means the calculation manual in the agreed form set out in <u>Appendix C (Calculation Manual)</u> ;
<b>“Canadian Late Validator”</b>	has the meaning given to it in <u>paragraph 47.3(C)</u> ;
<b>“Canadian Member”</b>	means a person who is an Eligible Member whose last recorded address, as recorded in the Records as at the Relevant Time on the SGM Date, is in Canada;
<b>“Canadian Policy”</b>	means a Policy for which SLAC is the insurer in carrying on its business at any time through its branch established in Canada either by virtue of being the issuer of such Policy or as a result of the transfer by way of assumption reinsurance of that Policy to SLAC;
<b>“Closure Date”</b>	means 18 October 2005;

<b>“Compensation Calculation Date”</b>	means 30 March 2004;
<b>“Conventional Participating Policy”</b>	means a Participating Policy that is not a Unitised With Profit Policy;
<b>“CREST”</b>	means a relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations);
<b>“CRESTCo”</b>	means CRESTCo Limited;
<b>“CREST Member”</b>	means a person who has been admitted by CRESTCo as a system-member (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	means the Uncertificated Securities Regulations 2001 (SI 2001/3755);
<b>“CREST Stock Account”</b>	means, in relation to a CREST Member, a share account within a member account of that CREST Member;
<b>“Default Sale Shares”</b>	has the meaning given to it in <u>paragraph 47.3(B)</u> ;
<b>“Earmarked Amount”</b>	has the meaning given to it in <u>paragraph 51.2(B)(i)(c)</u> ;
<b>“Earmarked Benefit Enhancement Sale Shares”</b>	has the meaning given to it in <u>paragraph 47.4(D)(iii)</u> ;
<b>“Earmarked Policy”</b>	means an Occupational Pension Scheme Policy that is an Irish Occupational Pension Scheme Policy or a UK Occupational Pension Scheme Policy in relation to which SLAC creates individual records in its Records in relation to each participant in the Occupational Pension Scheme in relation to whom investments are made under that Policy;
<b>“Earmarked Sale Shares”</b>	has the meaning given to it in <u>paragraph 47.4(D)(ii)</u> ;
<b>“Earmarked Share Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.4(D)(i)</u> applies;
<b>“Earmarked Shares”</b>	has the meaning given to it in <u>paragraph 47.4(D)(i)</u> ;
<b>“Earmarked Share Sale Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.4(D)(ii)</u> applies;
<b>“Eligible Member”</b>	means each person who is a member of SLAC in accordance with the SLAC Regulations immediately prior to the Effective Time, but excluding SL MACS plc and SL MACS (No. 2) plc;

**“Eligible Scheme Participant”**

means a person who (according to the Records at such time before the Effective Date as is determined by SLAC in its discretion) meets each of the following requirements:

- (A) the person was a participant in at least one Occupational Pension Scheme throughout the Participant Eligibility Period applicable to that person;
- (B) one of the Occupational Pension Scheme Trustees of the Occupational Pension Scheme under which that person is a participant at the end of the Participant Eligibility Period applicable to that participant is the Eligible Member in respect of an Occupational Pension Scheme Policy and that Policy was an Earmarked Policy at the end of the Participant Eligibility Period applicable to that participant;
- (C) there was a with profits investment held in relation to that participant under that Earmarked Policy throughout the Participant Eligibility Period applicable to that person;
- (D) the participant has not become an Eligible Member in respect of a Participating Policy as a result of the transfer to that Policy of that with profits investment held under that Earmarked Policy because of a winding up or dissolution of the Occupational Pension Scheme holding that Earmarked Policy; and
- (E) no person is or was subject to a Supplementary Declaration immediately prior to the Effective Time or immediately prior to the relevant Participant Involuntary Termination (as applicable) in respect of all of the with profits investments held in relation to that participant.

Paragraphs 53.1(B)(ii)(a) and 53.1(B)(ii)(b) shall apply in determining whether the requirements of this definition have been met;

**“Fixed Allocation”**

means the notional allocation of 185 SL plc Shares required to be made to each Eligible Member on the terms, and subject to the conditions, of this Part E5;

**“Form”**

means any of an Overseas Pension Scheme Election Form, a Pension Scheme Election Form, a Share Retention Form, a Share Sale Form and a Validation Form (as the context may require);

<b>“Initial Share Sale Facility”</b>	means the facility for the sale of SL plc Shares as part of the IPO Sale (subject to <u>paragraph 52</u> ) to be provided by the Sale Nominee, the terms and conditions of which are to be set out in the Share Offer Pack;
<b>“in the agreed form”</b>	means a document agreed or to be agreed between SLAC, SL plc and SLAL (as the context may require);
<b>“Institutional Offer”</b>	means the offer to be made by SL plc to certain institutional and other significant investors to buy SL plc Shares;
<b>“investment”</b>	<p>for the purpose of this <u>Part E5</u>, means payments or contributions of every description, including:</p> <p>(A) increases to premiums (whether by way of regular premium or single premium and whether contractual or otherwise); and</p> <p>(B) all other sums and transfers of sums (including payments <i>in specie</i>),</p> <p>in each case which are referable or attributable to any Policy;</p>
<b>“IPO Cash Price”</b>	means the price per SL plc Share at which the SL plc Shares are subscribed for under the Institutional Offer and Retail Offer as part of the IPO Sale;
<b>“IPO Sale”</b>	means the allotment and issue for subscription of SL plc Shares, or sale of SL plc Shares, as part of the Offers following Admission on the Effective Date, to be described in the Prospectus;
<b>“Irish Policy”</b>	means a Policy for which SLAC is the insurer in carrying on its business at any time through its branch established in the Republic of Ireland either by virtue of being the issuer of such Policy or as a result of the transfer of such Policy to SLAC;
<b>“Irish Occupational Pension Scheme Policy”</b>	means an Occupational Pension Scheme Policy for which SLAC is the insurer in carrying on its business at any time through its branch established in the Republic of Ireland either by virtue of being the issuer of such Occupational Pension Scheme Policy or as a result of the transfer of such Occupational Pension Scheme Policy to SLAC;
<b>“Late Validator”</b>	means an Eligible Member who has not Validated in a Timely Manner;
<b>“Matured Non-OPS Policy”</b>	means a Policy (excluding a Policy that is or was held by the trustees (or plan sponsors) of an Occupational Pension

Scheme) that held investments that were invested in with profits immediately prior to the event (as recorded in the Records) giving rise to the relevant Non-OPS Involuntary Termination which occurred on or after the Closure Date and before the Relevant Time on the SGM Date, provided that a person was not subject to a Supplementary Declaration immediately prior to the relevant Non-OPS Involuntary Termination in respect of all of the with profits investments held under that Policy;

**“Matured OPS Policy”**

means a Policy that is or was held by the trustees (or plan sponsors) of an Occupational Pension Scheme that held investments that were invested in with profits immediately prior to the event (as recorded in the Records) giving rise to the relevant OPS Involuntary Termination which occurred on or after the Closure Date and before the Relevant Time on the SGM Date, provided that a person was not subject to a Supplementary Declaration immediately prior to the relevant OPS Involuntary Termination in respect of all of the with profits investments held under that Policy;

**“Non-Earmarked Policy”**

means an Occupational Pension Scheme Policy that is not an Earmarked Policy;

**“Non-Earmarked Sale Shares”**

has the meaning given to it in paragraph 47.4(B);

**“Non-Earmarked Share Recipient”**

means an Eligible Member to whom paragraph 47.4(A) applies;

**“Non-Earmarked Shares”**

has the meaning given to it in paragraph 47.4(A);

**“Non-Earmarked Share Sale Recipient”**

means an Eligible Member to whom paragraph 47.4(B) applies;

**“Non-OPS Involuntary Termination”**

means any of the following:

- (A) the benefits of a person under a Policy becoming wholly extinguished by an order of any court in relation to pension sharing; or
- (B) the benefits of a person under a Policy becoming payable following either:
  - (i) the end of the term of the Policy; or
  - (ii) the acceptance by SLAC of a claim made under the terms of the Policy in relation to either the death of the life assured or any other event whatsoever which SLAC (in its absolute



discretion) considers to have been outside the control of such person. Without limitation, such an event may include the taking of retirement benefits and critical illness;

**“Non-Permitted Country Member”**

means an Eligible Member whose last recorded address, as recorded in the Records as at the Relevant Time on the SGM Date, is not in a Permitted Country;

**“Occupational Pension Scheme”**

means any scheme or arrangement (wherever located) relating to an employer to or in respect of employees which is comprised in one or more instruments or agreements under which benefits, in the form of pensions, lump sum or other like benefits, are provided, or to be provided, on retirement, or on death, or in anticipation of retirement, or in connection with past service after retirement or death, or in connection with any change in the nature of the service of an employee (other than accident or death by accident schemes);

**“Occupational Pension Scheme Policy”**

means a Policy held by Occupational Pension Scheme Trustees;

**“Occupational Pension Scheme Trustee”**

means the person who is alone or with other persons the legal owner of one or more Policies by virtue of being the trustee or plan sponsor (as the case may be) of an Occupational Pension Scheme;

**“Offers”**

means the Institutional Offer, Retail Offer and Preferential Offer;

**“OPS Amount”**

has the meaning given to it in paragraph 47.1(B)(ii);

**“OPS Involuntary Termination”**

means any of the following:

- (A) the benefits of the last participant invested in with profits under a Policy held by the trustees (or plan sponsors) of an Occupational Pension Scheme:
  - (i) becoming wholly extinguished by an order of any court in relation to pension sharing; or
  - (ii) becoming payable following the acceptance by SLAC of a claim made under the terms of the Policy in relation to the death of that participant or any other event whatsoever which SLAC (in its absolute discretion) considers to have been outside the control of that participant. Without limitation, such an event may include the taking of retirement benefits, but shall not include the

winding up or dissolution of the Occupational Pension Scheme; or

- (B) a Policy becoming a Wound Up OPS Policy, provided that at least one person who was a participant under the Occupational Pension Scheme which held that Policy has been (or the Records show by reference to paragraphs 53.1(B)(ii)(a) and 53.1(B)(ii)(b) such person to have been) continuously invested in with profits throughout the relevant Participant Eligibility Period under that Policy and that participant has not been issued with a Policy invested in with profits as a result of the winding up or dissolution of that Occupational Pension Scheme;

<b>"OPS Shares"</b>	has the meaning given to it in <u>paragraph 47.1(B)(i)</u> ;
<b>"original participant"</b>	has the meaning given to it in <u>paragraph 53.1(B)(ii)(b)</u> ;
<b>"original policy"</b>	has the meaning given to it in <u>paragraph 53.1(B)(ii)(a)</u> ;
<b>"original sub-fund"</b>	has the meaning given to it in <u>paragraph 53.1(B)(ii)(a)</u> ;
<b>"Overseas Pension Scheme Election Form"</b>	means an instruction to be provided in the agreed form for use by an Eligible Member who is a Non-Permitted Country Member in the Required Manner under which that Eligible Member may elect that the OPS Amount to which that Eligible Member is entitled on the terms, and subject to the conditions, of this <u>Part E5</u> is to be paid pursuant to the provisions of this <u>Part E5</u> ;
<b>"Participant Amount"</b>	has the meaning given to it in <u>paragraph 51.2(B)(ii)</u> ;
<b>"Participant Eligibility Period"</b>	means, in relation to a person who is or was a participant in an Occupational Pension Scheme, the period from (and including) the later of: <ul style="list-style-type: none"> <li>(A) the Relevant Time on the Compensation Calculation Date; or</li> <li>(B) in the circumstances where an application to become a participant under an Earmarked Policy was made in the form specified and was received by SLAC on or before the Relevant Time on the Compensation Calculation Date (together with any additional information, declaration, consent or other undertaking required) and that application was accepted by SLAC after the Relevant Time on the Compensation Calculation Date and at or before the Relevant Time on the SGM Date (provided that all or part of the first investment made in</li> </ul>

relation to that participant was a with profits investment), the allocation date of that first with profits investment,

to (and including):

- (i) in relation to a participant in respect of whom there has been a Participant Involuntary Termination on or after the Closure Date, the earlier of:
  - (a) the date of the event (as recorded in the Records) giving rise to the Participant Involuntary Termination; and
  - (b) the Relevant Time on the SGM Date; or
- (ii) in relation to all other participants, the Relevant Time on the SGM Date.

