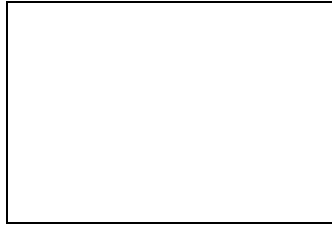


# 2006 / 2011 Scheme Notes

## Contents

	page
2006 Scheme note	2 - 229
2011 Scheme note	230 - 338



**UNTO THE RIGHT HONOURABLE THE LORDS OF COUNCIL AND SESSION**

**NOTE**

of

**STANDARD LIFE ASSURANCE LIMITED**, a private company limited by shares, which is registered in Scotland under the registered number SC286833, and which has its registered office at Standard Life House, 30 Lothian Road, Edinburgh

for

Consent to the variation of the insurance business transfer scheme which was under Part VII of the Financial Services and Markets Act 2000 and under which substantially all of the business of The Standard Life Assurance Company was transferred to Standard Life Assurance Limited

**1 INTRODUCTION**

- 1.1 The Noter is Standard Life Assurance Limited (“**SLAL**”), a private company limited by shares and registered in Scotland under the registered number SC286833. SLAL has its registered office at Standard Life House, 30 Lothian Road, Edinburgh.
- 1.2 SLAL is also a ‘*UK authorised person*’, within the meaning of section 105(8) of the Financial Services and Markets Act 2000 (“**FSMA**”).
- 1.3 SLAL has been granted permission by the Prudential Regulation Authority (the “**PRA**”), under Part IV of FSMA, to carry on in the United Kingdom (the “**UK**”) long-term insurance business falling within classes I, III, IV, VI and VII which are set out in Part II of Schedule I to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
- 1.4 This application is made by SLAL in the process of the petition by The Standard Life Assurance Company (“**SLAC**”), a mutual insurance company incorporated by private Act of Parliament, for the sanction of an insurance business transfer scheme (the “**2006 Scheme**”), which was under Part VII of, and Schedule 12 to, FSMA.

- 1.5 SLAC's name was changed to The Standard Life Assurance Company 2006 with effect from 10 July 2006.
- 1.6 The 2006 Scheme provided for the transfer to SLAL of substantially all of the long term insurance business which was carried on by SLAC in the UK and other states of the European Economic Area (“**EEA**”).
- 1.7
- 1.7.1 The 2006 Scheme was sanctioned by an order of this Court on 9 June 2006 (the “**2006 Sanction Order**”) and became effective on 10 July 2006.
- 1.7.2 The 2006 Sanction Order expressly allowed SLAC in accordance with section 112(1)(d) of FSMA, to apply for any orders with respect to such incidental, consequential and supplementary matters as are necessary to secure that the 2006 Scheme was fully and effectively carried out.
- 1.8 In this application SLAL seeks such a consequential order giving the consent of this Court to proposed variations of the 2006 Scheme (together the “**Proposed Variations**”).
- 1.9
- 1.9.1 The Proposed Variations will be a consequence of another insurance business transfer scheme (the “**Present Scheme**”), which SLAL proposes to enter with another company in the same group of companies, Standard Life International DAC (“**SL Intl**”).
- 1.9.2 Like the 2006 Scheme, the Present Scheme is under Part VII and Schedule 12 of FSMA.
- 1.10
- 1.10.1 The Present Scheme provides for the transfer from SLAL to SL Intl of part of the long-term insurance business carried on by SLAL (the “**SLAL Business**”).
- 1.10.2 In outline, that part of the SLAL Business is to comprise, subject to specified exceptions, the business which is denominated in Euros.
- 1.11 The Present Scheme is expressly conditional on *inter alia* this Court giving its consent to the Proposed Variations and not withdrawing, or varying, that consent, prior to the Present Scheme becoming effective.
- 1.12 SLAL and SL Intl have together made an application to this Court (the “**Present Scheme Application**”) for the sanction of the Present Scheme.

1.13 The Proposed Variations are themselves conditional on the Present Scheme being sanctioned by this Court, and that sanction not being recalled, and the Present Scheme becoming unconditional, other than in respect of this Court consenting to the Proposed Variations.

1.14

1.14.1 This Court had jurisdiction over the 2006 Scheme under sections 107(3)(a) and (4)(b) of FSMA.

1.14.2 In addition, and as said at Statement 1.17.2, the 2006 Sanction Order expressly gave a right to apply for a further order with respect to the 2006 Scheme.

1.15 Accordingly, this Court has jurisdiction over this application under those provisions and that part of the 2006 Sanction Order and under its own petition procedure.

1.16 For completeness, SLAL has made an application, also in connection with the Present Scheme, for consent to vary the insurance business transfer scheme which was between Standard Life Investment Funds Limited and SLAL and which became effective on 31 December 2011.

1.17 A glossary of the defined terms which are used in this application is included in Schedule 2 of this application.

1.18 So far as is material to this application, the statutory provisions which are referred to in this application are set out in Schedule 4 of the Present Scheme Application.

## 2 THE 2006 SCHEME AND THE POWER TO VARY

2.1

2.1.1 Paragraph 70.2(D) of the 2006 Scheme (“**Paragraph 70.2(D)**”) provides for the 2006 Scheme being varied after the 2006 Sanction Order.

2.1.2 More specifically, paragraph 70.2(D) provides that SLAL may:

“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.”

- 2.2 Paragraph 1.1 of the 2006 Scheme defines the “**Regulator**” in the following terms:
- “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”;
- 2.3
- 2.3.1 The Financial Services Authority has now been replaced in respect of the functions referred to in paragraph 1.1 of the 2006 Scheme by both the PRA and the Financial Conduct Authority (“**FCA**”).
- 2.3.2 Accordingly, ‘Regulator’ for the purposes of Paragraph 70.2(D) means each and both of these bodies.
- 2.4 Paragraph 1.1 of the 2006 Scheme defines the “**Transferred Policies**” as, subject to exceptions which are immaterial in the context of this application:
- "(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.”
- 2.5 As described in the Present Scheme Application, much of that part of the SLAL Business which is to be transferred by the Present Scheme includes Transferred Policies.
- 2.6 Paragraph 2.2 (K) of the 2006 Scheme amplifies, for the purposes of *inter alia* Paragraph 70.2(D), the meaning of ‘variation’ of the 2006 Scheme. That paragraph provides as follows:
- “the expression “*variation*” shall include any amendment, modification, variation, supplement, deletion, replacement or termination (as the context requires), however effected.”
- 2.7

2.7.1 The 2006 Scheme has previously been varied, in accordance with its terms, on three occasions, namely in 2011, 2015 and 2016 (the “**Previous Variations**”).

2.7.2 The Previous Variations in 2011 and 2016 were made with the consent of this Court.

2.8 The Previous Variations are described in sufficient detail in Statements 29, 31 and 32 of the Present Scheme Application.

### 3 **THE PROPOSED VARIATIONS**

3.1 The Proposed Variations are restricted in their scope to changes to the 2006 Scheme which are necessary, or expedient, as a consequence of the Present Scheme.

3.2 The terms of the Proposed Variations are set out in full in the Appendix to this Application.

3.3 The Proposed Variations are described in sufficient detail in Statements 56 to 59 of the Present Scheme Application.

### 4 **THE INDEPENDENT EXPERT**

#### 4.1

4.1.1 In accordance with the requirements of Paragraph 70.2(D), Tim Roff, a Fellow of the Institute and Faculty of Actuaries, has been appointed by the board of directors of SLAL to give a certificate as an independent expert (the “**Independent Expert**”).

4.1.2 In accordance with Paragraph 70.2(D) the appointment was made with the approval of the PRA, as the appropriate regulator, and after having consulted with FCA.

4.2 That certificate is to the effect that, in Mr Roff's opinion, the Proposed Variations will not materially and adversely affect the reasonable expectations of the holders of Transferred Policies, as defined at Statement 2.4 above.