Paragraphs 53.1(B)(ii)(a) and 53.1(B)(ii)(b) shall apply in determining whether the requirements of this definition have been met;

**“Participant Involuntary Termination”**

means either:

- (A) the benefits of a participant under an Occupational Pension Scheme becoming wholly extinguished by an order of any court in relation to pension sharing; or
- (B) the benefits of a participant under an Occupational Pension Scheme becoming payable under an Earmarked Policy following the acceptance by SLAC of a claim made under the terms of that Policy in relation to either the death of that participant or any other event whatsoever which SLAC (in its absolute discretion) considers to have been outside the control of such participant. Without limitation, such an event may include the taking of retirement benefits, but such an event shall not include the winding up or dissolution of the Occupational Pension Scheme;

**“Participating Policy”**

means any Policy that is one of the following:

- (A) a Matured Non-OPS Policy;
- (B) a Matured OPS Policy; and

- (C) in any other case, a Policy (including an Occupational Pension Scheme Policy) that was, at the Relevant Time on the SGM Date, invested in with profits, provided that no person is subject to a Supplementary Declaration immediately prior to the Effective Time in respect of all of the with profits investments held under such Policy,

provided that, in each case, a Matured Non-OPS Policy and a Matured OPS Policy must be a "matured eligible policy" as defined in the SLAC Regulations in force immediately prior to the Effective Time, and a Policy falling within (C) must be an "eligible policy" as defined in the SLAC Regulations in force immediately prior to the Effective Time;

**"Pension Scheme Claimant"**

means a person who (according to the Records at or before the Effective Time, or the records of the relevant New SL Group Member after the Effective Time) is:

- (A) an Eligible Scheme Participant who is alive and on or prior to the date of receipt by SLAL of the relevant proceeds from the IPO Sale (or under paragraph 52) either:
- (i) is in receipt of annuity payments under the Occupational Pension Scheme in respect of which that person is the Eligible Scheme Participant; or
  - (ii) has ceased to be a person in relation to whom investments are held under the Earmarked Policy in respect of which that person was an Eligible Scheme Participant; or
- (B) the spouse, one of the dependants or one of the personal representatives of an Eligible Scheme Participant, where the Eligible Scheme Participant has died, and a claim made under the terms of the relevant Policy in relation to that death has become payable, on or prior to the date of receipt by SLAL of the relevant proceeds from the IPO Sale (or under paragraph 52);

<b>“Pension Scheme Election Form”</b>	<p>means an instruction to be provided in the agreed form for use by an Eligible Member who is a Permitted Country Member in the Required Manner under which that Eligible Member may elect that the OPS Shares which that Eligible Member receives on the terms, and subject to the conditions, of this <u>Part E5</u> are:</p> <p>(A) to be sold and the sale proceeds paid to or to the order of the Eligible Member; or</p> <p>(B) to be retained pursuant to the provisions of this <u>Part E5</u>;</p>
<b>“Permitted Country”</b>	means each of Austria, Canada, the Channel Islands, Germany, the Isle of Man, the Republic of Ireland and the United Kingdom;
<b>“Permitted Country Member”</b>	means an Eligible Member whose last recorded address, as recorded in the Records as at the Relevant Time on the SGM Date, is in a Permitted Country;
<b>“Policy”</b>	means (for the purposes of this <u>Part E5</u> only) a contract entered into by SLAC (including orphan TN certificates and subrogated TN certificates, each as defined in the SLAC Regulations in force immediately prior to the Effective Time), the object of which is within any class or classes of insurance business specified in Schedule 1 to the Regulated Activities Order or any other class or description of insurance, pension, indemnity, annuity or guarantee business;
<b>“Preferential Offer”</b>	means the offer to be made by SL plc to Eligible Members, other SLAC policyholders, SLAC group employees and certain SLAC group customers, who in each case are resident in a Permitted Country, to buy SL plc Shares on a discounted basis;
<b>“Proposal Document”</b>	means the proposal document issued by SLAC to its voting members and certain of its other Policyholders in connection with this Scheme and in accordance with directions of the Court;
<b>“Prospectus”</b>	means the prospectus expected to be published by SL plc in connection with Admission and the IPO Sale;
<b>“PSC Amount”</b>	has the meaning given to it in <u>paragraph 51.2(B)(ii)</u> ;
<b>“Records”</b>	means the electronic and/or other records of SLAC;
<b>“Relevant Time”</b>	means 11:59 p.m. UK time;
<b>“Required Manner”</b>	means completing and returning a Form to the address specified in that Form so that it is received by the date specified

in that Form (or such other method of communicating an election pursuant to a Form to the satisfaction of SL plc or SLAC);

<b>“Retail Offer”</b>	means the offer to be made by SL plc to certain individual and other investors (in each case who are not eligible for the Preferential Offer) to buy SL plc Shares;
<b>“Retained Shares”</b>	has the meaning given to it in <u>paragraph 47.2(A)</u> ;
<b>“Sale Election Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.2(B)</u> applies;
<b>“Sale Election Shares”</b>	has the meaning given to it in <u>paragraph 47.2(B)</u> ;
<b>“Sale Nominee”</b>	means Computershare Company Nominees Limited (registered in Scotland number SC167175);
<b>“sale proceeds”</b>	means, in relation to a Permitted Country Member, the proceeds of the sale of SL plc Shares as part of the IPO Sale or (where <u>paragraph 52</u> applies) under that <u>paragraph 52</u> , as adjusted through the application of <u>paragraphs 53.5, 53.6, 56, 57 and 58</u> ;
<b>“SGM Date”</b>	means 31 May 2006 or, if later, the date on which the special resolution referred to in the Proposal Document is passed;
<b>“Share Allocation Breakdown Report”</b>	means the statements delivered to persons who are considered to be persons who will be Eligible Members setting out a breakdown of an allocation of SL plc Shares by reference to each individual Policy in respect of which they may be an Eligible Member;
<b>“Share Allocation Statement”</b>	means the statements delivered to persons who are considered to be persons who will be Eligible Members setting out an allocation of SL plc Shares;
<b>“Share Election Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.3(A)</u> applies;
<b>“Share Election Shares”</b>	has the meaning given to it in <u>paragraph 47.3(A)</u> ;
<b>“Share Nominee”</b>	means Computershare Company Nominees Limited (registered in Scotland number SC167175);
<b>“Share Nominee Service”</b>	means the nominee service to be provided by the Share Nominee to the relevant Eligible Members, the terms and conditions of which are to be set out in the Share Offer Pack;
<b>“Share Offer Pack”</b>	means the pack of documents comprising the relevant Form and the summary of the Prospectus to be distributed to

Permitted Country Members shortly after publication of the Prospectus;

<b>“Share Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.2(A)</u> applies;
<b>“Share Retention Form”</b>	means an instruction to be provided in the agreed form for use by a Canadian Member in the Required Manner under which that Eligible Member may elect that the SL plc Shares which that Eligible Member receives on the terms, and subject to the conditions, of this <u>Part E5</u> are to be retained pursuant to the provisions of this <u>Part E5</u> ;
<b>“Share Sale Form”</b>	means an instruction to be provided in the agreed form for use by a Permitted Country Member (other than a Canadian Member) in the Required Manner under which that Eligible Member may elect that the SL plc Shares which that Eligible Member receives on the terms, and subject to the conditions, of this <u>Part E5</u> are to be sold pursuant to the provisions of this <u>Part E5</u> ;
<b>“Share Sale Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.3(B)</u> applies;
<b>“SLAC Regulations”</b>	means the regulations of SLAC in force from time to time pursuant to section 14 of the Standard Life Assurance Company Act 1991;
<b>“SL MACS plc”</b>	means SL MACS plc (registered in England and Wales number 04725701);
<b>“SL MACS (No. 2) plc”</b>	means SL MACS (No. 2) plc (registered in England and Wales number 05233313);
<b>“Stanplan V Policy”</b>	means a Policy issued by SLAC to Standard Life Trustee Company Limited (registered in Scotland number SC076046) in its capacity as trustee of Stanplan V;
<b>“subscription proceeds”</b>	means, in relation to a Non-Permitted Country Member, the proceeds from the allotment and issue of SL plc Shares for subscription as part of the IPO Sale or (where <u>paragraph 52</u> applies) under that <u>paragraph 52</u> , as adjusted through the application of paragraphs <u>53.5</u> , <u>53.6</u> , <u>56</u> , <u>57</u> and <u>58</u> ;
<b>“successor participant”</b>	has the meaning given to it in <u>paragraph 53.1(B)(ii)(b)</u> ;
<b>“successor policy”</b>	has the meaning given to it in <u>paragraph 53.1(B)(ii)(a)</u> ;
<b>“successor sub-fund”</b>	has the meaning given to it in <u>paragraph 53.1(B)(ii)(a)</u> ;

**“Supplementary Declaration”**

means a declaration or agreement on such terms and subject to such conditions as SLAC may from time to time determine to the effect that a person will not be entitled to compensation for loss of membership rights should SLAC demutualise. A person is **“subject to a Supplementary Declaration”** in respect of a particular with profits investment if:

- (A) a Supplementary Declaration has been signed or has otherwise been executed by or on behalf of a person; or
- (B) a Supplementary Declaration is included in a person's application for a Policy or is contained in any other documentation relating to that person's Policy; or
- (C) that person has otherwise agreed to be or become bound by a Supplementary Declaration,

in each case in respect of a particular with profits investment and such person has not been released from the application of such Supplementary Declaration or the period for which the relevant Supplementary Declaration applies has not expired, in each case immediately prior to the Effective Time;

**“Total Variable Allocation”**

means the aggregate of all Variable Allocations (if any) required to be notionally allocated to an Eligible Member on the terms, and subject to the conditions, of this Part E5;

**“Trustee of the Unclaimed Assets Trust”**

means the trustee of the Unclaimed Assets Trust and any successor of such trustee;

**“UK Occupational Pension Scheme Policy”**

means an Occupational Pension Scheme Policy for which SLAC is the insurer in carrying on its business at any time in the United Kingdom (which expression shall include, for the purposes of this definition, the Channel Islands and the Isle of Man) either by virtue of being the issuer of such Occupational Pension Scheme Policy or as a result of the transfer of such Occupational Pension Scheme Policy to SLAC;

**“UK Policy”**

means a Policy for which SLAC is the insurer in carrying on its business at any time in the United Kingdom (which expression shall include, for the purposes of this definition, the Channel Islands and the Isle of Man) either by virtue of being the issuer of such Policy or as a result of the transfer of such Policy to SLAC;

**“Unclaimed Assets Trust”**

means the trust deed to be entered into between the Trustee of the Unclaimed Assets Trust and SL plc on or about the Effective



Date in the form, or substantially the form, set out in Appendix B (*Unclaimed Assets Trust*);

**“Unclaimed  
Non-Earmarked Retained  
Shares”**

has the meaning given to it in paragraph 47.4(C)(i);

**“Unclaimed  
Non-Earmarked Sale  
Shares”**

has the meaning given to it in paragraph 47.4(C)(ii);

**“Unclaimed Retained  
Shares”**

has the meaning given to it in paragraph 47.2(C);

**“Unclaimed Sale Shares”**

has the meaning given to it in paragraph 47.3(C);

**“Unitised Participating  
Policy”**

means a Participating Policy that is a Unitised With Profit Policy;

**“Validated in a Timely  
Manner”**

means that either of SLAC or SL plc, as applicable, has received a Validation Form in the Required Manner or that a person is an Eligible Member whose personal and Policy details have otherwise been confirmed or updated for the purposes of receiving a demutualisation entitlement in some other manner to the satisfaction of either of SLAC or SL plc, in all cases in sufficient time before the Effective Date for the Records of SLAC to be confirmed or updated in relation to the relevant Eligible Member;

**“Validation Form”**

means any of the following:

- (A) the “confirmation of details” form sent to members of SLAC following Standard Life’s public announcement of 17 October 2005;
- (B) the voting form to be used at the special general meeting of SLAC on the SGM Date;
- (C) the Pension Scheme Election Form;
- (D) the Overseas Pension Scheme Election Form;
- (D) the Share Sale Form;
- (E) the Share Retention Form; or
- (F) such other validation or “confirmation of details” form in the agreed form under which a member of SLAC is

required to confirm or update personal and Policy details;

- “Variable Allocation”** means the notional allocation (if any) of SL plc Shares required to be made to an Eligible Member on the terms, and subject to the conditions, of this Part E5 as determined by reference to a Participating Policy in respect of which that person is an Eligible Member, in accordance with paragraph 45.1;
- “with profits investment” or “invested in with profits”** means an investment giving rise to an entitlement to receive a share of SLAC’s profits on the basis of the investment being applied in a fund to which some or all of SLAC’s profits are or are to be credited; and
- “Wound Up OPS Policy”** means an Irish Policy or UK Policy held by the trustees of an Occupational Pension Scheme that was invested in with profits immediately prior to the winding up or dissolution of that Occupational Pension Scheme on or after the Closure Date but before the Relevant Time on the SGM Date, provided that no person was subject to a Supplementary Declaration immediately prior to the winding up or dissolution of the Occupational Pension Scheme in respect of all the with profits investments held under that Policy.

**Part F6 – Island Businesses****64. Guernsey Business**

At and with effect from the Guernsey Effective Time:

- (A) Guernsey Policies shall be treated for all purposes of this Scheme as if they are Transferred Policies;
- (B) Guernsey Assets shall be treated for all purposes of this Scheme as if they are Transferred Assets; and
- (C) Guernsey Liabilities shall be treated for all purposes of this Scheme as if they are Transferred Liabilities.

**65. Jersey Business**

At and with effect from the Jersey Effective Time:

- (A) Jersey Policies shall be treated for all purposes of this Scheme as if they are Transferred Policies;
- (B) Jersey Assets shall be treated for all purposes of this Scheme as if they are Transferred Assets; and
- (C) Jersey Liabilities shall be treated for all purposes of this Scheme as if they are Transferred Liabilities.

## Part G7 – Canada Business

### 66. Canada Business

66.1 At and with effect from the Canadian Stacking Policies Effective Time:

- (A) Canadian Stacking Policies shall be treated for all purposes of this Scheme as if they are Transferred Policies which are NPF Policies;
- (B) Canadian Stacking Policies Assets shall be treated for all purposes of this Scheme as if they are Transferred Assets; and
- (C) Canadian Stacking Policies Liabilities shall be treated for all purposes of this Scheme as if they are Transferred Liabilities.

66.2 If, following the Effective Time: (i) all necessary regulatory consents and approvals are obtained for the transfer by SLAC to SLAL (or the assumption by SLAL) of all or part of the Canadian Structured Settlements Business; and (ii) each of SLAC and SLAL shall have agreed the terms upon which such transfer or assumption shall be effected, then with effect from the date or dates on which the SLAC Board and the SLAL Board shall have resolved that such transfer (or assumption) shall take effect:

- (A) the Canadian Structured Settlements (or such part thereof as is so transferred or assumed) shall be treated for all purposes of this Scheme as if they are Transferred Policies;
- (B) the Canadian Structured Settlements Assets (or such part thereof as is so transferred or assumed) shall be treated for all purposes of this Scheme as if they are Transferred Assets; and
- (C) the Canadian Structured Settlements Liabilities (or such part thereof as is so transferred or assumed) shall be treated for all purposes of this Scheme as if they are Transferred Liabilities,

subject to, and in accordance with the terms of the applicable transfer (or assumption) documentation entered into in the form agreed between SLAC and SLAL.

66.3 If all or part of the Canadian Structured Settlements Business is transferred to, or assumed by, SLAL in accordance with paragraph 66.2:

- (A) the Canadian Structured Settlements and the Canadian Structured Settlement Liabilities (or, in each case, such part thereof so transferred or assumed) shall each be allocated to a SLAL Fund selected by the SLAL Board (having regard to the advice of the SLAL Actuary) other than the With Profits Fund;
- (B) such proportion of the Canadian Structured Settlements Assets as is determined by the SLAL Board (having regard to the advice of the SLAL Actuary and the SLAL WP Actuary) as being necessary to back the Canadian Structured

Settlements Liabilities shall be allocated to the SLAL Fund selected by the SLAL Board pursuant to paragraph 66.3(A); and

- (C) subject to paragraph 66.3(B), all other Canadian Structured Settlements Assets shall be allocated to the With Profits Fund.

66.4 Where paragraph 66.3 applies, the Canadian Structured Settlements Assets may be allocated to SLAL Funds other than as specified in paragraphs 66.3(B) and 66.3(C) only if any alternative allocation proposed by the SLAL Board is approved by the SLAL WP Actuary.

## Part H8 – General Provisions

### 67. The Effective Time

67.1 This Scheme shall become effective once:

- (A) a Court Order shall have been made;
- (B) the Listing Condition shall have been satisfied; and
- (C) the SLAC Board shall have resolved that this Scheme shall become effective.

67.2 If this Scheme has not become effective under paragraph 67.1 on or before 31 December 2006 (or such later date as the Court may allow upon the application of SLAC), it shall lapse.

### 68. Compliance certificate

SLAL shall cause to be delivered to the Regulator:

- (A) on or before the date on which SLAL submits its first annual return to the Regulator in respect of its Long Term Business after the Effective Date, a certificate in writing from the SLAL Board stating whether or not the provisions of Part C3 have been complied with (and, if not, detailing the respects in which such provisions have not been complied with); and
- (B) on or before the date in each year on which the annual return is submitted to the Regulator by SLAL in respect of its Long Term Business, a certificate in writing from the SLAL Board, stating whether or not the provisions of:
  - (i) Part D4; and (ii) paragraph 9 and Schedule 4 (Mortgage Endowment Promise) have been complied with since the date of the last such certificate or, in the case of the first such certificate, since the Effective Time (and, if not, detailing the respects in which such provisions have not been complied with).

### 69. Third party rights

69.1 Subject to paragraph 69.2, it is not intended that any person who is not a party to this Scheme may enforce any of its terms (whether pursuant to the Contracts (Rights of Third Parties) Act 1999 or otherwise).

69.2 Any person entitled to demutualisation entitlements under the terms and subject to the conditions of Part E5 may enforce the terms of Part E5 but only to the extent that such person shall be bound by the provisions of this Scheme and provided that the right of any such person shall not in any way or at any time prevent SLAC and SL plc (before the Effective Time) or SLAL and SL plc (after the Effective Time) from varying the provisions of this Scheme.

## 70. Variations

- 70.1 Subject to paragraph 70.3, prior to the grant of the Court Order, SLAC and SLAL together may consent for and on behalf of the persons bound by this Scheme and all other persons concerned to any variation of this Scheme or to the Agreed Form Documents which the Court may approve or impose.
- 70.2 Subject to paragraph 70.3, SLAL may, after the grant of the Court Order:
- (A) vary this Scheme if and to the extent that the provision to which the proposed variation applies expressly permits such variation;
  - (B) vary this Scheme with the approval of the SLAL WP Actuary where the proposed variation is necessary to correct a manifest error;
  - (C) vary this Scheme with the approval of the SLAL WP Actuary and the Regulator where the proposed variation is reasonably considered by the SLAL Board to be necessary to ensure that the provisions of this Scheme operate in the intended manner (where the provision to which the proposed variation applies will (or is likely to be) materially affected by a variation or proposed variation to the PRA Rulebook, the FCA Handbook or other applicable legislation or Regulation); and
  - (D) apply to the Court for consent to vary the terms of this Scheme, provided that in any such case:
    - (i) the Regulator shall be notified of, and have the right to be heard at, any hearing of the Court at which the application is considered; and
    - (ii) the application shall be accompanied by a certificate from an independent expert (such independent expert to be selected and appointed by the SLAL Board with the approval of the Regulator) to the effect that, in his opinion, the proposed variation will not materially and adversely affect the reasonable expectations of the holders of Transferred Policies.
- 70.3 Any variation to Part E5 proposed to be made pursuant to paragraph 70 shall be subject to the consent of SL plc. Part E5 may also be varied in accordance with paragraph 59.
- 70.4 Each of the Agreed Form Documents may be varied by the parties to it, provided that such variation accords with the terms of the relevant agreement and applicable legislation and Regulation.
- 70.5 [In the event that the HWPF Reinsurance Agreement terminates, this Scheme shall be automatically varied as follows:](#)
- (A) [the definition of “Property-Linked Funds Retrocession Agreement” shall be deleted from paragraph 1:](#)
  - (B) [the definition of “SL Intl HWPF” shall be deleted from paragraph 1:](#)

- (C) the definition of “SL Intl HWPF Policy” shall be deleted from paragraph 1:
- (D) the definition of “SL Intl HWPF Reinsured Policy” shall be deleted from paragraph 1:
- (E) the definition of “SL Intl Unitised With Profits Policy” shall be deleted from paragraph 1:
- (E) the definition of “SL Intl With Profits Units” shall be deleted from paragraph 1:
- (G) the definition of “SL Intl WPF Policies” shall be deleted from paragraph 1:
- (H) the definition of “SL Intl WPF With Profits Policies” shall be deleted from paragraph 1:
- (I) the definition of “SL Intl WP Investment Element” shall be deleted from paragraph 1:
- (J) the text “*and, if the context requires, having regard to the rights and/or (as appropriate) obligations of SL AL under the HWPF Reinsurance Agreement*” shall be deleted from the definition of “With Profits Fund” in paragraph 1:
- (K) the text “*(and, in the case of a SL Intl HWPF Reinsured Policy, to the extent that the relevant Policyholder is eligible to participate in the established surplus of the With Profits Fund in accordance with the terms of the HWPF Reinsurance Agreement)*” shall be deleted from the definition of “With Profits Policy” in paragraph 1:
- (L) limb (B) shall be deleted from the definition of “WPF Policies” in paragraph 1:
- (M) the text “*in respect of Policies falling within limb (A) of the definition of WPF Policies only*” shall be deleted from limb (A) the definition of “WPF With Profits Policies” in paragraph 1:
- (N) the text “and” shall be deleted from the end of limb (B) and the text “and” shall be inserted at the end of limb (A) of the definition of “WPF With Profits Policy” in paragraph 1:
- (O) limb (C) shall be deleted from the definition of “WPF With Profits Policies” in paragraph 1:
- (P) paragraph 16.6(A) shall be deleted:
- (Q) paragraph 16.6(B) shall be deleted:
- (R) paragraph 17.7(A) shall be deleted:
- (S) paragraph 17.7(B) shall be deleted:



- (T) the text “or SL Intl HWPF Reinsured Policy” shall be deleted from paragraph 24.1:
- (U) the text “or SL Intl HWPF Reinsured Policy” shall be deleted from paragraph 24.2:
- (V) the text “or SL Intl HWPF Reinsured Policy” shall be deleted from paragraph 24.4:
- (W) the text “; and” at the end of paragraph 25.3(D) shall be deleted and replaced with a full stop and the text “and” shall be added after paragraph 25.3(C):
- (X) paragraph 25.3(E) shall be deleted:
- (Y) the text “(other than the HWPF Reinsurance Agreement, which shall not constitute new business for the purposes of this paragraph 28 and which shall be allocated to the With Profits Fund pursuant to paragraphs 16.6 and 17.7)” shall be deleted from paragraph 28.3(B)(ii):
- (Z) the text “or SL Intl HWPF Reinsured Policy” shall be deleted from the opening text to paragraph 29.1:
- (AA) the final sentence of paragraph 29.1(A) shall be deleted:
- (BB) the text “(including SL Intl in respect of any SL Intl HWPF Reinsured Policy)” shall be deleted from paragraph 29.1(B)(i):
- (CC) the text in paragraph 29.1(C) shall be deleted and replaced as follows: “If the SLAL WP Actuary considers that the Annuity Benefit Cost exceeds that which is reasonable then he may require that SLAL shall provide such Annuity Benefit from within the With Profits Fund. In such circumstances, the SLAL Board shall be informed as to how the SLAL WP Actuary has reached his conclusion under this paragraph 29.1(C).”.
- (DD) the text “(including SL Intl in respect of any SL Intl HWPF Reinsured Policy)” shall be deleted from paragraph 29.1(D):
- (EE) the text “or SL Intl HWPF Reinsured Policy” shall be deleted from the opening text to paragraph 29.2:
- (FF) the final sentence of paragraph 29.2(B) shall be deleted:
- (GG) the phrase “and Termination of the HWPF Reinsurance Agreement” in the heading to paragraph 30 shall be deleted:
- (HH) the text “(including in respect of SL Intl HWPF Reinsured Policies)” shall be deleted from paragraph 30.3:
- (II) paragraph 30.12 shall be deleted:

- (JJ) paragraph 40(H)(iv) shall be deleted;
- (KK) paragraph 41(H)(iv) shall be deleted;
- (LL) paragraph 41(H)(v) shall be deleted;
- (MM) this paragraph 70.5 shall be deleted;
- (NN) paragraph 3.2A of Schedule 1 shall be deleted;
- (OO) the text “(i) WPF With Profits Policies which were Transferred Policies at the Effective Date and (ii) Excluded Policies treated as Transferred Policies on their transfer to SLAL” in paragraph 4.2 of Schedule 1 shall be replaced with “WPF With Profits Policies which are Transferred Policies”;
- (PP) limb (iii) shall be deleted from paragraph 1(A) of Schedule 2;
- (QQ) paragraphs 1(A)(vi) to 1(A)(xii) of Schedule 3 shall be deleted;
- (RR) the text “(but excluding any SL Int'l Policies)” shall be deleted from paragraph 3(C)(i)(a) of Schedule 3;
- (SS) paragraph 3(C)(i)(d) of Schedule 3 shall be deleted;
- (TT) the text “; and” at the end of paragraph 3(C)(i)(c) of Schedule 3 shall be deleted and replaced with a comma and the text “and” shall be inserted to the end of paragraph 3(C)(i)(b) of Schedule 3;
- (UU) paragraphs 3(C)(viii) to 3(C)(xiii) of Schedule 3 shall be deleted;
- (VV) the text “(including, for the avoidance of doubt, any part of the HWPF Reinsurance Agreement)” shall be deleted from paragraph 4(B)(ii) of Schedule 3;
- (WW) defined blocks (vi) to (xii) shall be deleted from the Appendix to Schedule 3;

and

- (XX) paragraphs and sub-paragraphs will be renumbered and cross-references will be updated to reflect the amendments listed above.

70.6 In the event that the GWPF Reinsurance Agreement terminates, this Scheme shall be automatically varied as follows:

- (A) the definition of “Asset Shares” in paragraph 1 shall be amended to delete the text “the SLAL GWPF Internal PPFM” and, where applicable, the text “(as the context requires)”;

- (B) the definition of “German WP Investment Element” shall be deleted from paragraph 1 to the extent that it relates to the SLAL GWPF;
- (C) the definition of “GWPF Reinsurance Agreement” shall be deleted from paragraph 1;
- (D) the definition of “SLAL GWPF” shall be deleted from paragraph 1;
- (E) the definition of “SLAL GWPF Internal PPFM” shall be deleted from paragraph 1;
- (F) paragraph 15.2 shall be deleted to the extent that it relates to the SLAL GWPF;
- (G) paragraphs 16.6(C) and 16.6(D) shall be deleted;
- (H) paragraphs 17.7(C) and 17.7(D) shall be deleted;
- (I) paragraph 21.1(B) shall be deleted to the extent that it relates to the SLAL GWPF;
- (J) this paragraph 70.6 shall be deleted;
- (K) paragraph 72 shall be deleted;
- (L) paragraph 74 shall be deleted; and
- (M) paragraphs and sub-paragraphs will be renumbered and cross-references will be updated to reflect the amendments listed above.

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70.7 In the event that the GSMWPF Reinsurance Agreement terminates, this Scheme shall be automatically varied as follows:

- (A) the definition of “Asset Shares” in paragraph 1 shall be amended to delete the text “the SLAL GSMWPF Internal PPFM” and, where applicable, the text “(as the context requires)”;
- (B) the definition of “German WP Investment Element” shall be deleted from paragraph 1 to the extent that it relates to the SLAL GSMWPF;
- (C) the definition of “GSMWPF Reinsurance Agreement” shall be deleted from paragraph 1;
- (D) the definition of “SLAL GSMWPF” shall be deleted from paragraph 1;
- (E) the definition of “SLAL GSMWPF Internal PPFM” shall be deleted from paragraph 1;

- (F) paragraph 15.2 shall be deleted to the extent that it relates to the SLAL GSMWPE:
- (G) paragraphs 16.6(E) and 16.6(F) shall be deleted:
- (H) paragraphs 17.7(E) and 17.7(F) shall be deleted:
- (I) paragraph 21.1(B) shall be deleted to the extent that it relates to the SLAL GSMWPE:
- (J) this paragraph 70.7 shall be deleted:
- (K) paragraph 73 shall be deleted: and
- (L) paragraph 75 shall be deleted.

## Part I9 – Agreed Form Documents

### 71. Agreed Form Documents

71.1 Following the Court Order being made and on or prior to the Effective Time:

- (A) the SLIF EB Annuities Reinsurance Agreement shall be executed by SLAL and SLIF; and
- (B) SL plc shall (and shall procure that the trustee or trustees of the Unclaimed Assets Trust shall) execute the Unclaimed Assets Trust.

## Part J10 – SLAL GWPF and SLAL GSMWPF

### 72. Reinsurance arrangements: GWPF Reinsurance Agreement

72.1 Any Premium received by SLAL on or after the Effective Time in respect of the GWPF Reinsurance Agreement shall be credited to the Non Profit Fund and the German WP Investment Element in respect thereof shall be debited from the Non Profit Fund and credited to the SLAL GWPF and applied in allocating With Profits Units in respect of the GWPF Reinsurance Agreement.

72.2 If any event occurs which, under the terms of a Policy reinsured under the GWPF Reinsurance Agreement, gives rise to the cancellation of With Profits Units attaching to the GWPF Reinsurance Agreement, an amount shall be debited from the SLAL GWPF and credited to the Non Profit Fund equal to the amount which the terms of the relevant underlying Policy provide shall be payable or transferable on cancellation of With Profits Units in such circumstances.

72.3 Any transfer pursuant to paragraph 72.2 shall take account of any applicable final bonus or unit price adjustment (and other charges and deductions properly attributable to the SLAL GWPF) required by the terms of the relevant underlying Policy, but shall disregard any charges and deductions applicable under the terms of the underlying Policy which are properly attributable to the Non Profit Fund.

72.4 From time to time there shall be debited from the SLAL GWPF and credited to the Non Profit Fund all charges levied on Asset Shares in accordance with the terms of GWPF Reinsurance Agreement (other than in respect of guarantees met by the SLAL GWPF).