#### 4.3

4.3.1 In accordance with section 109 of FSMA, Mr Roff has also been appointed to report, as an independent expert, on the Present Scheme.

4.3.2 Again his appointment has been made with the approval of the PRA, as the appropriate regulator, and after having consulted with FCA, in accordance with section 109 of FSMA.

#### 4.4

4.4.1 Mr Roff has produced his certificate in accordance with Paragraph 70.2(D).

- 4.4.2 In his report on the Present Scheme, Mr Roff explains in full detail the reasoning on which his certificate is based.

## **5 THE PRUDENTIAL REGULATION AUTHORITY AND THE FINANCIAL CONDUCT AUTHORITY**

- 5.1.1 Also in accordance with the requirements of Paragraph 70.2(D), the Regulator, being each of the PRA and the FCA, have been notified of this application.

- 5.1.2 In addition, it is sought that this application is also formally served on each of them, so that they may exercise their rights to be heard at any hearing at which this application is to be considered.

### **5.2**

- 5.2.1 As described in Statement 72.1 of the Present Scheme Application, it is reasonably believed that each of the PRA and the FCA will prepare two reports for this Court on the Present Scheme (together, the “**Regulators’ Reports**”).

- 5.2.2 The second set of the Regulators’ Reports is expected to be made available prior to the final Court hearing in respect of this application, and is to confirm that, in the context of the Present Scheme, each of the PRA and the FCA does not object to the Proposed Variations.

## **6 ADVERTISEMENT OF THIS APPLICATION**

- 6.1 As described at Statement 73 of the Present Scheme Application, notice of the Present Scheme will be given inter alia in accordance with the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001.

- 6.2 It is expedient that notice of this application be included in the notice of the Present Scheme and be published in the same newspapers in the UK and the 12 other states of the EEA which are set out in Part 1 of Schedule 3 to this application.

- 6.3 That would save some cost and would be more informative to any interested person than giving two separate notices of this application and the Present Scheme Application.

- 6.4 Such a composite notice was used in those Previous Variations which were made in 2011.

## **7 THIS COURT’S CONSENT**

- 7.1 In these circumstances all the express requirements of Paragraph 70.2(D) have been satisfied.

- 7.2 It is also appropriate that the Court exercises its discretion under Paragraph 70.2(D) to give its consent to the Proposed Variations.

7.3 In particular, the Proposed Variations will not materially and adversely affect the reasonable expectations of the holders of Transferred Policies, as defined at Statement 2.4 above.

7.4

7.4.1 As said at Statement 110 of the Present Scheme Application, the Present Scheme will not adversely affect to any material extent the interests of any of the policyholders of SLAL or of SL Intl or any other person and it is appropriate for this Court to sanction the Present Scheme.

7.4.2 The Proposed Variations are an integral part of the Present Scheme.

7.4.3 Accordingly, it is appropriate for this Court to give its consent to the Proposed Variations.

7.5

7.5.1 For completeness, the Proposed Variations do not vary any of the terms of Part E5 of the 2006 Scheme, which concerned compensation payable to the then members of SLAC for the loss of certain rights.

7.5.2 Paragraph 70.3 of the 2006 Scheme does not, therefore, apply to the Proposed Variations.

## 8 **REPORTER**

8.1 The appointment of Paul W Hally, solicitor, Edinburgh, has been sought as reporter to the Present Scheme Application.

8.2 Mr Hally acted as reporter in the application to sanction the 2006 Scheme and in the Previous Variations in both 2011 and 2016.

8.3 It is expedient that Mr Hally also be appointed as reporter to this application.

## 9 **PERIOD OF NOTICE**

9.1 In the Present Scheme Application the PRA and FCA wish, in accordance with their published guidance, that there be not less than six weeks between the notices being sent out to the policyholders and the date of the hearing to sanction the Present Scheme.

9.2 Accordingly, and in order to be consistent with the Present Scheme Application, SLAL requires, technically, to seek to extend the period of notice for Answers to this Application from 21 days to 42 days in accordance with Rules of Court 14.4(6)(b) and 14.6(2).



10      **GENERAL**

This application is presented under section 112(1)(d) of FSMA, at common law, under the petition procedure of this Court and in accordance with the express permission in the 2006 Sanction Order and under Rules of Court 14.4(6)(b) and 14.6(2).

**MAY IT THEREFORE** please your Lordship:

- (i) to order this Note by Standard Life Assurance Limited (“**SLAL**”) for consent to the variations which are sought to be made in the terms set out in the Appendix to this Note (the “**Proposed Variations**”) to the scheme (the “**2006 Scheme**”) which was under Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 (“**FSMA**”) and under which substantially all of the long term business of The Standard Life Assurance Company was transferred to SLAL, to be intimated on the Walls in common form;
- (ii) to appoint SLAL to advertise the order which is to be pronounced once in each of:
  - (a) The London Gazette;
  - (b) The Edinburgh Gazette;
  - (c) The Belfast Gazette; and
  - (d) the Iris Oifigiúil,

and once in each of the newspapers which are listed in Part 1 of Schedule 3 to this Note, in the language in which the newspaper is published;

- (iii) to direct that the advertisements which are referred to in paragraph (ii) of this Prayer be part of the advertisement which this Court orders to be published of the notice of the petition of SLAL and Standard Life International DAC for the sanction of an insurance business transfer scheme (the “**Present Scheme**”), under Part VII of, and Schedule 12 to FSMA and under which part of the long-term insurance business of SLAL is to be transferred to Standard Life International DAC;
- (iv) to order that this Note be served upon the Prudential Regulatory Authority and Financial Conduct Authority (each designed in Schedule 1 to this Note)
- (v) to allow all parties claiming an interest to lodge Answers to this Note within 42 days after that intimation, advertisement and service;
- (vi) to appoint Paul W Hally, solicitor, of 1 Exchange Crescent, Conference Square, Edinburgh as reporter to the process; and to remit to that reporter to report on the facts and circumstances set out in the Note and the regularity of the proceedings;

and upon resuming consideration of this Note, with or without Answers,

- (vii) to make an order, under section 112(1)(d) of FSMA, giving consent, in accordance with paragraph 70.2(D) of the 2006 Scheme, to the Proposed Variations;

- (viii) to order that two certified copies of the order which is to be made under paragraph (vii) of this Prayer, together with a copy of the 2006 Scheme as varied by the Proposed Variation, be deposited with the Prudential Regulation Authority within 10 days of the date of that order;
- (ix) to appoint SLAL to advertise the order which is to be pronounced under paragraph (vii) of this Prayer, to be published once in each of:
  - (a) The London Gazette;
  - (b) The Edinburgh Gazette;
  - (c) The Belfast Gazette; and
  - (d) the Iris Oifigiúil,and once in each of the newspapers which are listed in Part 2 of Schedule 3 to this Note, and in the language in which the newspaper is published;
- (x) to direct that the advertisements which are referred to in paragraph (ix) of this Prayer be part of the advertisement which this Court orders to be published of its sanction of the Present Scheme; and
- (xi) to decern, or to do further, or otherwise, in the premises as your Lordship may consider appropriate.