72.5 In substitution of the arrangements described in this paragraph 72, and subject to the provisions of the Brexit Scheme, the SLAL Board may at any time effect such alternative arrangements between the SLAL GWPF and the Non Profit Fund as it determines is appropriate, provided that any such alternative arrangements (and any consequential transfers which are effected in order to implement such alternative arrangements) are: (i) compliant with PRIN 6; and (ii) undertaken having regard to the advice of the SLAL WP Actuary.

72.6 The only assets allocated to the SLAL GWPF, which can be posted as collateral pursuant to clause 23.2 of the GWPF Reinsurance Agreement are the assets backing:

- (A) the Current WP Liability (as defined in the GWPF Reinsurance Agreement) in respect of the Reinsured Liabilities (as defined in the GWPF Reinsurance Agreement);
- (B) reserves held for outstanding claims in respect of the Reinsured Liabilities; and
- (C) reserves held for Accounting Liabilities in respect of the Reinsured Liabilities.

72.7 Following the termination of the GWPF Reinsurance Agreement, any amount which is payable by SLAL to SL Intl in respect of the Non-Profit BEL (as defined in the GWPF Reinsurance Agreement) in accordance with Clause 17 of that agreement can only be transferred out of the Shareholder Fund.

### **73. Reinsurance arrangements: GSMWPF Reinsurance Agreement**

73.1 Any Premium received by SLAL on or after the Effective Time in respect of the GSMWPF Reinsurance Agreement shall be credited to the Non Profit Fund and the German WP Investment Element in respect thereof shall be debited from the Non Profit Fund and credited to the SLAL GSMWPF and applied in allocating With Profits Units in respect of the GSMWPF Reinsurance Agreement.

73.2 If any event occurs which, under the terms of a Policy reinsured under the GSMWPF Reinsurance Agreement, gives rise to the cancellation of With Profits Units attaching to the GSMWPF Reinsurance Agreement, an amount shall be debited from the SLAL GSMWPF and credited to the Non Profit Fund equal to the amount which the terms of the relevant underlying Policy provide shall be payable or transferable on cancellation of With Profits Units in such circumstances.

73.3 Any transfer pursuant to paragraph 73.2 shall take account of any applicable unit price adjustment (and other charges and deductions properly attributable to the SLAL GSMWPF) required by the terms of the relevant underlying Policy, but shall disregard any charges and deductions applicable under the terms of the underlying Policy which are properly attributable to the Non Profit Fund.

73.4 From time to time there shall be debited from the SLAL GSMWPF and credited to the Non Profit Fund all charges levied on Asset Shares in accordance with the terms of GSMWPF Reinsurance Agreement (other than in respect of smoothing provided by the SLAL GSMWPF).

73.5 In substitution of the arrangements described in this paragraph 73, and subject to the provisions of the Brexit Scheme, the SLAL Board may at any time effect such alternative arrangements between the SLAL GSMWPF and the Non Profit Fund as it determines is appropriate, provided that any such alternative arrangements (and any consequential transfers which are effected in order to implement such alternative arrangements) are: (i) compliant with PRIN 6; and (ii) undertaken having regard to the advice of the SLAL WP Actuary.

73.6 The only assets allocated to the SLAL GSMWPF, which can be posted as collateral pursuant to clause 23.2 of the GSMWPF Reinsurance Agreement are the assets backing:

- (A) the Current WP Liability (as defined in the GSMWPF Reinsurance Agreement) in respect of the Reinsured Liabilities (as defined in the GSMWPF Reinsurance Agreement);
- (B) reserves held for outstanding claims in respect of the Reinsured Liabilities; and
- (C) reserves held for Accounting Liabilities in respect of the Reinsured Liabilities.

73.7 Following the termination of the GSMWPF Reinsurance Agreement, any amount which is payable by SLAL to SL Intl in respect of the Non-Profit BEL (as defined in the GSMWPF Agreement) in accordance with clause 18 of that agreement can only be transferred out of the Shareholder Fund.

#### **74. SLAL GWPF Internal PPFM**

74.1 With effect from the Brexit Scheme Effective Time, the SLAL GWPF shall be managed and operated in accordance with the SLAL GWPF Internal PPFM and any other practices, procedures, policies, frameworks, agreements or similar arrangements put in place under, or in accordance with, the SLAL GWPF Internal PPFM.

74.2 SLAL shall maintain the SLAL GWPF Internal PPFM unless the SLAL Board, having taken appropriate actuarial advice, determines that some other materially equivalent form of protection is to be put in place, in which case the references in this Scheme to the SLAL GWPF Internal PPFM shall be deemed to refer to that alternative form of protection.

74.3 The SLAL GWPF Internal PPFM shall always comply with the principles set out in Schedule 6 to the Brexit Scheme as if the references in that Schedule to SL Intl were references to SLAL.

#### **75. SLAL GSMWPF Internal PPFM**

75.1 With effect from the Brexit Scheme Effective Time, the SLAL GSMWPF shall be managed and operated in accordance with the SLAL GSMWPF Internal PPFM and any other practices, procedures, policies, frameworks, agreements or similar arrangements put in place under, or in accordance with, the SLAL GSMWPF Internal PPFM.

75.2 SLAL shall maintain the SLAL GSMWPF Internal PPFM unless the SLAL Board, having taken appropriate actuarial advice, determines that some other materially equivalent form of protection is to be put in place, in which case the references in this Scheme to the SLAL GSMWPF Internal PPFM shall be deemed to refer to that alternative form of protection.

75.3 The SLAL GSMWPF Internal PPFM shall always comply with the principles set out in Schedule 6 to the Brexit Scheme as if the references in that Schedule to SL Intl were references to SLAL.

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## Schedule 1 – Core Principles

### 1. Introduction

The Core Principles are set out below.

### 2. Investment policy and bonus philosophy

2.1 The investment policy of the With Profits Fund and the bonus philosophy in respect of WPF With Profits Policies shall be determined by the SLAL Board (having regard to the advice of the SLAL WP Actuary).

2.2 The investment policy for the With Profits Fund and the bonus philosophy in respect of WPF With Profits Policies (including the determination of Asset Shares, deductions from Asset Shares for the assessed cost of guarantees and smoothing policy) shall:

(A) be determined as those which would be appropriate to a mutual company (the “**Notional Company**”) which:

- (i) has the assets and liabilities of the With Profits Fund, excluding:
  - (a) the liability to transfer Recourse Cashflows to the Surplus Transfer Fund pursuant to paragraph 30 of this Scheme;
  - (b) any liability in respect of the obligation under paragraph 4 of this Schedule 1 (Core Principles) to distribute the residual estate over time as enhancements to final bonuses; and
  - (c) any asset or liability arising from future shareholder support, apart from that arising under paragraph 30.6 of this Scheme or some other specific arrangement which is in effect under paragraph 32 of this Scheme or is otherwise documented in writing.

plus assets with a value equal to the amount (if any) recorded in the Further Capital Support Account and of a nature to be determined by the SLAL Board (acting reasonably and having regard to the advice of the SLAL WP Actuary);

- (ii) has, in addition and irrespective of whether or not SLAL actually has any such capital (and, for the avoidance of doubt, nothing in this Scheme shall oblige SLAL to hold such capital or any part of such capital), further capital available to cover its SCR and meet its capital needs (subject to regulatory limits as apply from time to time to such capital) equal to:
  - (a) tier 1 own funds with a value equal to the lesser of £579 million and 1.45% of the sum of its with-profit policy liabilities (other than future policy-related liabilities) and its future costs of

contractual guarantees (other than financial options) in respect of WPF With Profits Policies;

- (b) further tier 1 own funds with a value equal to the lesser of £505 million and 1.26% of the sum of its with-profit policy liabilities (other than future policy-related liabilities) and its future costs of contractual guarantees (other than financial options) in respect of WPF With Profits Policies; and
  - (c) tier 2 own funds with a value equal to the lesser of £526 million and 1.32% of the sum of its with-profit policy liabilities (other than future policy-related liabilities) and its future costs of contractual guarantees (other than financial options) in respect of WPF With Profits Policies.
- (iii) has no counterparty risk on any transaction with [\(a\)](#) any fund of SLAL other than the With Profits Fund, [or \(b\) SL Intl](#); and
- (iv) has no requirement to include a risk margin in its calculation of technical ~~provisions~~[provisions](#) for policies in the Defined Blocks referred to in [paragraph 2\(A\) of Schedule 3 \(Reference Period Transfer Amount\)](#) or for rider benefits to policies in the Defined Blocks referred to in [paragraph 2\(B\) of Schedule 3 \(Reference Period Transfer Amount\)](#);
- (B) have regard to the nature of the liabilities of the With Profits Fund including the guarantees on WPF With Profit Policies and, in particular, seek to match the liabilities in respect of Policies which are not With Profits Policies and which are allocated to the With Profits Fund with assets of an appropriate nature and term; and
- (C) have regard to the reasonable expectations of the holders of WPF With Profits Policies (if applicable, as varied by this Scheme) and the duty to treat them fairly.

- 2.3 The bonus philosophy in respect of WPF With Profits Policies shall recognise the intention that regular bonuses should be declared at levels which do not unduly constrain investment freedom and the prospects for declaration of final bonuses.

### **3. Use of Asset Shares**

- 3.1 In order to ensure equity between different groups of WPF With Profits Policies, other than for minor classes of With Profits Policies where alternative methods may be used, final bonus rates in respect of such Policies shall be determined in accordance with the PPFM by reference to Asset Shares. Subject to amendment only in respect of errors or omissions, these Asset Shares will be the Asset Shares in the records maintained by SLAC immediately prior to the Effective Time. These Asset Shares shall be accumulated after the Effective Time in accordance with the PPFM but in a manner which:

- (A) has regard to the reasonable expectations of the holders of WPF With Profits Policies (if applicable, as varied by this Scheme);
- (B) has regard to SLAC's Asset Share methodology as set out in the PPFM for SLAC immediately prior to the Effective Date; and
- (C) reflects the financial position, performance and experience of the WPF With Profits Policies and the assets backing the Asset Shares of such Policies.

3.2 For the avoidance of doubt, the Asset Shares at the Effective Time may be adjusted after the Effective Time for variations between assumed and actual historic experience to the extent that this is consistent with the PPFM and the reasonable expectations of the holders of WPF With Profits Policies (if applicable, as varied by this Scheme).

3.2A For the avoidance of doubt, the Asset Share of a SL Intl HWPF Reinsured Policy shall be accumulated without any break in the calculation of the Asset Share as a result of the implementation of the Brexit Scheme.

3.3 Other than for minor classes of With Profits Policies, subject to the effect of any smoothing implemented pursuant to the PPFM, and before allowing for additional final bonus (if any) arising from the distribution of any residual estate, payouts at maturity and on the vesting of WPF With Profits Policies shall in aggregate, over time, be targeted on Asset Shares.

#### **4. Role of the residual estate**

4.1 The primary role of the residual estate is to ensure a prudent amount is retained in the With Profits Fund in respect of any amounts which may be charged to the With Profits Fund in accordance with this Scheme, including:

- (A) amounts chargeable to the With Profits Fund under paragraphs 17.2 and 41 of this Scheme, except to the extent that such amounts are properly charged to Asset Shares in accordance with the PPFM;
- (B) losses that may arise because of increases in the expected cost of guarantees or smoothing that cannot be recouped by deductions from Asset Shares made in accordance with the PPFM; and
- (C) other liabilities attributable to the With Profits Fund.

4.2 To the extent that the SLAL Board is satisfied that the residual estate exceeds that required to meet its primary role as set out in paragraph 4.1 of this Schedule 1 (Core Principles), the excess residual estate shall be distributed over time in as fair and equitable manner as is practicable as an enhancement to final bonus payable on the remaining WPF With Profits Policies. So far as reasonably practicable, such distribution will be restricted to (i) WPF With Profits Policies which ~~are~~were Transferred Policies at the Effective Date and (ii) Excluded Policies treated as Transferred Policies on their transfer to SLAL.

- 4.3 Should the residual estate be exhausted, any amounts listed in paragraph 4 of this Schedule 1 (Core Principles) that would normally be chargeable to the residual estate shall be met from Recourse Cashflows which would otherwise be transferred to a Surplus Transfer Fund subject to and in accordance with paragraph 30 of this Scheme.

## 5. Variations to these Core Principles

Paragraph 2.2(A) of this Schedule 1 (Core Principles) may be varied if the PRA Rulebook, or other applicable Regulation or legislation, is varied and this results in a change to:

- (A) the regulatory limits on the extent to which the capital set out in paragraph 2.2(A)(ii) of this Schedule 1 (Core Principles) is available to cover the SCR of the Notional Company; and/or
- (B) the type of securities or other instruments that can represent tier 1 or tier 2 own funds,

provided that any such variation:

- (i) has been approved by each of the SLAL Board, the SLAL WP Actuary and an independent expert appointed by the SLAL Board with the agreement of the Regulator;
- (ii) is consistent with the reasonable expectations of holders of WPF With Profits Policies and PRIN 6; and
- (iii) has been communicated to the Regulator and either the Regulator has not objected to the variation within three months of receiving such communication or the Regulator has given earlier confirmation that it has no objection to the variation.

The allocation of the notional capital in paragraph 2.2(A)(ii) of this Schedule 1 (Core Principles) reflects Transitional Measures 4 of the PRA Rulebook. The SLAL Board shall propose a variation of paragraph 2.2(A)(ii) of this Schedule 1 (Core Principles), in accordance with this paragraph 5, in order that such a variation shall come into effect on the date from which the transitional measures cease to be in force.

## Schedule 2 – Additional Expenses

1. In this Schedule 2 (Additional Expenses) the “**German Additional Expense Policies**” are Policies or new business written by the German branch of SLAC or SLAL other than Indax Andante, Indax Allegro, Freelax Sofort Vollgarantier, Freelax Sofort Überschuß beteiligt, Aktien Rente, Private Plus, Job Plus and KlassikPlus Policies where such Policies and new business are:
  - (A) (i) Transferred Policies which are WPF Policies, ~~and~~; (ii) Excluded Policies which would, had they been Transferred Policies, have been WPF Policies; and (iii) SL Intl HWPF Reinsurance Agreement to the extent it relates to the SL Intl HWPF Reinsured Policies; and
  - (B) new business written in the With Profits Fund pursuant to paragraph 28.1 (other than business falling within paragraph 23.1) and paragraph 28.2 of this Scheme.
  
2. The amounts in respect of additional expenses debited from the With Profits Fund pursuant to paragraph 34 are amounts determined monthly in respect of each German Additional Expense Policy by reference to:
  - (A) a percentage of the unallocated Premium for the applicable Policy in the relevant period set out below. The unallocated Premium is the part of the Premium in respect of the relevant Policy not applied or applicable to With Profits Units; plus
  - (B) a percentage of the standard initial commission amount payable in the relevant period set out below. The standard initial commission shall, in respect of the relevant German Additional Expense Policy, be calculated at the point an increase to regular premiums generates a new initial commission payment, or a new single premium is paid to an existing policy. The standard initial commission amount payable shall disregard: (i) any discretionary increase in initial commission which is offered to intermediaries and other sales agents; (ii) any reduction in initial commission as a result of an intermediary or sales agent waiving part or all of their initial commission to enhance policyholders premiums or benefits; and (iii) any initial commission reclaimed from an intermediary or sales agent.

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009 and each subsequent year thereafter</b>
<i>% of Unallocated Premium</i>	74%	55%	44%	34%
<i>% of Initial Commission</i>	4%	4%	4%	4%

The percentages above are fixed from and including 2009 onwards.

### Schedule 3 – Reference Period Transfer Amount

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#### 1. Components of Reference Period Transfer Amount

For each Reference Valuation Period, the Reference Period Transfer Amount shall be:

- (A) the sum of the “**Recourse Cashflow**” (or “**RCF**”) and for the Reference Valuation Period commencing 1 January 2016 the “**Transitional Amount**” (or “**TA**”) in respect of:
- (i) the CNP Protection and Miscellaneous – Life (UK) Block;
  - (ii) the CNP Protection and Miscellaneous – Pensions (UK) Block;
  - (iii) the CNP Deferred Annuities – Life (UK) Block;
  - (iv) the CNP Deferred Annuities – Pensions (UK) Block;
  - (v) the Unitised Life (UK) Block;
  - (vi) the Unitised Pensions (UK) Block;
  - (vii) [the HWPF Reinsurance Agreement to the extent attributable to the](#) CNP Life (Net Fund) (Ireland) Block;
  - (viii) [the HWPF Reinsurance Agreement to the extent attributable to the](#) CNP Life (Gross Roll-Up Fund) (Ireland) Block;
  - (ix) [the HWPF Reinsurance Agreement to the extent attributable to the](#) CNP Pensions (Ireland) Block;
  - (x) [the HWPF Reinsurance Agreement to the extent attributable to the](#) Unitised Pensions (Ireland) Block;
  - (xi) [the HWPF Reinsurance Agreement to the extent attributable to the](#) Unitised Life (Net Fund) (Ireland) Block; and
  - (xii) [the HWPF Reinsurance Agreement to the extent attributable to the](#) Unitised Life (Gross Roll-Up Fund) (Ireland) Block,
- (each, a “**Defined Block**”); plus
- (B) any Reference Period Securitisation Receipts; less
- (C) any Reference Period Securitisation Payments.

## 2. Recourse Cashflow calculations

For the purposes of:

- (A) paragraphs 1(A)(i) to (iv), (vi), (vii) and (ix), “**RCF**” and “**TA**” for the relevant Defined Block shall be calculated in accordance with the following formula for a Reference Valuation Period of a year (an appropriately adjusted formula shall be used for a Reference Valuation Period of different length):

$$\begin{aligned} \text{RCF} = & (P - C - \text{EXP} - \text{COMM}) \times (1 + (1 - \text{tax}) \times (j - e)/2) \\ & - (V1 - (1 + (1 - \text{tax}) \times (i_1 - e)) \times V0) \end{aligned}$$

$$\text{TA} = (\text{MR0} - \text{Z0}) \times (1 + (1 - \text{tax}) \times (i_1 - e)):$$

where:

**P** = the total Premiums paid in respect of all Defined Block Policies during the Reference Valuation Period.

**C** = claims in respect of all Defined Block Policies during the Reference Valuation Period, including any amount payable in respect of waiver of Premium benefit under a Defined Block Policy.

**EXP** = initial, renewal and termination expenses attributable to Defined Block Policies during the Reference Valuation Period, as calculated in accordance with paragraph 34; reduced to allow for the Tax relief expected to be obtained by the With Profits Fund on these expenses. The allowance for Tax relief will be made by applying a percentage reduction to EXP equal to the policyholder rate of Taxation applicable during the Reference Valuation Period. Should this rate of Taxation change between the end of the Reference Valuation Period and the end of the period in which the relevant Tax relief is actually obtained or obtainable on any element of EXP as a result of a requirement to spread such Tax relief over a period, then EXP in respect of the Reference Valuation Period in which the change of Tax rate occurs will include an adjustment to reverse any over or under allowance for Tax relief in respect of EXP in earlier Reference Valuation Periods.

**COMM** = all commissions payable in respect of Defined Block Policies during the Reference Valuation Period (net of any commission clawback allocated to the With Profits Fund), reduced to allow for the Tax relief expected to be obtained on these commissions, and excluding any remuneration payable to directors, officers or employees of PGMSL, PGSL, SLAESL, SL Direct or SLES. The allowance for Tax relief, and any adjustment to such allowance in subsequent Reference Valuation Periods, will be determined using the same methodology described above for EXP.



**V0** = best estimates held in respect of all Defined Block Policies at the beginning of the Reference Valuation Period.

**V1** = best estimates held in respect of all Defined Block Policies at the end of the Reference Valuation Period, calculated using  $\{i_t\}$ , the one-year forward risk-free interest rate term structure underlying V0, defined by

$$(1 + i_t')^t = \frac{(1 + i_{t+1})^{t+1}}{(1 + i_1)}$$

where  $i_t$  is the annually compounding spot rate for a term of  $t$  years from the risk-free interest rate term structure underlying V0 but otherwise using the valuation basis applicable at the end of the Reference Valuation Period.

$i_1$  = the annually compounding one year spot rate from the risk-free interest rate term structure underlying V0. If  $i_1$  differs within a Defined Block then the element  $V0 \times (1 + (1 - \text{tax}) \times (i_1 - e))$  shall be calculated separately for each  $i_1$ .

$j$  = the simple interest rate defined by

$$\frac{j}{2} = \frac{(1 + i_1)}{(1 + i_{0.5})^{0.5}} - 1$$

where  $i_t$  is the annually compounding spot rate for a term of  $t$  years from the risk-free interest rate term structure underlying V0. If, for a Defined Block, there is more than one risk-free interest rate term structure underlying V0 and the contribution to V0 of the best estimates calculated on each risk-free interest rate term structure is non-negative then  $j$  shall be calculated separately for each risk-free interest rate term structure and a weighted average taken with the relative weightings being the amounts of the associated best estimates in V0. If any of the underlying risk-free interest rate term structures is associated with a negative best estimate, then  $j$  shall be based on the basic relevant risk-free interest rate term structure (as defined in Technical Provisions 1.2 of the PRA Rulebook) applying at the beginning of the Reference Valuation Period.

$\text{tax}$  = the policyholder rate of Taxation applicable to Defined Block Policies during the Reference Valuation Period.

$e$  = the rate of investment expenses applicable to Defined Block Policies during the Reference Valuation Period (unadjusted for tax relief).

**MR0** = the mathematical reserves held in respect of all Defined Block Policies at 31 December 2015.

**Z0** = V0 calculated using the same gross valuation rates of interest as for MR0 for all policies other than deferred annuity policies. For deferred annuity policies (all those in Defined Blocks (iii) and (iv) and for deferred annuity policies in

Defined Block (ix)), the same gross valuation rates of interest as for MR0 shall be used until the date of vesting for each policy with the V0 assumption used thereafter.

Each component of the above formula is to be extracted from the records or other relevant data supporting the accounts, balance sheets, abstracts and statements (as appropriate) required to be submitted by SLAL pursuant to Reporting 2.1 in the PRA Rulebook. The Transitional Measures Instrument 2015 shall be ignored for this calculation.

- (B) paragraphs 1(A)(v), (vi), (x), (xi) and (xii), “RCF” and “TA” shall be calculated in accordance with the following formula for a Reference Valuation Period of a year (an appropriately adjusted formula shall be used for a Reference Valuation Period of different length):

$$RCF = (P - IP + AMC + UC - REB - EXP - COMM - CLS + SP) \times (1 + (1 - \text{tax}) \times (j - e)/2)$$

$$- (V'1 - V'0 \times (1 + (1 - \text{tax}) \times (i_1 - e)))$$

$$TA = (MR'0 - Z'0 + SR'0) \times (1 + (1 - \text{tax}) \times (i_1 - e))$$

where:

**P** = the total Premiums paid in respect of the Defined Block Policies during the Reference Valuation Period.

**IP** = the element of P allocated to Unit Linked Units or With Profits Units. For Premiums allocated to Initial Units the IP will also reflect the application of an actuarial funding factor to reduce the unit liability.

**AMC** = annual management charges levied in respect of Unit Linked Units, and the equivalent management deductions in respect of With Profits Units, during the Reference Valuation Period.

**UC** = any other charges or deductions (excluding deductions for the assessed cost of guarantees) taken in respect of Unit Linked Units or With Profits Units during the Reference Valuation Period, whether by the cancellation of such units or otherwise.

**REB** = rebated charges or rebated deductions (excluding deductions for the assessed cost of guarantees) credited to Defined Block Policies during the Reference Valuation Period, either in the form of an allocation of Unit Linked Units or in the form of a credit to the asset share of With Profits Units.

**EXP** = (A) initial, renewal and termination expenses attributable to Defined Block Policies during the Reference Valuation Period, as calculated in accordance with paragraph 34; plus (B) investment expenses attributable to Defined Block Policies during the Reference Valuation Period, as calculated in

accordance with paragraph 34; but only if and to the extent that such investment expenses are in respect of the assets backing the unit liabilities of Unit Linked Units or the asset shares representing the investment element of With Profits Policies (and excluding for this purpose any investment expenses levied directly on Unit Linked Units by unit price adjustment or by adjustment to the investment return allocated to Asset Shares, such as dealing fees, stamp duty and custodian fees). EXP will be reduced to allow for the Tax relief expected to be obtained by the With Profits Fund on these expenses. The allowance for Tax relief will be made by applying a percentage reduction to EXP equal to the policyholder rate of Taxation applicable during the Reference Valuation Period. Should this rate of Taxation change between the end of the Reference Valuation Period and the end of the period in which the relevant Tax relief is actually obtained or obtainable on any element of EXP as a result of a requirement to spread such Tax relief over a period, then EXP in respect of the Reference Valuation Period in which the change of Tax rate occurs will include an adjustment to reverse any over or under allowance for Tax relief in respect of EXP in earlier Reference Valuation Periods.

**COMM** = all commissions payable in respect of Defined Block Policies during the Reference Valuation Period (net of any commission clawback allocated to the With Profits Fund), reduced to allow for the Tax relief expected to be obtained on these commissions, and excluding any remuneration payable to directors, officers or employees of PGMSL, PGS, SLAESL SL Direct or SLES. The allowance for Tax relief, and any adjustment to such allowance in subsequent Reference Valuation Periods, will be determined using the same methodology described above for EXP.

**CLS** = the claim strain arising on all Defined Block Policies in the Reference Valuation Period for claims arising on death or critical illness (excluding amounts paid in respect of with profits bonds on death). This will be the amount of the claim for the whole Defined Block Policy that is in excess of the value, at the time of the death or relevant claim, of any Unit Linked Units and any With Profits Units (after applying any terminal bonus and any unit price adjustment).

**SP** = contractual surrender penalties paid during the Reference Valuation Period in respect of all Defined Block Policies, excluding surrender penalties applied to holdings of Initial Units.

**V'0** = best estimates held in respect of rider benefits on Defined Block Policies at the beginning of the Reference Valuation Period.

**V'1** = best estimates held in respect of rider benefits on Defined Block Policies at the end of the Reference Valuation Period, calculated using  $\{i_t\}$ , the one-year forward risk-free interest rate term structure underlying V'0, defined by

$$(1 + i_t')^t = \frac{(1 + i_{t+1})^{t+1}}{(1 + i_1)}$$

where  $i_t$  is the annually compounding spot rate for a term of  $t$  years from the risk-free interest rate term structure underlying  $V'0$  but otherwise using the valuation basis applicable at the end of the Reference Valuation Period.

$i_1$  = the annually compounding one year spot rate from the risk-free interest rate term structure underlying  $V'0$ . If  $i_1$  differs within a Defined Block then the element  $V'0 \times (1 + (1 - \text{tax}) \times (i_1 - e))$  shall be calculated separately for each  $i_1$ .

$j$  = the simple interest rate defined by

$$\frac{j}{2} = \frac{(1 + i_1)}{(1 + i_{0.5})^{0.5}} - 1$$

where  $i_t$  is the annually compounding spot rate for a term of  $t$  years from the basic relevant risk-free interest rate term structure (as defined in Technical Provisions 1.2 of the PRA Rule Book) applying at the beginning of the Reference Valuation Period.

tax = the policyholder rate of Taxation applicable to Defined Block Policies during the Reference Valuation Period.

$e$  = the rate of investment expenses applicable to non profit technical provisions during the Reference Valuation Period (unadjusted for tax relief).

$MR'0$  = the mathematical reserves held in respect of rider benefits on Defined Block Policies at 31 December 2015.

$Z'0$  =  $V'0$  calculated using the same gross valuation rates of interest as for  $MR'0$

$SR'0$  = sterling reserves in respect of Defined Block Policies as at 31 December 2015 calculated using the valuation basis then applying but removing all elements of prudence from the valuation interest rate.

Each component of the above formula is to be extracted from the records or other relevant data supporting the accounts, balance sheets, abstracts and statements (as appropriate) required to be submitted by SLAL pursuant to Reporting 2.1 in the PRA Rulebook. The Transitional Measures Instrument 2015 shall be ignored for this calculation.