ACCORDING TO JUSTICE, ETC

## **SCHEDULE 1**

### **SCHEDULE FOR SERVICE**

Service in common form is sought upon:

- 1        Prudential Regulation Authority  
          20 Moorgate  
          London  
          EC2R 6DA
  
- 2        Financial Conduct Authority  
          12 Endeavour Square  
          London  
          E20 1JN

## **SCHEDULE 2**

### **INDEX OF DEFINED TERMS**

In this Note each of the following words and expressions shall have the following meanings:

<b>2006 Scheme</b>	has the meaning given in Statement 1.4;
<b>2006 Sanction Order</b>	has the meaning given in Statement 1.7.1;
<b>EEA</b>	has the meaning given in Statement 1.6;
<b>FCA</b>	has the meaning given in Statement 2.3;
<b>FSMA</b>	has the meaning given in Statement 1.2;
<b>Independent Expert</b>	has the meaning given in Statement 4.1.1;
<b>Paragraph 70.2(D)</b>	has the meaning given in Statement 2.1.1;
<b>Part VII</b>	has the meaning given in Statement 1.4;
<b>PRA</b>	has the meaning given in Statement 1.3;
<b>Present Scheme</b>	has the meaning given in Statement 1.9;
<b>Present Scheme Application</b>	has the meaning given in Statement 1.12;
<b>Previous Variations</b>	has the meaning given in Statement 2.7;
<b>Proposed Variations</b>	has the meaning given in Statement 1.8;
<b>Regulator</b>	has the meaning given in Statement 2.2;
<b>Regulators' Reports</b>	has the meaning given in Statement 5.2
<b>Schedule 12</b>	has the meaning given in Statement 1.4;
<b>SL Intl</b>	has the meaning given in Statement 1.9;
<b>SLAC</b>	has the meaning given in Statement 1.4;
<b>SLAL</b>	has the meaning given in Statement 1.1;
<b>SLAL Business</b>	has the meaning given in Statement 1.10;

**Transferred Policies**

has the meaning given in Statement 2.4; and

**UK**

has the meaning given in Statement 1.3.

### **SCHEDULE 3**

#### **NEWSPAPERS**

##### **PART 1**

- (a) The Financial Times (UK and Worldwide (which includes the European) editions);
- (b) The Scotsman;
- (c) The Irish Times;
- (d) The Irish Independent;
- (e) Süddeutsche Zeitung (SZ) and Handelsblatt (Germany);
- (f) Le Figaro and Les Echo (France);
- (g) Die Presse and Der Standard (Austria);
- (h) De Telegraaf and NRC Handelsblad (Netherlands);
- (i) Le Soir and La Libre Belgique (Belgium);
- (j) El Pais and El Mundo (Spain);
- (k) Luxembourger Wort and Le Quotidien (Luxembourg);
- (l) Dagens Nyheter and Svenska Dagbladet (Sweden);
- (m) Aftenposten and Dagbladet (Norway);
- (n) Corriere della Sera and La Repubblica (Italy); and
- (o) Berlingske Tidende and Jyllands-Posten (Denmark).

##### **PART 2**

- (a) The Financial Times (UK and Worldwide (which includes the European) editions);
- (b) The Scotsman;
- (c) The Irish Times;

- (d) Handelsblatt (Germany);
- (e) Les Echo (France);
- (f) Der Standard (Austria);
- (g) De Telegraaf (Netherlands);
- (h) La Libre Belgique (Belgium);
- (i) El Mundo (Spain);
- (j) Le Quotidien (Luxembourg);
- (k) Svenska Dagbladet (Sweden);
- (l) Dagbladet (Norway);
- (m) La Repubblica (Italy); and
- (n) Jyllands-Posten (Denmark).



**APPENDIX**

**THE PROPOSED VARIATIONS**

## 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 SLAL and SL Intl, as sanctioned by the Court of Session on [●] and effective on 28 February 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"</b>	means an agreement entitled "Domestication Agreement" and

<b>Documents</b>	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;
<b>"Canadian Scheme Agreement"</b>	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, assignation 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> <ul style="list-style-type: none"> <li>(A) the Guernsey Liabilities if and for so long as such liabilities have not been effectively transferred to SLAL pursuant to the Guernsey Scheme;</li> <li>(B) the Jersey Liabilities if and for so long as such liabilities have not been effectively transferred to SLAL</li> </ul>

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;

**“Excluded Policies Reinsurance”**

means the reinsurance arrangement to be implemented pursuant to and in accordance with paragraph 8.1;

<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 SLESL applies;
<b>“Existing Euro Tier 2 Intra-Group Loan”</b>	has the meaning given in <a href="#">paragraph 3.22(A)(i)</a> ;
<b>“Existing Sterling Tier 2 Intra-Group Loan”</b>	has the meaning given in <a href="#">paragraph 3.22(A)(iii)</a> ;
<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 <a href="#">Part E5</a> ;
<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 <a href="#">paragraph 31.1</a> ;
<b>“Further Capital Support Amount”</b>	has the meaning given in <a href="#">paragraph 31.1</a> ;
<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 <a href="#">paragraph (B)</a> 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><a href="#">“German WP Investment</a></b>	<b><a href="#">means, in relation to a Policy that is or becomes a Unitised With Profits Policy, that part of any Premium (including any</a></b>

<b><u>Element</u></b>	<u>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 <b>“SLAC Linked Fund”</b> and <b>“SLAL Linked Fund”</b>

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*);

**“Newco”**

means SL (Newco) Limited (registered in Scotland number 297006);

**“New SL Group”**

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 <u>paragraph <del>15(B)</del> 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>Policy</b> ”	means (except for the purposes of <u>Part E5</u> and <u>Schedule 3 (Reference Period Transfer Amount)</u> ) as the context requires: <ul style="list-style-type: none"> <li>(A) any “policy” within the meaning of the Financial Services and Markets Act (Meaning of “Policy” and “Policyholder”) Order 2001 (SI 2001/2361); and</li> </ul>



- (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,

~~and~~ including any other contract or agreement analogous to a Policy;

**“Policyholder”**

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 “**holder of a Policy**” shall be construed accordingly;

**“PPFM”**

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 paragraph 27;

**“PRA Rulebook”**

means the PRA Rulebook issued by the Regulator;

**“Preferential Offer”**

has the meaning given in Part E5;

**“Premiums”**

means premiums of every description including:

- (A) increases to premiums (whether by way of regular premium or single premium and whether contractual or otherwise); and

- (B) all other sums (including payments *in specie*),

in each case which are referable or attributable to any Transferred Policy, any Excluded Policy or, in the case of Schedule 3 (Reference Period Transfer Amount) to any Defined Block Policy (as defined in that Schedule);

**“PRIN 6”**

means Principle 6 in the Principles for Businesses set out in the FCA Handbook at PRIN 2.1;

**“Proceedings”**

means proceedings of every description, including all judicial, quasi-judicial, administrative and arbitration proceedings;

**“Property-Linked Funds Retrocession Agreement”**

means the agreement entitled “Retrocession Agreement: Euro Denominated Property-Linked Funds” between SLAL and SL Intl, entered into in accordance with paragraph 66 of the Brexit Scheme;

**“Property-Linked Liabilities”**

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</u> ( <i>Reference Period Transfer Amount</i> );
<b>"Reference Period Securitisation Receipt"</b>	has the meaning given in <u>Schedule 3</u> ( <i>Reference Period Transfer Amount</i> );
<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</u> ( <i>Reference Period Transfer Amount</i> );
<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;

**“Replacement Right”**

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;

**“Residual Assets”**

means each of the following:

- (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:
  - (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
  - (ii) would result in a third party having a right to terminate an agreement with SLAC or claim compensation in damages or otherwise;
- (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;

**"SCR"**

means the solvency capital requirement calculated in accordance with the SCR Rules (as defined in the Glossary of the PRA Rulebook);

**"Service Company Agreements"**

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>
<b>“SLAC Personnel”</b>	means: <ul style="list-style-type: none"> <li>(A) the directors, officers and employees of SLAC from time to time;</li> <li>(B) the SLAC Actuary; and</li> <li>(C) the SLAC WP Actuary;</li> </ul>
<b>“SLAC Regulations”</b>	has the meaning given in <u>Part E5</u> ;
<b>“SLAC Retained</b>	means:

- Construction Agreements”**
- (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;

**“SLAL”**

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

**“SLAL Actuary”**

means the person appointed from time to time to perform the duties set out in SUP 4.3.13R in respect of SLAL;