### 3. Other Definitions

- (A) For the purposes of paragraph 1(B), “**Reference Period Securitisation Payments**” means the payments due and payable by SLAL to the relevant counterparty in the Reference Valuation Period pursuant to any Contingent RCF Loan.
- (B) For the purposes of paragraph 1(C), “**Reference Period Securitisation Receipts**” means an amount calculated by application of the following formula:

Loan proceeds  $\times (1 + i)^t$

where:

**Loan proceeds** are the receipts of any Contingent RCF Loan (net of any expenses charged to the With Profits Fund);

**t** is the number of days from and including the receipt of the Contingent RCF Loan to and excluding the last day on the Reference Valuation Period, divided by 365; and

**i** is an amount equivalent to notional interest at LIBOR – 15 basis points, expressed as a decimal, on the date on which the proceeds of the Contingent RCF Loan are received.

- (C) In this Schedule 3 (Reference Period Transfer Amount) (including the Appendix to this Schedule 3 (Reference Period Transfer Amount)), the following definitions apply:

(i) **“Policies”** means:

- (a) Transferred Policies which are WPF Policies, and Excluded Policies which would, had they been Transferred Policies, have been WPF Policies (but excluding any SL Intl Policies);
- (b) new business written in or allocated to the With Profits Fund pursuant to paragraph 28.2 of this Scheme; ~~and~~
- (c) if, and only if, the SLAL Board so elects new business written in or allocated to the With Profits Fund pursuant to paragraph 28.1 of the Scheme; ~~and~~
- (d) the HWPF Reinsurance Agreement, to the extent attributable to the CNP Life (Net Fund) (Ireland) Block, the CNP Life (Gross Roll-Up Fund) (Ireland) Block, the CNP Pensions (Ireland) Block, the Unitised Pensions (Ireland) Block, the Unitised Life (Net Fund) Ireland Block or the Unitised Life (Gross Roll-Up Fund) (Ireland) Block.

but excluding in all cases new business written pursuant to paragraph 23.1. The Policies in respect of categories (i) to (vi) under the heading “Defined Block” in the Appendix to this Schedule 3 (Reference Period Transfer Amount) are only Policies written by SLAC or SLAL (other than SLAC or SLAL’s Republic of Ireland, German or Canadian Branches) ~~and categories (vii) to (xii) under the heading “Defined Block” in the Appendix to this Schedule 3 (Reference Period Transfer Amount) are only Policies written by the Republic of Ireland Branch of SLAC or SLAL~~, and “Policy” shall be construed accordingly;

- (ii) **“CNP Protection and Miscellaneous – Life (UK) Block”** means the Policies identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (iii) **“CNP Protection and Miscellaneous – Pensions (UK) Block”** means the Policies identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (iv) **“CNP Deferred Annuities – Life (UK) Block”** means the Policies identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (v) **“CNP Deferred Annuities – Pensions (UK) Block”** means the Policies identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (vi) **“Unitised Life (UK) Block”** means the Policies identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (vii) **“Unitised Pensions (UK) Block”** means the Policies identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (viii) **“CNP Life (Net Fund) (Ireland) Block”** means the ~~Policies~~ HWPF Reinsurance Agreement, to the extent identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (ix) **“CNP Life (Gross Roll-Up Fund) (Ireland) Block”** means the ~~Policies~~ HWPF Reinsurance Agreement, to the extent identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);
- (x) **“CNP Pensions (Ireland) Block”** means the ~~Policies~~ HWPF Reinsurance Agreement, to the extent identified as being attributable to such block in the appendix to this Schedule 3 (Reference Period Transfer Amount);

- (xi) **“Unitised Pensions (Ireland) Block”** means the ~~Policies~~[HWPF Reinsurance Agreement, to the extent](#) identified as being attributable to such block in the appendix to this Schedule 3 (*Reference Period Transfer Amount*);
- (xii) **“Unitised Life (Net Fund) (Ireland) Block”** means the ~~Policies~~[HWPF Reinsurance Agreement, to the extent](#) identified as being attributable to such block in the appendix to this Schedule 3 (*Reference Period Transfer Amount*);
- (xiii) **“Unitised Life (Gross Roll-Up Fund) (Ireland) Block”** means the ~~Policies~~[HWPF Reinsurance Agreement, to the extent](#) identified as being attributable to such block in the appendix to this Schedule 3 (*Reference Period Transfer Amount*);
- (xiv) **“Initial Unit”** means any Unit Linked Unit or With Profits Unit which is, in accordance with the terms of the relevant Policy, allocated during an initial period following the relevant Policy being written and which is subject to:
  - (a) regular charges in addition to the charges ordinarily levied on Unit Linked Units or With Profits Units in respect of the relevant Policy; and/or
  - (b) additional charges which are levied if the relevant Policy is surrendered;
- (xv) **“Basic Life Assurance and General Annuity Business Fund”** means the fund of that name as maintained by SLAL for the purposes of SLAL’s tax computations;
- (xvi) **“CNP Policy”** means a Policy no part of which is:
  - (a) a With Profits Policy; or
  - (b) a Property-Linked Policy;
- (xvii) **“CWP Policy”** means any Policy or any part of a Policy in respect of which the relevant Policyholder is eligible to participate in any part of any established surplus other than by reference to With Profits Units notionally allocated to that Policy;
- (xviii) **“Unitised Policy”** means a Policy any part of which is
  - (a) a Unitised With Profits Policy; or
  - (b) a Property-Linked Policy,

providing that such Policy or part thereof is not (1) a CWP Policy or (2) a Policy under which a non profit endowment or non profit deferred annuity benefit is provided or (3) a Capital Accumulation Policy;

- (xix) **“New Basis Life Fund”** means the fund of that name as maintained by SLAL for the purposes of SLAL’s tax computations;
- (xx) **“Old Basis Fund”** means the fund of that name as maintained by SLAL for the purposes of SLAL’s tax computations;
- (xxi) **“Pensions Business Fund”** means the fund of that name as maintained by SLAL for the purposes of SLAL’s tax computations;
- (xxii) all references to **“Defined Block Policies”** shall be deemed to refer to Policies in the relevant Defined Blocks; and
- (xxiii) any adjustments for **“Tax relief”** shall be made on a fair and reasonable basis which is consistent with the basis applied in charging or crediting the With Profits Fund with Taxation pursuant to paragraph 39 of this Scheme.

#### 4. Interpretation

- (A) For the purposes of this Schedule 3 (Reference Period Transfer Amount), all Recourse Cashflow calculations shall be made on the basis that any amounts payable or receivable by the With Profits Fund pursuant to reassurances accepted or ceded shall be added to or deducted from (as appropriate) the relevant RCF component, save that:

~~(i) any amounts payable or receivable pursuant to reinsurance agreements with any New SL Group Member (including the SLIF EB ULP Reinsurance Agreement and the SLIF EB ULL Reinsurance Agreement); and~~

for the avoidance of doubt, any amounts payable or receivable or otherwise to be credited or debited pursuant to paragraph 24 where the Investment Element in respect of a Policy written in, allocated to or reinsured by the With Profits Fund is allocated or transferred to, or reinsured by, a SLAL Fund other than the With Profits Fund, shall be disregarded.

- (B) If there is any doubt as to whether:
  - (i) any amount is properly attributable to a component of any Recourse Cashflow, the SLAL Board may determine whether it shall be so attributed; or
  - (ii) any Policy (including, for the avoidance of doubt, any part of the HWPF Reinsurance Agreement) is included or excluded from any Defined



Block, the SLAL Board may (having regard to the advice of the SLAL WP Actuary) determine whether it shall be so included or excluded.

- (C) Where any new business is written in the With Profits Fund pursuant to paragraph 28 of this Scheme, the SLAL Board (having regard to the advice of the SLAL WP Actuary) shall determine whether or not such business shall be included or excluded from the Defined Blocks.

**Appendix (Schedule 3) – Defined Blocks**

<b>Defined Block</b>	<b>Policies attributable to Defined Block</b>
(i) CNP Protection and Miscellaneous – Life (UK) Block	<p>CNP Policies of the following types written in the Basic Life Assurance and General Annuity Business Fund:-</p> <p>Term Assurance</p> <p>Whole of Life</p> <p>Lifetime Protection Series</p> <p>Homebuilder Mortgage Protection Plan</p> <p>Contingent Assurance</p> <p>Renewable / Convertible Term Assurance</p> <p>Miscellaneous Conventional Non Profit Savings</p> <p>Capital Accumulation</p> <p>Endowment Assurance</p> <p>Pure Endowment</p>
(ii) CNP Protection and Miscellaneous – Pensions (UK) Block	<p>CNP Policies of the following types written in the Pensions Business Fund:-</p> <p>Term Assurance</p> <p>Group Death In Service</p> <p>Contingent Assurance</p> <p>Capital Accumulation</p> <p>Endowment Assurance</p> <p>Pure Endowment</p>
(iii) CNP Deferred Annuities – Life (UK) Block	<p>CNP Policies of the following types written in the Basic Life Assurance and General Annuity Business Fund:-</p> <p>Deferred Annuity</p>

(iv) CNP Deferred Annuities – Pensions (UK) Block	<p>CNP Policies of the following types written in the Pensions Business Fund:-</p> <p>Deferred Annuity</p> <p>Bulk Buy-out Deferred Annuity</p>
(v) Unitised Life (UK) Block	<p>Unitised Policies of the following types written in the Basic Life Assurance and General Annuity Business Fund:-</p> <p>Capital Investment Bond</p> <p>With Profits Bond</p> <p>Homeplan</p> <p>Special Investment Bond (Peppercorn)</p> <p>Regular Investment Bond</p> <p>Unit Endowment</p> <p>Versatile Investment Plan</p> <p>Variable Investment Bond</p> <p>Variable Protection Plan</p>
(vi) Unitised Pensions (UK) Block	<p>Unitised Policies of the following types written in the Pensions Business Fund:-</p> <p>Executive Pension Plan</p> <p>Small Self Administered Scheme</p> <p>Personal Pension Plan (PPL)</p> <p>Castle Personal Pension Series</p> <p>Personal Pension Plan One</p> <p>Personal Pension Flex</p> <p>Stakeholder Pension Plan</p> <p>Phased Retirement Plan</p>

	<p>Flexible Pension Plan</p> <p>Pension Fund Withdrawal Plan</p> <p>Free Standing Additional Voluntary Contribution Plan</p> <p>Transfer Plan (Variable Benefit)</p> <p>Individual Buy-Out Plan</p> <p>Retirement Account Plan</p> <p>Group Money Purchase Plan</p> <p>Group Personal Pension Plan</p> <p>Group Additional Voluntary Contribution Plan</p> <p>Group Personal Pension One Plan</p> <p>Group Pensions for Larger Employers</p> <p>Group Stakeholder Pension Plan</p> <p>Corporate Stakeholder Pension Plan</p> <p>Group Personal Pension Flex</p> <p>Trustee Investment Plan</p> <p>Personal Pension Investment Plan</p> <p>Institutional Trustee Investment Plan</p> <p>Institutional Personal Pension Investment Plan</p> <p>Corporate Fund Investment Policy</p> <p>Stakeholder Personal Pension Investment Plan</p>
(vii) CNP Life (Net Fund) (Ireland) Block	<p>Irish Branch CNP Policies of the following types written in the Old Basis Life Fund:-</p> <p>Term Assurance</p> <p>Whole of Life</p>

	<p>Lifepius Protection Series</p> <p>Homebuilder Mortgage Protection Plan</p> <p>Contingent Assurance</p> <p>Renewable / Convertible Term Assurance</p> <p>Miscellaneous Conventional Non Profit Savings</p> <p>Capital Accumulation</p> <p>Endowment Assurance</p> <p>Pure Endowment</p>
(viii) CNP Life (Gross Roll-up Fund) (Ireland) Block	<p>Irish Branch CNP Policies of the following types written in the New Basis Life Fund:-</p> <p>Lifepius Protection Series</p>
(ix) CNP Pensions (Ireland) Block	<p>Irish Branch CNP Policies of the following types written in the Pensions Business Fund:-</p> <p>Capital Accumulation</p> <p>Contingent Assurance</p> <p>Endowment Assurance</p> <p>Pure Endowment</p> <p>Term Assurance</p> <p>Deferred Annuity</p>
(x) Unitised Pensions (Ireland) Block	<p>Irish Branch Unitised Policies of the following types written in the Pensions Business Fund:-</p> <p>Tower Pension Series</p> <p>Additional Voluntary Contribution Plan</p> <p>Buy Out Bond</p> <p>Corporate Pension Plan</p>

	<p>Executive Pension Plan</p> <p>Executive Pension Plus</p> <p>Personal Pension Plan</p> <p>Personal Pension Plus</p> <p>Personal Pension Plan (PPL)</p> <p>Personal Retirement Savings Account</p> <p>Personal Retirement Savings Account for Additional Voluntary Contributions</p> <p>Approved Minimum Retirement Fund</p> <p>Approved Retirement Fund</p> <p>Approved Minimum Retirement Fund 2</p> <p>Approved Retirement Fund 2</p> <p>Portfolio Approved Minimum Retirement Fund</p> <p>Portfolio Approved Retirement Fund</p> <p>Group Money Purchase Plan</p> <p>Group Pension Plan</p> <p>Managed Funds</p>
(xi) Unitised Life (Net Fund) (Ireland) Block	<p>Irish Branch Unitised Policies of the following types written in the Old Basis Life Fund:-</p> <p>Capital Investment Bond</p> <p>With Profit Bond</p> <p>Capital Savings Plan</p> <p>Flexible Life Plan</p> <p>Universal Life Plan</p> <p>Mortgage Plan</p>

	<p>Special Investment Bond (Peppercorn)</p> <p>Regular Investment Bond</p> <p>Variable Investment Bond</p> <p>Versatile Investment Plan</p> <p>Variable Protection Plan</p> <p>Prosperity Bond (Net)</p> <p>MoneyWorks Bond (Net)</p> <p>MoneyWorks Plan (Net)</p> <p>MoneyWorks Coverplan (Net)</p> <p>MoneyWorks Special Savings Incentive Account (Net)</p>
(xii) Unitised Life (Gross Roll-up Fund) (Ireland) Block	<p>Irish Branch Unitised Policies of the following types written in the New Basis Life Fund: -</p> <p>Capital Investment Bond</p> <p>With Profit Bond</p> <p>Capital Savings Plan</p> <p>Flexible Life Plan</p> <p>Mortgage Plan</p> <p>Variable Investment Bond</p> <p>Versatile Investment Plan</p> <p>Variable Protection Plan</p> <p>Prosperity Bond (Gross)</p> <p>MoneyWorks Bond (Gross)</p> <p>MoneyWorks Plan (Gross)</p> <p>MoneyWorks Coverplan (Gross)</p>