**“SLAL Board”**

means the board of directors of SLAL from time to time;

**“SLAL (Canada Branch) Services Agreement”**

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;

**“SLAL Funds”**

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;

**“SLAL**

means the “German Smoothed Managed With Profits Fund” established and maintained by SLAL which (i) before the Brexit



**PersonnelGSMWPF**

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;~~means:~~

~~(A) the directors, officers and employees of SLAL from time to time;~~

~~(B) the SLAL Actuary; and~~

~~(C) the SLAL WP Actuary;~~

**“SLAL GSMWPF Internal PPFM”**

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;

**“SLAL GWPF”**

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;

**“SLAL GWPF Internal PPFM”**

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;

**“SLAL Personnel”**

means:

(A) the directors, officers and employees of SLAL from time to time;

(B) the SLAL Actuary; and

(C) the SLAL WP Actuary;

**“SLAL WP Actuary”**

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;

**“SL Bermuda”**

means Standard Life Assurance Company Bermuda Limited (registered in Bermuda number 38074);

**“SL China”**

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>"SLES"</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>"SL Int'l"</b>	<u>means Standard Life International DAC, a designated activity company incorporated in the Republic of Ireland with registered</u>
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	<u>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>  <u>(A) all SL Intl WPF Policies which are With Profits Policies; and</u>  <u>(B) 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</u>

such SL Intl With Profits Units (other than in respect of costs of guarantees);

<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)(vii)</u> ;
<b>“Subordinated Debt Documentation”</b>	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);
<b>“Subsequent Transfer Date”</b>	<p>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:</p> <p>(A) in respect of any Residual Asset falling within <u>paragraph (A)(i)</u> 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 <u>paragraph (B)</u> of the definition of Residual Liability, the date on which the requisite consent or, where applicable, the requisite waiver to</p>

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);

<b>"Subsidiary"</b>	has the meaning given in section 736 of the Companies Act 1985;
<b>"Subsidiary Contracts"</b>	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;
<b>"SUP"</b>	means the Supervision Manual issued by the Regulator;
<b>"Surplus Support Account"</b>	means the memorandum account designated as the surplus support account;
<b>"Surplus Transfer Fund"</b>	means the Shareholder Fund or such other SLAL Fund or person as the SLAL Board determines;
<b>"Tax" or "Taxation"</b>	means: <ul style="list-style-type: none"> <li>(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</li> </ul>

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;

<b>"Total Variable Allocation"</b>	has the meaning given in <u>Part E5</u> ;
<b>"Transferable Amount"</b>	has the meaning given in <u>paragraph 30.4(B)</u> ;
<b>"Transferable Amount Event"</b>	has the meaning given in <u>paragraph 30.4(B)</u> ;
<b>"Transferred Assets"</b>	<p>means all property of SLAC at the Effective Time (wherever situated) in respect of or attributable to the Transferred Business, including:</p> <ul style="list-style-type: none"> <li>(A) the rights, benefits and powers of SLAC under or by virtue of the Transferred Policies;</li> <li>(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;</li> <li>(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</li> <li>(D) all property attributable to the Excluded Policies (except if and for so long as such property constitutes a Residual Asset),</li> </ul> <p>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</p>



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;

<b>"Transitional Amount"</b>	has the meaning given in Schedule 3 ( <i>Reference Period Transfer Amount</i> );
<b>"Trust Property"</b>	has the meaning given in <u>paragraph 11.1</u> ;
<b>"UKLA"</b>	means the Financial Services Authority, being the competent authority for listing in the United Kingdom under Part VI of the Act;
<b>"UL Investment Element"</b>	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 paragraph <del>15(A)</del> <u>15.1(A)</u> and, if the context requires, having regard to the rights and/or (as appropriate) obligations of SLAL under the HWPF Reinsurance Agreement;
<b>"With Profits Policy"</b>	means any Policy (i) in respect of which the relevant Policyholder is eligible to participate in any part of any established surplus ( <u>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</u> ), or (ii) to which With Profits Units are allocated and which can receive a smoothed price on cancellation (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 (i) whose value or number vary by reference to premiums paid, <del>and</del> 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, <u>or (ii) which can have a smoothed price on cancellation</u> ;
<b>"WPF Policies"</b>	means (A) all of the Transferred Policies other than the NPF Policies, <u>and (B) the HWPF Reinsurance Agreement</u> ;
<b>"WPF With Profits Policies"</b>	means: <ul style="list-style-type: none"> <li>(A) <u>in respect of Policies falling within limb (A) of the definition of WPF Policies only</u>: (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); <del>and</del></li> <li>(B) any WP Investment Element transferred or allocated to the With Profits Fund; and</li> <li>(C) <u>in respect of Policies falling within limb (B) of the</u></li> </ul>

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;
  - (i)
- (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
  - (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 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(l), 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 HWPF 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) (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)

- (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.

(i)

(B)

(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) 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) 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> <ul style="list-style-type: none"> <li>(A) increases to premiums (whether by way of regular premium or single premium and whether contractual or otherwise); and</li> <li>(B) all other sums and transfers of sums (including payments <i>in specie</i>),</li> </ul> <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;
<b>“Matured OPS Policy”</b>	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;
<b>“Non-Earmarked Policy”</b>	means an Occupational Pension Scheme Policy that is not an Earmarked Policy;
<b>“Non-Earmarked Sale Shares”</b>	has the meaning given to it in <u>paragraph 47.4(B)</u> ;
<b>“Non-Earmarked Share Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.4(A)</u> applies;
<b>“Non-Earmarked Shares”</b>	has the meaning given to it in <u>paragraph 47.4(A)</u> ;
<b>“Non-Earmarked Share Sale Recipient”</b>	means an Eligible Member to whom <u>paragraph 47.4(B)</u> applies;
<b>“Non-OPS Involuntary Termination”</b>	means any of the following: <ul style="list-style-type: none"> <li>(A) the benefits of a person under a Policy becoming wholly extinguished by an order of any court in relation to pension sharing; or</li> <li>(B) the benefits of a person under a Policy becoming payable following either: <ul style="list-style-type: none"> <li>(i) the end of the term of the Policy; or</li> <li>(ii) the acceptance by SLAC of a claim made</li> </ul> </li> </ul>

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: <p>(A) the Relevant Time on the Compensation Calculation Date; or</p> <p>(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</p>

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 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> ;
<b>“Supplementary Declaration”</b>	<p>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 <b>“subject to a Supplementary Declaration”</b> in respect of a particular with profits investment if:</p> <ul style="list-style-type: none"> <li>(A) a Supplementary Declaration has been signed or has otherwise been executed by or on behalf of a person; or</li> <li>(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</li> <li>(C) that person has otherwise agreed to be or become bound by a Supplementary Declaration,</li> </ul> <p>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;</p>
<b>“Total Variable Allocation”</b>	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 <u>Part E5</u> ;
<b>“Trustee of the Unclaimed Assets Trust”</b>	means the trustee of the Unclaimed Assets Trust and any successor of such trustee;
<b>“UK 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 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;
<b>“UK Policy”</b>	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;

<b>“Unclaimed Assets Trust”</b>	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 <u>Appendix B (Unclaimed Assets Trust)</u> ;
<b>“Unclaimed Non-Earmarked Retained Shares”</b>	has the meaning given to it in <u>paragraph 47.4(C)(i)</u> ;
<b>“Unclaimed Non-Earmarked Sale Shares”</b>	has the meaning given to it in <u>paragraph 47.4(C)(ii)</u> ;
<b>“Unclaimed Retained Shares”</b>	has the meaning given to it in <u>paragraph 47.2(C)</u> ;
<b>“Unclaimed Sale Shares”</b>	has the meaning given to it in <u>paragraph 47.3(C)</u> ;
<b>“Unitised Participating Policy”</b>	means a Participating Policy that is a Unitised With Profit Policy;
<b>“Validated in a Timely Manner”</b>	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;
<b>“Validation Form”</b>	means any of the following: <ul style="list-style-type: none"> <li>(A) the “confirmation of details” form sent to members of SLAC following Standard Life’s public announcement of 17 October 2005;</li> <li>(B) the voting form to be used at the special general meeting of SLAC on the SGM Date;</li> <li>(C) the Pension Scheme Election Form;</li> <li>(D) the Overseas Pension Scheme Election Form;</li> <li>(D) the Share Sale Form;</li> </ul>

- (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;

<b>“Variable Allocation”</b>	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 <u>Part E5</u> as determined by reference to a Participating Policy in respect of which that person is an Eligible Member, in accordance with <u>paragraph 45.1</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 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
<b>“Wound Up OPS Policy”</b>	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;
- (F) 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 SLAL 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)(vii) to 1(A)(xii) of Schedule 3 shall be deleted;
  - (RR) the text “(*but excluding any SL Intl 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 (vii) 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.