	Investment Bond  Portfolio Bond  MoneyWorks Special Savings Incentive Account (Gross)
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## Schedule 4 – Mortgage Endowment Promise

### 1. Definitions; Interpretation

1.1 In this Schedule 4 (*Mortgage Endowment Promise*), the following definitions apply:

- |                                       |   |
|---------------------------------------|---|
| <b>“Accelerated Rate”</b>             | means, in respect of each Calculation Period, the annual investment return rate referred to as such in <u>Appendix 1</u> ( <i>Annual Investment Return Rates</i> ), such rate being represented as “B” in the formulae in this <u>Schedule 4</u> ( <i>Mortgage Endowment Promise</i> );   |
| <b>“Adjustment Date”</b>              | means a date selected by the SLAL Board, such date to be no later than the first day of the fourth calendar month immediately following the end of each Calculation Period;   |
| <b>“Applicable Proportion”</b>        | <p>means a percentage calculated in accordance with:</p> <p>(A) <u>paragraph 3</u> (for all MEP Policies in respect of which the Policy Maturity Date is on or before the Final Adjustment Date); or</p> <p>(B) <u>paragraph 4</u> (for all MEP Policies in respect of which the Policy Maturity Date is after the Final Adjustment Date),</p> <p>such percentage being represented as “Q” in the formulae in this <u>Schedule 4</u> (<i>Mortgage Endowment Promise</i>);</p> |
| <b>“Calculated Investment Return”</b> | means the investment return on the WPF Assets, as calculated in respect of each Calculation Period in accordance with <u>paragraph 6</u> , such return being represented as “X” in the formulae in this <u>Schedule 4</u> ( <i>Mortgage Endowment Promise</i> );  |
| <b>“Calculation Date”</b>             | means the last day during each Calculation Period;  |
| <b>“Calculation Period”</b>           | <p>means:</p> <p>(A) each period from and excluding 30 September 2005 to and including 30 September in each calendar year following the Effective Date (with the first period being from and excluding 30 September 2005 to and including 30 September 2006 and the last period being from and excluding 30 September 2005 to and including 30 September 2020); or</p>  |

	(B) at the discretion of the SLAL Board, any period from and excluding 30 September 2005 to and including 31 March, 30 June or 31 December in any calendar year from and including 2006 to and including 2020;
<b>"Eligible MEP Policies"</b>	means the Policies listed in <u>Appendix 2 (Eligible MEP Policies)</u> , <u>including any such Policies which have been transferred to SL Intl pursuant to the Brexit Scheme</u> ;
<b>"Expected Affordable Proportion"</b>	means a percentage calculated in accordance with <u>paragraph 8</u> , such percentage being represented as "R" in the formulae in this <u>Schedule 4 (Mortgage Endowment Promise)</u> ;
<b>"Final Adjustment Date"</b>	has the meaning given in <u>paragraph 4.3</u> ;
<b>"First Policy Review Date"</b>	means, in respect of each MEP Policy, the first date following the MEP Introduction Date as at which SLAC calculated the projected maturity value of the relevant MEP Policy;
<b>"Glidepath Affordable Proportion"</b>	means a percentage calculated in accordance with <u>paragraph 7</u> , such percentage being represented as "R <sub>G</sub> " in the formulae in this <u>Schedule 4 (Mortgage Endowment Promise)</u> ;
<b>"Long Term Gilt Yield"</b>	means the annualised equivalent of the yield on the 15-year index for United Kingdom Government fixed-interest securities jointly compiled by the Financial Times, the Institute of Actuaries and the Faculty of Actuaries, or, if such index is not available, such other yield as the SLAL Board deems appropriate from time to time;
<b>"Maturity Value"</b>	means the amount (excluding any amount payable to a Policyholder pursuant to this <u>Schedule 4 (Mortgage Endowment Promise)</u> ) payable in respect of an MEP Policy on the relevant Policy Maturity Date;
<b>"Maximum Top Up Amount"</b>	means an amount equal to the excess of the Original Target Value over the Original Projected Value, subject to a minimum of zero;
<b>"MEP Eligibility Criteria"</b>	means the conditions which must be satisfied for the Promise to apply to an Eligible Policy, as specified in <u>Appendix 3 (Eligibility Criteria)</u> ;
<b>"MEP Introduction Date"</b>	means 28 September 2000;
<b>"MEP Policies"</b>	means those Eligible MEP Policies which satisfy the MEP Eligibility Criteria;

<b>“Non Top Up MEP Policy”</b>	means an MEP Policy which has an Original Projected Value equal to, or in excess of, the Original Target Value;
<b>“Original Projected Value”</b>	means the maturity value projected by SLAC on the First Policy Review Date in respect of each MEP Policy, on the basis of average annual investment returns of 6% (six per cent.) (after tax);
<b>“Original Target Value”</b>	means the target maturity value for each MEP Policy as determined by SLAC on the First Policy Review Date;
<b>“Payment Cessation Rate”</b>	means, in respect of each Calculation Period, the annual investment return rate referred to as such in <u>Appendix 1</u> ( <i>Annual Investment Return Rates</i> ), such rate being represented as “D” in the formulae in this <u>Schedule 4</u> ( <i>Mortgage Endowment Promise</i> );
<b>“Payment Reduction Rate”</b>	means, in respect of each Calculation Period, the annual investment return rate referred to as such in <u>Appendix 1</u> ( <i>Annual Investment Return Rates</i> ), such rate being represented as “C” in the formulae in this <u>Schedule 4</u> ( <i>Mortgage Endowment Promise</i> );
<b>“Policy Maturity Date”</b>	means the date on which an MEP Policy matures;
<b>“Shortfall Amount”</b>	means an amount equal to the Original Target Value less the Maturity Value, subject to a minimum of zero;
<b>“Target Rate”</b>	means, in respect of each Calculation Period, the annual investment return rate referred to as such in <u>Appendix 1</u> ( <i>Annual Investment Return Rates</i> ), such rate being represented as “A” in the formulae in this <u>Schedule 4</u> ( <i>Mortgage Endowment Promise</i> );
<b>“Top Up MEP Policy”</b>	means an MEP Policy which has an Original Projected Value less than the Original Target Value;
<b>“Unrounded Applicable Proportion”</b>	means a percentage calculated in accordance with <u>paragraph 5</u> , such amount being represented as “P” in the formulae in this <u>Schedule 4</u> ( <i>Mortgage Endowment Promise</i> );
<b>“Value Weighted Average”</b>	has the meaning given in <u>paragraph 4.5</u> ;
<b>“with profits investment” or “invested in with profits”</b>	means an investment giving rise to an entitlement to receive a share of SLAC’s profits (prior to the Effective Time) or SLAL’s profits (after the Effective Time, <u>either directly or indirectly through the HWPF Reinsurance Agreement</u> ) on the basis of the investment being applied in a fund to which some or all of

SLAC's or SLAL's (as appropriate) profits are or are to be credited; and

**"WPF Assets"**

means the assets backing the Asset Shares of all WPF With Profits Policies but excluding: (i) all Unitised Sub-Type III Policies (as defined in the PPFM); and (ii) all Policies written by SLAC or SLAL other than in the course of carrying on insurance business in the United Kingdom.

1.2 Any reference in this Schedule to:

- (A) an **"Appendix"** or **"paragraph"** (except where there is an explicit reference to a **"paragraph of this Scheme"**) means an appendix to, or paragraph of, this Schedule 4 (Mortgage Endowment Promise); and
- (B) a **"calculation"**, **"decision"**, **"determination"** or **"opinion"** of the SLAL Board shall be deemed to refer to a calculation, decision, determination or opinion made or reached having regard to the advice of the SLAL WP Actuary.

1.3 Where any calculation in this Schedule 4 (Mortgage Endowment Promise) produces a percentage of 0.5% or 0.05% and is to be rounded, such number shall be rounded up.

**2. Payments under the Promise**

2.1 For all MEP Policies maturing on or after the Effective Date SLAL shall, on or about the relevant Policy Maturity Date, pay the holder of the relevant MEP Policy:

- (A) where the relevant MEP Policy is either a Top Up MEP Policy or a Non Top Up MEP Policy and the Average Return on the MEP Assets for the relevant MEP Policy is 6% (six per cent.) or more:
  - (i) the Shortfall Amount (if the Applicable Proportion is 100% (one hundred per cent.)); or
  - (ii) the Applicable Proportion of the Shortfall Amount (if the Applicable Proportion is less than 100% (one hundred per cent.)); or
- (B) where the relevant MEP Policy is a Top Up MEP Policy and the Average Return on the MEP Assets is less than 6% (six per cent.), the Applicable Proportion of the Maximum Top Up Amount (subject to a maximum of the Shortfall Amount),

provided that: (1) in no circumstances shall any Policyholder be paid, by virtue of the application of the Promise, an amount which, in combination with the other maturity proceeds payable in respect of the MEP Policy, is in excess of the Original Target Value; and (2) where the relevant MEP Policy is a Non Top Up MEP Policy and the Average Return on the MEP Assets is less than 6% (six per cent.), no payment shall be due to the holder of such MEP Policy under the Promise.

2.2 A payment by SLAL in accordance with paragraph 2.1 shall constitute full and complete satisfaction of the obligations to the relevant Policyholder in respect of the Promise.

2.3 For the purposes of this paragraph 2, “**Average Return on the MEP Assets**” shall be calculated in accordance with a methodology determined by the SLAL Board on the basis that:

- (A) where the investment element of Premiums attributable to the relevant MEP Policy is, at the First Policy Review Date, invested solely in with profits, the return shall be the annualised investment return in respect of the assets backing the Asset Share of such MEP Policy. The annualised investment return shall be calculated by determining the time-weighted rate of return in respect of the assets backing the Asset Share of the relevant MEP Policy for each month from and including the MEP Introduction Date to and including the Policy Maturity Date (net of the Taxation assumed in the Asset Share calculation) and then annualising the result; and
- (B) where the investment element of Premiums attributable to the relevant MEP Policy is, at the First Policy Review Date, invested solely in the Managed Fund, the return shall be the average annual increase in the unit value (bid price) of units in that Managed Fund (grossed up for fund management charges) from the MEP Introduction Date to the Policy Maturity Date; and
- (C) where the investment element of Premiums attributable to the relevant MEP Policy is, at the First Policy Review Date, invested partially in with profits and partially in the Managed Fund, the return shall be calculated by taking an arithmetic weighted mean of the returns calculated in accordance with paragraphs 2.3(A) and 2.3(B). For the purposes of obtaining the arithmetic weighted mean, the weightings shall be the proportions of the investment element of Premiums attributable to the relevant MEP Policy invested in with profits and the Managed Fund as at the First Policy Review Date.

### **3. Applicable Proportion: Policy Maturity Dates prior to the Final Adjustment Date**

3.1 The Applicable Proportion for MEP Policies in respect of which the Policy Maturity Date is on or after the Effective Date, and prior to the first Adjustment Date following the Effective Date, shall be the Applicable Proportion applied by SLAC immediately prior to the Effective Date.

3.2 Within 3 (three) months of each Calculation Date, the SLAL Board shall recalculate the Applicable Proportion which shall be equal to the relevant Unrounded Applicable Proportion rounded to the nearest 1% (one per cent.).

3.3 If, as a result of any calculation being made pursuant to this paragraph 3, the Applicable Proportion changes from that which applied after the immediately preceding Adjustment Date, such change shall take effect and apply to all MEP Policies in respect of which the Policy Maturity Date is on or after the relevant Adjustment Date.

#### 4. **Applicable Proportion: Policy Maturity Dates on or after the Final Adjustment Date**

- 4.1 The Applicable Proportion applicable to all MEP Policies in respect of which the Policy Maturity Date is on or after the Adjustment Date immediately following 30 September 2020 shall be the greater of:
- (A) the Applicable Proportion which would have applied on the basis of a calculation of the Applicable Proportion in respect of the final Calculation Period in accordance with paragraph 3; and
  - (B) the Value Weighted Average of the Applicable Proportion applied by SLAL in determining payments to be made to Policyholders in respect of the Promise in the Calculation Periods falling within the three-year period immediately preceding the Calculation Date in the last Calculation Period (the “**Relevant t/t+1 Intervals**”), rounded to the nearest 1% (one per cent.).
- 4.2 The calculations to be made pursuant to paragraph 4.1 shall be made by the SLAL Board no later than 31 December 2020.
- 4.3 If, as a result of the calculations being made pursuant to paragraph 4.1, the Applicable Proportion changes from that which applied after the immediately preceding Adjustment Date, such change shall take effect and apply to all MEP Policies maturing on or after a date determined by the SLAL Board, such date (the “**Final Adjustment Date**”) to be no later than 1 January 2021.
- 4.4 The Applicable Proportion of the Maximum Top Up Amount applicable or Shortfall Amount pursuant to the Promise for all MEP Policies in respect of which the Policy Maturity Date is after the Final Adjustment Date shall be the Applicable Proportion calculated pursuant to paragraph 4.1. Thereafter, the Applicable Proportion shall not be adjusted.
- 4.5 For the purposes of paragraph 4.1(B), the “**Value Weighted Average**” of the Applicable Proportion shall be calculated by application of the following formula:

$$\frac{\text{Sum of } (Q(t) \times \text{actual top – up } (t))}{\text{Sum of (actual top – up } (t))}$$

where:

**Q(t)** is the Applicable Proportion calculated in respect of the Relevant t/t+1 Intervals;

**actual top-up (t)** is the aggregate of all amounts paid or payable by (i) SLAL in respect of the Promise pursuant to this *Schedule 4 (Mortgage Endowment Promise)*, and (ii) SL Int'l pursuant to paragraph 30 of the Brexit Scheme, in respect of each Relevant t/t+1 Interval; and

**t/t+1 interval** means the period from and including an Adjustment Date to and excluding the immediately following Adjustment Date.

If, for the purposes of the formula in this paragraph 4.5, the “Sum of (actual top-up (t))” is zero, then the Value Weighted Average shall be zero.

## **5. Calculation of the Unrounded Applicable Proportion**

5.1 The Unrounded Applicable Proportion shall, in respect of each Calculation Period, be the following:

- (A) If the Calculated Investment Return equals or exceeds the Target Rate, the Unrounded Applicable Proportion shall be 100% (one hundred per cent.).
- (B) If the Calculated Investment Return equals or exceeds the Accelerated Rate but is less than the Target Rate, the Unrounded Applicable Proportion shall be a proportion calculated by linear interpolation (in accordance with the formula set out below in this paragraph 5.1(B)) between:
  - (i) the Expected Affordable Proportion (applicable where the Calculated Investment Return equals the Accelerated Rate); and
  - (ii) 100% (one hundred per cent.) (applicable where the Calculated Investment Return equals the Target Rate),

subject to a minimum of the Glidepath Affordable Proportion. Where this paragraph 5.1(B) applies, the Unrounded Applicable Proportion shall be calculated by application of the following formula:

$$P = \left[ \frac{R \times (A - X) + 100\% \times (X - B)}{A - B} \right],$$

but so that the Unrounded Applicable Proportion shall not be less than the Glidepath Affordable Proportion.

- (C) If the Calculated Investment Return equals or exceeds the Payment Reduction Rate but is less than the Accelerated Rate, the Unrounded Applicable Proportion shall be the Glidepath Affordable Proportion.
- (D) If the Calculated Investment Return equals or exceeds the Payment Cessation Rate but is less than the Payment Reduction Rate, the Unrounded Applicable Proportion shall be a proportion calculated by linear interpolation (in accordance with the formula set out below in this paragraph 5.1(D)) between:
  - (i) the Glidepath Affordable Proportion (applicable where the Calculated Investment Return equals the Payment Reduction Rate); and
  - (ii) 0% (zero per cent.) (applicable where the Calculated Investment Return equals the Payment Cessation Rate).

Where this paragraph 5.1(D) applies, the Unrounded Applicable Proportion shall be calculated by application of the following formula:

$$P = R_G \times (X - D) / (C - D)$$

- (E) If the Calculated Investment Return is less than the Payment Cessation Rate, then the Unrounded Applicable Proportion shall be 0% (zero per cent.).

## 6. Calculation of Calculated Investment Return

### 6.1 Subject to paragraph 6.2:

- (A) the Calculated Investment Return shall, in respect of each Calculation Period, be the annualised investment return (gross of Tax) earned on the WPF Assets from and excluding 30 September 2005 to and including the relevant Calculation Date; and
- (B) such return shall be calculated by the SLAL Board by determining the time-weighted rate of return in respect of the WPF Assets for each month from and including October 2005 to and including the last month in the relevant Calculation Period and then annualising the result.

- 6.2 The SLAL Board may substitute the methodology specified in paragraph 6.1 with an alternative methodology where the Board determines that the utilisation of such methodology is no longer practicable. Any alternative methodology may only be adopted if the SLAL WP Actuary certifies that the proposed methodology would not, in his opinion, materially and adversely affect the reasonable expectations of holders of MEP Policies and is otherwise compliant with PRIN 6.

## 7. Calculation of Glidepath Affordable Proportion

The Glidepath Affordable Proportion shall be:

- (A) the Expected Affordable Proportion, subject to a minimum of 80% (eighty per cent.), for all MEP Policies in respect of which the Policy Maturity Date is on or before 31 December 2006;
- (B) the Expected Affordable Proportion, subject to a minimum of 60% (sixty per cent.), for all MEP Policies in respect of which the Policy Maturity Date is after 31 December 2006 and on or before 31 December 2007; and
- (C) the Expected Affordable Proportion for all MEP Policies in respect of which the Policy Maturity Date is after 31 December 2007.

## 8. Calculation of Expected Affordable Proportion

- 8.1 Subject to paragraph 8.2, the Expected Affordable Proportion shall be calculated by solving the following relationship:

$$R_j \times PV[FutureMaximum]_{j,i=i(j)} = (R_{j-1} \times PV[FutureMaximum]_{j-1,i=i(j)}) \times (1 + I_j)^{ysj-1,j} - (R_{j-1}) \times AV[MaturingMaximum]_{j-1,j}$$



where:

**$R_j$**  is the Expected Affordable Proportion as at the current Calculation Date (the “**jth Calculation Date**”);

**PV[FutureMaximum]<sub>j, i=i(j)</sub>** is the present value of future Maximum Top Up Amounts at the jth Calculation Date, determined by the SLAL Board by reference to the MEP Policies in-force on the jth Calculation Date and the SLAL Board’s best estimate of future surrender experience in respect of MEP Policies at that jth Calculation Date, discounted at  $l_{(j)}$ ;

**$l_{(j)}$**  is the Long Term Gilt Yield as at the jth Calculation Date (adjusted by applying a percentage reduction equal to the policyholder rate of Taxation at the jth Calculation Date) (and reflecting any known changes to the policyholder rate of Taxation which will be applied in the future);

**$R_{j-1}$**  is the Expected Affordable Proportion as at the Calculation Date immediately preceding the jth Calculation Date (the “**j-1th Calculation Date**”), with the first calculation pursuant to this paragraph 8.1 to be made using a value of  $R_{j-1}$  of 51% (fifty-one per cent.);

**PV[FutureMaximum]<sub>j-1, i=i(j)</sub>** is the present value of future Maximum Top Up Amounts at the j-1th Calculation Date, determined by the SLAL Board by reference to the MEP Policies in-force on the j-1th Calculation Date and the SLAL Board’s best estimate of future surrender experience in respect of MEP Policies at the j-1th Calculation Date, discounted at  $l_{(j)}$ ;

**yrs<sub>j-1, j</sub>** is the number of years, or fractions of years, elapsed between the j-1th Calculation Date and the jth Calculation Date; and

**AV[MaturingMaximum]<sub>j-1, j</sub>** is the sum of the Maximum Top Up Amounts (without regard to whether or not such amounts have been paid or are due and payable in respect of the relevant MEP Policies pursuant to paragraph 2 of this Schedule 4 (*Mortgage Endowment Promise*)) in respect of MEP Policies maturing between the j-1th Calculation Date and the jth Calculation Date, accumulated to the jth Calculation Date at the rate of  $l_{(j)}$ .

- 8.2 The Expected Affordable Proportion from and including 30 September 2005 to and excluding the first Adjustment Date following the Effective Date is 51% (fifty-one per cent.).
- 8.3 The Expected Affordable Proportion calculated in accordance with paragraph 8.1 shall be rounded to the nearest 0.1%, and subject to a minimum of 0% (zero per cent.) and a maximum of 100% (one hundred per cent.).

**Appendix 1 (Schedule 4) – Annual Investment Return Rates**

<b>Calculation Date</b>	<b>Target Rate (%)</b>	<b>Accelerated Rate (%)</b>	<b>Payment Reduction Rate (%)</b>	<b>Payment Cessation Rate (%)</b>
30 September 2006	20.4	8.8	-12.6	-13.7
30 September 2007	12.7	7.9	-4.5	-5.1
30 September 2008	10.1	7.4	-1.9	-2.3
30 September 2009	8.8	7.1	-0.6	-1.0
30 September 2010	7.9	6.8	-0.1	-0.3
30 September 2011	7.4	6.5	0.3	0.1
30 September 2012	7.1	6.3	0.6	0.4
30 September 2013	6.8	6.1	0.8	0.7
30 September 2014	6.5	5.9	1.0	0.8
30 September 2015	6.3	5.8	1.2	1.1
30 September 2016	6.1	5.7	1.4	1.3
30 September 2017	5.9	5.6	1.6	1.4
30 September 2018	5.8	5.6	1.7	1.6
30 September 2019	5.7	5.6	1.8	1.7
30 September 2020	5.6	5.5	1.9	1.8

Where the Calculation Date is a date other than 30 September in any calendar year, the appropriate Target Rate, Accelerated Rate, Payment Reduction Rate and Payment Cessation Rate shall be determined by linear interpolation between the investment return rate applying at the previous 30 September and the investment return rate applying at the next 30 September.

**Appendix 2 (Schedule 4) – Eligible MEP Policies**

The Eligible MEP Policies are:

- (A) Minimum Cost (MC) plans, including MC100 (UK and Ireland);
- (B) Standing Loan (SL) plans (UK only);
- (C) Low Cost (LC) plans (UK only);
- (D) Homeplans (UK only);
- (E) Versatile Investment Plans marketed and sold as mortgage endowments between 1 July 1989 and 16 October 1991 (UK only); and
- (F) Mortgage Plan Policies (Ireland only)

in each case where: (i) such Eligible MEP Policies were written by SLAC prior to the MEP Introduction Date; and (ii) the holder of the relevant Eligible MEP Policies was sent a letter applying the Promise to such Policy.

The Promise shall not apply to Pension or PEP mortgage policies.

### **Appendix 3 (Schedule 4) – Eligibility Criteria**

1. The Promise, as applied and operated in accordance with this Schedule 4 (*Mortgage Endowment Promise*), will only apply if all of the following conditions are met between the First Policy Review Date and the Policy Maturity Date.
  - (A) All future premiums must be paid in full up until the Policy Maturity Date.
  - (B) The existing funds, as well as future premiums, must be invested only in with profits funds or the managed fund (or a mixture of both). Where, on the MEP Introduction Date, the existing funds invested in respect of an Eligible Policy were not invested only in with profits or the managed fund (or a mixture of both), such Policy is deemed to have satisfied this criterion in respect of such existing funds if they were transferred into the managed fund within two months of the date of the letter sent to each relevant Policyholder notifying the Policyholder that such transfer was required in order for the criterion to be met.
2. The Promise, as applied and operated in accordance with this Schedule 4 (*Mortgage Endowment Promise*), will not apply if any of the following take place between the First Policy Review Date and the Policy Maturity Date.
  - (A) The premium amount is reduced (except as a result of the Policy being altered from joint life to single life).
  - (B) The Policy term is altered.
  - (C) The Policy is partially or fully surrendered or made paid-up (including where any early maturity option is exercised).
  - (D) The Policy is absolutely assigned to a third party (except in the case of divorce) (for example, by sale as a traded endowment policy).

**Schedule 5 – Shareholder Subsidiaries**

<b>Company Name</b>	<b>Company Number</b>	<b>Jurisdiction of Registration</b>
Standard Life Assurance Company Bermuda Limited (if and to the extent held by SLAC rather than Canada Holdco)	38074	Bermuda
The Standard Life Assurance Company of Canada (if and to the extent held by SLAC rather than Oversea Holdings Limited or Standard Life Financial, Inc.)	C3329	Federal (Canada)
Standard Life Financial, Inc. (if and to the extent held by SLAC rather than Oversea Holdings Limited)	4256344	Federal (Canada)
SL Finance plc	4420535	England and Wales
Standard Life Healthcare Limited	2123483	England and Wales
Bonaventure Insurance Company Limited	25357	Guernsey
Assure Link	209098	Republic of Ireland
Standard Life International Limited	408507	Republic of Ireland
Standard Life Oversea Holdings Limited	SC299660	Scotland
Standard Life Bank Limited	SC173685	Scotland
Standard Life Direct Limited	SC193444	Scotland
Standard Life Employee Services Limited	SC271355	Scotland
Standard Life Investment Funds Limited (including any further shares issued by Standard Life Investment Funds Limited to SLAL on the Effective Date)	SC046447	Scotland

Standard Life (Mauritius Holdings) 2006 Limited (unless SLAC and SLAL decide that it shall be retained by SLAC (whether or not as a Residual Asset) prior to the Effective Time)	62011	Republic of Mauritius
Standard Life Savings Limited	SC180203	Scotland
Standard Life Trustee Company Limited	SC076046	Scotland
Standard Life Investments (Holdings) Limited	SC298143	Scotland
Standard Life Investments Limited (if and to the extent held by SLAC)	SC123321	Scotland
Standard Life Assurance Company Funding Inc.	N/A	Delaware, United States of America

**Schedule 6 – Additional NPF Contracts**

	<b>Parties</b>	<b>Agreement Name</b>	<b>Date</b>
1.	SLAC Standard Life Trustee Company Limited Brewin Dolphin Securities Limited	Global Agreement (as amended)	3 December 2004
2.	SLAC Standard Life Trustee Company Limited Brewin Dolphin Securities Limited	Agreement for Execution Only Stockbroking Services (as amended)	3 December 2004
3.	SLAC Standard Life Trustee Company Limited Cazenove Fund Management Limited	Global Agreement (as amended)	3 December 2004
4.	SLAC Standard Life Trustee Company Limited Donaldsons	Agreement for Services (as amended)	9 February 2005
5.	SLAC Standard Life Trustee Company Limited Financial Administration Services Limited	Agreement for Services (as amended)	9 December 2004
6.	SLAC Standard Life Trustee Company Limited Gerrard Limited	Global Agreement (as amended)	26 November 2004
7.	SLAC Standard Life Trustee Company Limited Newton Investment Management Limited	Master Agreement (as amended)	6 December 2004
8.	SLAC Standard Life Trustee Company Limited Keeble Hawson Solicitors	Terms of Retainer (as amended)	17 December 2004 (and agreed and accepted by SLAC and Standard Life Trustee Company on 21 December 2004)

9.	SLAC Standard Life Trustee Company Limited Quilter & Co Limited	Global Agreement (as amended)	6 December 2004
10.	SLAC Standard Life Trustee Company Limited Tilney Investment Management	Global Agreement (as amended)	6 December 2004
11.	SLAC Standard Life Trustee Company Limited Willis Limited	Broker Services Agreement	7 February and 3 March 2005
12.	SLAC Wilbourn Associates Limited	Terms of Engagement	21 and 25 June 2004
13.	SLAC Standard Life Trustee Company Limited PSigma Investments Limited	Global Agreement	8 August 2005
14.	SLAC UNUM Limited	Individual Long Term Disability Insurance Reinsurance Agreement	16 November 1992
15.	SLAC Standard Life Trustee Company Limited Speirs & Jeffrey Limited	Global Agreement	15 September 2005



**Appendix A - SLIF EB Annuities Reinsurance Agreement**

## **Appendix B – Unclaimed Assets Trust**

## **Appendix C – Calculation Manual**

**COURT OF SESSION, SCOTLAND**

THE STANDARD LIFE ASSURANCE COMPANY

and

SLLC LIMITED (to be renamed STANDARD LIFE ASSURANCE LIMITED)

and

SLGC LIMITED (to be re-registered as STANDARD LIFE PLC)

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**SCHEME**

(pursuant to Part VII of, and Schedule 12 to, the  
Financial Services and Markets Act 2000)

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Slaughter and May  
One Bunhill Row  
London EC1Y 8YY  
(ACC/TP)

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