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 GSMWPF;
- (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 GSMWPF;
- (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 I10 – 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 Überschußbeteiligt, 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

#### 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), (vii), (viii) 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):

$$\text{RCF} = (P - C - \text{EXP} - \text{COMM}) \times (1 + (1 - \text{tax}) \times (j - e)/2)$$

$$- (V1 - (1 + (1 - \text{tax}) \times (i_1 - e)) \times V0)$$

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

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 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.

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):

$$\begin{aligned} \text{RCF} = & (P - IP + AMC + UC - \text{REB} - \text{EXP} - \text{COMM} - \text{CLS} + \text{SP}) \times (1 + (1 - \text{tax}) \times (j - e)/2) \\ & - (V'1 - V'0 \times (1 + (1 - \text{tax}) \times (i_1 - e))) \end{aligned}$$

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

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 SL Direct or SLESL. 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:

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

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**

Defined Block	Policies attributable to Defined Block
(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>

	Deferred Annuity
(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>

	Phased Retirement Plan
	<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>

	Whole of Life
	<p>Lifeplus 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>Lifeplus 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>



	Corporate Pension Plan
	<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>

	Mortgage Plan
	<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>

	MoneyWorks Coverplan (Gross)
	Investment Bond
	Portfolio Bond
	MoneyWorks Special Savings Incentive Account (Gross)

## 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> <p>(B) at the discretion of the SLAL Board, any period from</p>  |

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 <a href="#">Appendix 2 (Eligible MEP Policies)</a> , <a href="#">including any such Policies which have been transferred to SL Intl pursuant to the Brexit Scheme</a> ;
<b>“Expected Affordable Proportion”</b>	means a percentage calculated in accordance with <a href="#">paragraph 8</a> , such percentage being represented as “R” in the formulae in this <a href="#">Schedule 4 (Mortgage Endowment Promise)</a> ;
<b>“Final Adjustment Date”</b>	has the meaning given in <a href="#">paragraph 4.3</a> ;
<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 <a href="#">paragraph 7</a> , such percentage being represented as “R <sub>G</sub> ” in the formulae in this <a href="#">Schedule 4 (Mortgage Endowment Promise)</a> ;
<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 <a href="#">Schedule 4 (Mortgage Endowment Promise)</a> ) 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 <a href="#">Appendix 3 (Eligibility Criteria)</a> ;
<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 Intl 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:

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

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:

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

where:

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

**$PV[FutureMaximum]_{j,i=i(j)}$**  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  $I_{(j)}$ ;

**$I_{(j)}$**  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.);

**$PV[FutureMaximum]_{j-1,i=i(j)}$**  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  $I_{(j)}$ ;

**$yrs_{j-1,j}$**  is the number of years, or fractions of years, elapsed between the j-1th Calculation Date and the jth Calculation Date; and

**$AV[MaturingMaximum]_{j-1,j}$**  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  $I_{(j)}$ .

- 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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## CONTENTS

	Page
Part A1 – Interpretation and Background	1
1. Definitions	1
2. Interpretation	<del>32</del> <u>35</u>
3. Introduction	<del>36</del> <u>38</u>
4. Transfer of Business	<del>42</del> <u>45</u>
5. Transfer of Assets	<del>43</del> <u>45</u>
6. Transfer of Liabilities	<del>44</del> <u>47</u>
7. Transfer of Policies	<del>45</del> <u>47</u>
8. Excluded Policies	<del>46</del> <u>48</u>
9. Mortgage Endowment Policies; Mortgage Endowment Promise	<del>47</del> <u>49</u>
10. Premiums; Mandates	<del>47</del> <u>50</u>
11. Declaration of trust	<del>48</del> <u>50</u>
12. Indemnity; Discharge of liabilities	<del>49</del> <u>52</u>
13. Conduct of Proceedings	<del>52</del> <u>54</u>
14. Further assurance	<del>52</del> <u>54</u>
Part C3 – Constitution of Funds; Allocation to Funds	<del>53</del> <u>56</u>
15. Establishment of SLAL Funds	<del>53</del> <u>56</u>
16. Allocation of assets	<del>53</del> <u>56</u>
17. Allocation of liabilities	<del>58</del> <u>61</u>
18. Allocation of policies	<del>63</del> <u>67</u>
19. Allocation: general provisions	<del>64</del> <u>68</u>
20. Linked funds	<del>65</del> <u>69</u>

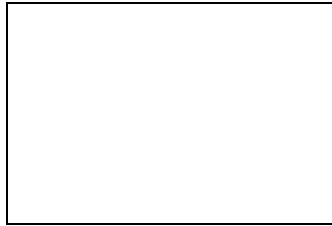
Part D4 – Operation of Funds	<del>67</del> <u>71</u>
21. Fund maintenance	<del>67</del> <u>71</u>
22. Reinsurance arrangements: SLIF EB Annuities Reinsurance Agreement	<del>67</del> <u>71</u>
23. Reinsurance arrangements: Unitised With Profits Policies	<del>68</del> <u>72</u>
24. Reinsurance arrangements: New Investment Funds	<del>69</del> <u>73</u>
25. Cessation of the With Profits Fund	<del>70</del> <u>74</u>
26. Administration	<del>73</del> <u>77</u>
27. Principles and Practices of Financial Management	<del>73</del> <u>77</u>
28. New business	<del>74</del> <u>78</u>
29. Annuity benefits	<del>75</del> <u>80</u>
30. Allocation of surplus arising in the With Profits Fund; Transfers out of the With Profits Fund <del>77</del> <a href="#">and Termination of HWPF Reinsurance Agreement</a>	<del>81</del> <u>81</u>
31. Further Capital Support Account	<del>80</del> <u>85</u>
32. Shareholder Support Mechanism	<del>84</del> <u>87</u>
33. Allocation of surplus arising in the Non Profit Fund	<del>82</del> <u>87</u>
34. With Profits Fund Costs	<del>82</del> <u>87</u>
35. Transactions in the With Profits Fund	<del>82</del> <u>88</u>
36. Contingent RCF Loans	<del>83</del> <u>89</u>
37. Contingent Financing Arrangements	<del>83</del> <u>89</u>
38. Standard Life Pension Funds Limited	<del>84</del> <u>90</u>
39. Taxation	<del>85</del> <u>90</u>
40. Credits to the With Profits Fund	<del>86</del> <u>92</u>
41. Debits from the With Profits Fund	<del>88</del> <u>94</u>
42. Miscellaneous operation provisions	<del>90</del> <u>96</u>
Part E5 – Compensation for Eligible Members	<del>92</del> <u>98</u>

43.	Basis of allocation of compensation for Eligible Members	<del>92</del> <a href="#">98</a>
44.	With profits investments subject to a Supplementary Declaration to be disregarded	<del>92</del> <a href="#">98</a>
45.	Determination of Total Variable Allocation	<del>92</del> <a href="#">98</a>
46.	Vesting of demutualisation entitlements at the Effective Time	<del>94</del> <a href="#">100</a>
47.	Form of demutualisation entitlements and elections available for certain recipients of demutualisation entitlements	<del>94</del> <a href="#">100</a>
48.	Allotment and issue of demutualisation entitlements of SL plc Shares	<del>102</del> <a href="#">108</a>
49.	Crediting CREST accounts and delivery of SL plc Shares statements of entitlement and share certificates	<del>103</del> <a href="#">109</a>
50.	Payment of demutualisation entitlements to Non-Permitted Country Members	<del>104</del> <a href="#">110</a>
51.	Use of proceeds and applications towards benefit enhancements	<del>105</del> <a href="#">111</a>
52.	Contingency arrangements in the event of no Admission and/or IPO Sale on the Effective Date	<del>111</del> <a href="#">117</a>
53.	Provisions applying to allocations	<del>113</del> <a href="#">119</a>
54.	Co-operation of SLAC and SLAL with SL plc	<del>119</del> <a href="#">125</a>
55.	Risk on share certificates or payments	<del>119</del> <a href="#">125</a>
56.	No obligation to gross-up	<del>119</del> <a href="#">125</a>
57.	Deductions for dealing, foreign exchange and other costs	<del>120</del> <a href="#">126</a>
58.	No interest	<del>121</del> <a href="#">127</a>
59.	Variations	<del>121</del> <a href="#">127</a>
60.	Reliance on Forms	<del>122</del> <a href="#">128</a>
61.	Restrictions on delivery of SL plc Shares, benefit enhancements and payments	<del>122</del> <a href="#">128</a>
62.	Exclusion of liability	<del>123</del> <a href="#">129</a>
63.	Definitions	<del>123</del> <a href="#">129</a>
	Part F6 – Island Businesses	<del>138</del> <a href="#">144</a>

64.	Guernsey Business	<del>138</del> <u>144</u>
65.	Jersey Business	<del>138</del> <u>144</u>
Part G7 – Canada Business		<del>139</del> <u>145</u>
66.	Canada Business	<del>139</del> <u>145</u>
Part H8 – General Provisions		<del>141</del> <u>147</u>
67.	The Effective Time	<del>141</del> <u>147</u>
68.	Compliance certificate	<del>141</del> <u>147</u>
69.	Third party rights	<del>141</del> <u>147</u>
70.	Variations	<del>142</del> <u>148</u>
Part I9 – Agreed Form Documents		<del>143</del> <u>154</u>
71.	Agreed Form Documents	<del>143</del> <u>154</u>
<u>72.</u>	<u>Reinsurance arrangements: GWPF Reinsurance Agreement</u>	<u>154</u>
<u>73.</u>	<u>Reinsurance arrangements: GSMWPF Reinsurance Agreement</u>	<u>155</u>
<u>74.</u>	<u>SLAL GWPF Internal PPFM</u>	<u>156</u>
<u>75.</u>	<u>SLAL GSMWPF Internal PPFM</u>	<u>156</u>

## **Schedules and Appendices**

<a href="#"><u>Schedule 1 – Core Principles</u></a>	<del>144</del> <a href="#"><u>157</u></a>
<a href="#"><u>Schedule 2 – Additional Expenses</u></a>	<del>148</del> <a href="#"><u>161</u></a>
<a href="#"><u>Schedule 3 – Reference Period Transfer Amount</u></a>	<del>149</del> <a href="#"><u>163</u></a>
<a href="#"><u>Appendix (Schedule 3) – Defined Blocks</u></a>	<del>159</del> <a href="#"><u>174</u></a>
<a href="#"><u>Schedule 4 – Mortgage Endowment Promise</u></a>	<del>166</del> <a href="#"><u>181</u></a>
<a href="#"><u>Appendix 1 (Schedule 4) – Annual Investment Return Rates</u></a>	<del>175</del> <a href="#"><u>190</u></a>
<a href="#"><u>Appendix 2 (Schedule 4) – Eligible MEP Policies</u></a>	<del>176</del> <a href="#"><u>191</u></a>
<a href="#"><u>Appendix 3 (Schedule 4) – Eligibility Criteria</u></a>	<del>177</del> <a href="#"><u>192</u></a>
<a href="#"><u>Schedule 5 – Shareholder Subsidiaries</u></a>	<del>178</del> <a href="#"><u>193</u></a>
<a href="#"><u>Schedule 6 – Additional NPF Contracts</u></a>	<del>180</del> <a href="#"><u>195</u></a>
<a href="#"><u>Appendix A - SLIF EB Annuities Reinsurance Agreement</u></a>	<del>182</del> <a href="#"><u>197</u></a>
<a href="#"><u>Appendix B – Unclaimed Assets Trust</u></a>	<del>183</del> <a href="#"><u>198</u></a>
<a href="#"><u>Appendix C – Calculation Manual</u></a>	<del>184</del> <a href="#"><u>199</u></a>



**UNTO THE RIGHT HONOURABLE THE LORDS OF COUNCIL AND SESSION**

**NOTE**

of

**STANDARD LIFE ASSURANCE LIMITED**, a private company limited by shares, which is registered in Scotland under the registered number SC286833, and which has its registered office at Standard Life House, 30 Lothian Road, Edinburgh

for

Consent to the variation of the insurance business transfer scheme which was under Part VII of the Financial Services and Markets Act 2000 and under which the long-term insurance business carried on by Standard Life Investment Funds Limited was transferred to Standard Life Assurance Limited.

**1 INTRODUCTION**

- 1.1 The Noter is Standard Life Assurance Limited (“**SLAL**”), a private company limited by shares and registered in Scotland under the registered number SC286833. It has its registered office at Standard Life House, 30 Lothian Road, Edinburgh.
- 1.2 SLAL is also a ‘*UK authorised person*’, within the meaning of section 105(8) of the Financial Services and Markets Act 2000 (“**FSMA**”).
- 1.3 SLAL has been granted permission by the Prudential Regulation Authority (the “**PRA**”), under Part IV of FSMA, to carry on in the United Kingdom (the “**UK**”) long-term insurance business falling within classes I, III, IV, VI and VII which are set out in Part II of Schedule I to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
- 1.4 This application is made by SLAL in the process of the petition by SLAL and Standard Life Investment Funds Limited (“**SLIF**”), a private company limited by shares and registered in Scotland under the registered number SC068442, for the sanction of an insurance business transfer scheme (the “**2011 Scheme**”), which was under Part VII of, and Schedule 12 to, FSMA.

1.5 The 2011 Scheme provided for the transfer to SLAL of all of the long-term insurance business which was carried on by SLIF.

1.6

1.6.1 The 2011 Scheme was sanctioned by an order of this Court on 20 December 2011 (the “**2011 Sanction Order**”) and became effective on 31 December 2011.

1.6.2 The 2011 Sanction Order expressly allowed SLAL, in accordance with section 112(1)(d) of FSMA, to apply for any orders with respect to such incidental, consequential and supplementary matters as are necessary to secure that the 2011 Scheme was fully and effectively carried out.

1.7 In this application SLAL seeks such a consequential order giving the consent of this Court to proposed variations of the 2011 Scheme (together the “**Proposed Variations**”).

1.8

1.8.1 The Proposed Variations will be a consequence of another insurance business transfer scheme (the “**Present Scheme**”), which SLAL proposes to enter with another company in the same group of companies, Standard Life International DAC (“**SL Intl**”).

1.8.2 Like the 2011 Scheme, the Present Scheme is under Part VII and Schedule 12 of FMSA.

1.9

1.9.1 The Present Scheme provides for the transfer from SLAL to SL Intl of part of the long-term insurance business carried on by SLAL (the “**SLAL Business**”).

1.9.2 In outline, that part of the SLAL Business is to comprise, subject to specified exceptions, the business which is denominated in Euros.

1.10 The Present Scheme is expressly conditional on *inter alia* this Court giving its consent to the Proposed Variations and not withdrawing, or varying, that consent, prior to the Present Scheme becoming effective,

1.11 SLAL and SL Intl have together made an application to this Court (the “**Present Scheme Application**”) for the sanction of the Present Scheme.

1.12 The Proposed Variations are themselves conditional on the Present Scheme being sanctioned by this Court, and that sanction not being recalled, and the Present Scheme becoming unconditional, other than in respect of this Court consenting to the Proposed Variations.

1.13

- 1.13.1 This Court had jurisdiction over the 2011 Scheme under sections 107(3)(a) and (4)(b) of FSMA.
- 1.13.2 In addition, and as said at Statement 1.6.2, the 2011 Sanction Order, expressly gave a right to apply for a further order with respect to the 2011 Scheme.
- 1.14 Accordingly, this Court has jurisdiction over this application under those provisions, that part of the 2011 Sanction Order and its own petition procedure.
- 1.15 For completeness, SLAL has made an application, also in connection with the Present Scheme, for consent to vary the insurance business transfer scheme which was between The Standard Life Assurance Company and SLAL and which became effective on 10 July 2006.
- 1.16 A glossary of the defined terms which are used in this application is included in Schedule 2 of this application.
- 1.17 So far as is material to this application, the statutory provisions which are referred to in this application are set out in Schedule 4 of the Present Scheme Application.

## 2 **THE 2011 SCHEME AND THE POWER TO VARY**

### 2.1

2.1.1 Paragraph 19.2(D) of the 2011 Scheme (“**Paragraph 19.2(D)**”) provides for the 2011 Scheme being varied after the 2011 Sanction Order.

2.1.2 More specifically, paragraph 19.2(D) provides that SLAL may:

“apply to the Court for consent to vary the terms of this Scheme; provided that in any such case the Insurance Regulator shall be notified of, and have the right to be heard at, any hearing of the Court at which the application is considered.”

### 2.2

2.2.1 Paragraph 19.3 of the 2011 Scheme provides that SLAL may additionally vary the arrangements set out in Schedule 2 of the 2011 Scheme (“**Schedule 2**”) without the approval of the Court.

2.2.2 These provisions are not being used in respect of this Variation.

2.3 Paragraph 1.1 of the 2011 Scheme defines the “**Insurance Regulator**” in the following terms:

“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 under FSMA”;



## 2.4

2.4.1 The Financial Services Authority has now been replaced in respect of the functions referred to in paragraph 1.1 of the 2011 Scheme by both the PRA and the Financial Conduct Authority (“FCA”).

2.4.2 Accordingly, ‘Insurance Regulator’ for such purposes of Paragraph 19.2(D) means each and both of these bodies.

2.5 Paragraph 1.2 (N) of the 2011 Scheme amplifies, for the purposes of *inter alia* Paragraph 19.2(D), the meaning of ‘variation’ of the 2011 Scheme. That paragraph provides as follows:

“the expression ‘variation’ shall include any amendment, modification, variation, supplement, deletion, restatement, replacement or termination (as the context requires), however effected”.

## 2.6

2.6.1 The 2011 Scheme has previously been varied, in accordance with its terms, on six occasions, namely in 7 August, 15 October and 16 December 2014, 17 March 2015 and 24 February and 15 November 2016 (the “**Previous Variations**”).

2.6.2 None of the Previous Variations required this Court’s consent.

2.7 The Previous Variations are described in sufficient detail in Statements 30 of the Present Scheme Application.

## 3 THE PROPOSED VARIATIONS

3.1 The Proposed Variations are restricted in their scope to changes to Schedule 2 which are necessary, or expedient, as a consequence of the Present Scheme.

3.2 The terms of the Variations are set out in full in the Appendix to this Application.

3.3 The Proposed Variations are described in sufficient detail at Statements 60 of the Present Scheme Application.

## 4 THE INDEPENDENT EXPERT

### 4.1

4.1.1 In accordance with section 109 of FSMA, Tim Roff, a Fellow of the Institute and Faculty of Actuaries, has been appointed by the board of directors of SLAL as an independent expert to report on the Present Scheme (the “**Independent Expert**”).

4.1.2 The appointment was made with the approval of the PRA, as the appropriate regulator, and having consulted with FCA.

4.2 Although it is not required at paragraph 19.2 of the 2011 Scheme, the Independent Expert has also been appointed to include in his report the Proposed Variations.

4.3

4.3.1 Mr Roff has produced a report on the Present Scheme, which includes his overall conclusion, in respect of the Proposed Variations, that the Present Scheme, which is to include the Proposed Variations, does not adversely affect to any material extent the policyholders of SLAL.

4.3.2 Mr Roff explains the reasoning on which his conclusions are based in his report.

## **5 THE PRUDENTIAL REGULATION AUTHORITY AND THE FINANCIAL CONDUCT AUTHORITY**

5.1

5.1.1 Also in accordance with the requirements of Paragraph 19.2(D), the Insurance Regulator, being each of the PRA and the FCA, have been notified of this application.

5.1.2 In addition, it is sought that this application is also formally served on each of them, so that they may exercise their rights to be heard at any hearing at which this application is to be considered.

5.2

5.2.1 As described in Statement 72.1 of the Present Scheme Application, it is reasonably believed that each of the PRA and the FCA will prepare two reports for this Court on the Present Scheme.

5.2.2 The second set of those reports is expected to be made available prior to the final Court hearing in respect of this application, and is to confirm that, in the context of the Present Scheme, each of the PRA and the FCA does not object to the Proposed Variations.

## **6 ADVERTISEMENT OF THIS APPLICATION**

6.1 As described at Statement 73 of the Present Scheme Application, notice of the Present Scheme will be given inter alia in accordance with the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001.

6.2 It is expedient that notice of this application be included in the notice of the Present Scheme and be published in the same newspapers in the UK and the 12 other states of the EEA which are set out in Part 1 of Schedule 3 to this application..

6.3 That would save some cost and would be more informative to any interested person than giving two separate notices of this application and the Present Scheme Application.

6.4 Such a composite notice was used in a previous application to vary the insurance business transfer scheme which is referred to in Statement 1.15.

## **7 THIS COURT'S CONSENT**

7.1 In these circumstances all the express requirements of Paragraph 19.2(D) have been satisfied.

7.2 It is also appropriate that the Court exercises its discretion under Paragraph 19.2(D) to give its consent to the Proposed Variations.

7.3 In particular, the Proposed Variations will not materially and adversely affect the reasonable expectations of the holders of policies of SLAL.

7.4 As said at Statement 110 of the Present Scheme Application, the Present Scheme will not adversely affect to any material extent the interests of any of the policyholders of SLAL or of SL Intl or any other person and it is appropriate for this Court to sanction the Present Scheme.

7.5 The Variations are an integral part of the Present Scheme.

7.6 Accordingly, it is appropriate for this Court to give its consent to the Proposed Variations.

## **8 REPORTER**

8.1 The appointment of Paul W Hally, solicitor, Edinburgh, has been sought as reporter to the Present Scheme Application.

8.2 Mr Hally acted as reporter in the application to sanction the 2011 Scheme.

8.3 It is expedient that Mr Hally also be appointed as reporter to this application.

## **9 PERIOD OF NOTICE**

9.1 In respect of the Present Scheme Application the PRA and FCA wish, in accordance with their published guidance, that there be not less than six weeks between the notices being sent out to the policyholders and the date of the hearing to sanction the Present Scheme.

9.2 Accordingly, and in order to be consistent with the Present Scheme Application, SLAL requires, technically, to seek to extend the period of notice for Answers to this Application from 21 days to 42 days in accordance with Rules of Court 14.4(6)(b) and 14.6(2).

10      **GENERAL**

This application is presented under section 112(1)(d) of FSMA, at common law, under the petition procedure of this Court and in accordance with the express permission in the 2011 Sanction Order and under Rules of Court 14.4(6)(b) and 14.6(2).

**MAY IT THEREFORE** please your Lordship:

- (i) to order this Note by Standard Life Assurance Limited (“**SLAL**”) for consent to the variations which are sought to be made in the terms set out in the Appendix to this Note (the “**Proposed Variations**”) to the scheme (the “**2011 Scheme**”) which was under Part VII of the Financial Services and Markets Act 2000 (“**FSMA**”) and under which the long-term insurance business of Standard Life Investment Funds Limited was transferred to SLAL, to be intimated on the Walls in common form;
- (ii) to appoint SLAL to advertise the order which is to be pronounced once in each of:
  - (a) The London Gazette;
  - (b) The Edinburgh Gazette;
  - (c) The Belfast Gazette; and
  - (d) the Iris Oifigiúil,

and once in each of the newspapers which are listed in Part 1 of Schedule 3 to this Note, in the language in which the newspaper is published;

- (iii) to direct that the advertisements which are referred to in paragraph (ii) of this Prayer be part of the advertisement which this Court orders to be published of the notice of the petition of SLAL and Standard Life International DAC for the sanction of an insurance business transfer scheme (the “**Present Scheme**”), under Part VII of, and Schedule 12 to FSMA and under which part of the long-term insurance business of SLAL is to be transferred to Standard Life International DAC;
- (iv) to order that this Note be served upon the Prudential Regulatory Authority and Financial Conduct Authority (each designed in Schedule 1 to this Note)
- (v) to allow all parties claiming an interest to lodge Answers to this Note within 42 days after that intimation, advertisement and service;
- (vi) to appoint Paul W Hally, solicitor, of 1 Exchange Crescent, Conference Square, Edinburgh as reporter to the process; and to remit to that reporter to report on the facts and circumstances set out in the Note and the regularity of the proceedings;

and upon resuming consideration of this Note, with or without Answers;

- (vii) to make an order under Section 112(1)(d) of FSMA, giving consent, in accordance with Paragraph 19.2(D) of the 2011 Scheme, to the Proposed Variations;

- (viii) to order that two certified copies of the order which is to be made under paragraph (vii) of this Prayer, together with a copy of the 2011 Scheme as varied by the Proposed Variation, be deposited with the Prudential Regulation Authority within 10 days of the date of that order;
- (ix) to appoint SLAL to advertise the order which is to be pronounced under paragraph (vii) of this Prayer, to be published once in each of:
  - (a) The London Gazette;
  - (b) The Edinburgh Gazette;
  - (c) The Belfast Gazette; and
  - (d) the Iris Oifigiúil,and once in each of the newspapers which are listed in Part 2 of Schedule 3 to this Note, and in the language in which the newspaper is published;
- (x) to direct that the advertisements which are referred to in paragraph (ix) of this Prayer be part of the advertisement which this Court orders to be published of its sanction of the Present Scheme; and
- (xi) to decern, or to do further, or otherwise, in the premises as your Lordship may consider appropriate.

ACCORDING TO JUSTICE, ETC

## **SCHEDULE 1**

### **SCHEDULE FOR SERVICE**

Service in common form is sought upon:

- 1        Prudential Regulation Authority  
          20 Moorgate  
          London  
          EC2R 6DA
  
- 2        Financial Conduct Authority  
          12 Endeavour Square  
          London  
          E20 1JN

## **SCHEDULE 2**

### **INDEX OF DEFINED TERMS**

In this Note each of the following words and expressions shall have the following meanings:

<b>2011 Scheme</b>	has the meaning given in Statement 1.4;
<b>2011 Sanction Order</b>	has the meaning given in Statement 1.6;
<b>EEA</b>	has the meaning given in Statement 1.5;
<b>FCA</b>	has the meaning given in Statement 2.3;
<b>FSMA</b>	has the meaning given in Statement 1.2;
<b>Independent Expert</b>	has the meaning given in Statement 4.1;
<b>Insurance Regulator</b>	has the meaning given in Statement 2.3;
<b>Insurance Regulators' Reports</b>	has the meaning given in Statement 5.2
<b>Paragraph 19.2(D)</b>	has the meaning given in Statement 2.1;
<b>Part VII</b>	has the meaning given in Statement 1.4;
<b>PRA</b>	has the meaning given in Statement 1.3;
<b>Present Scheme</b>	has the meaning given in Statement 1.8;
<b>Present Scheme Application</b>	has the meaning given in Statement 1.11;
<b>Previous Variations</b>	has the meaning given in Statement 2.6;
<b>Proposed Variations</b>	has the meaning given in Statement 1.7.
<b>Schedule 2</b>	has the meaning given in Statement 2.2;
<b>Schedule 12</b>	has the meaning given in Statement 1.4;
<b>SL Intl</b>	has the meaning given in Statement 1.8;
<b>SLAL</b>	has the meaning given in Statement 1.1;
<b>SLAL Business</b>	has the meaning given in Statement 1.9;



**SLIF**

has the meaning given in Statement 1.4; and

**UK**

has the meaning given in Statement 1.3.

### **SCHEDULE 3**

#### **NEWSPAPERS**

##### **PART 1**

- (a) The Financial Times (UK and Worldwide (which includes the European) editions);
- (b) The Scotsman;
- (c) The Irish Times;
- (d) The Irish Independent;
- (e) Süddeutsche Zeitung (SZ) and Handelsblatt (Germany);
- (f) Le Figaro and Les Echo (France);
- (g) Die Presse and Der Standard (Austria);
- (h) De Telegraaf and NRC Handelsblad (Netherlands);
- (i) Le Soir and La Libre Belgique (Belgium);
- (j) El Pais and El Mundo (Spain);
- (k) Luxembourger Wort and Le Quotidien (Luxembourg);
- (l) Dagens Nyheter and Svenska Dagbladet (Sweden);
- (m) Aftenposten and Dagbladet (Norway);
- (n) Corriere della Sera and La Repubblica (Italy); and
- (o) Berlingske Tidende and Jyllands-Posten (Denmark).

##### **PART 2**

- (a) The Financial Times (UK and Worldwide (which includes the European) editions);
- (b) The Scotsman;
- (c) The Irish Times;

- (d) Handelsblatt (Germany);
- (e) Les Echo (France);
- (f) Der Standard (Austria);
- (g) De Telegraaf (Netherlands);
- (h) La Libre Belgique (Belgium);
- (i) El Mundo (Spain);
- (j) Le Quotidien (Luxembourg);
- (k) Svenska Dagbladet (Sweden);
- (l) Dagbladet (Norway);
- (m) La Repubblica (Italy); and
- (n) Jyllands-Posten (Denmark).

**APPENDIX**

**THE PROPOSED VARIATIONS**

**IN THE COURT OF SESSION, SCOTLAND**

**STANDARD LIFE INVESTMENT FUNDS LIMITED**

**and**

**STANDARD LIFE ASSURANCE LIMITED**

---

**SCHEME**

**for the transfer to Standard Life Assurance Limited of all of the  
business of Standard Life Investment Funds Limited  
(pursuant to Part VII of the Financial Services and Markets  
Act 2000)**

---

Slaughter and May  
One Bunhill Row  
London, EC1Y 8YY  
(ACC/TVZM)

509702642

## TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATION	4
2.	INTRODUCTION	18
3.	TRANSFER OF BUSINESS, ASSETS AND LIABILITIES	19
4.	CONTINUITY OF PROCEEDINGS	20
5.	TRANSFERRED REINSURANCE AGREEMENTS AND CHARGE DOCUMENTS	20
6.	EXCLUDED REINSURANCE AGREEMENTS	22
7.	PAYMENTS	23
8.	DECLARATION OF TRUST BY SLIF	23
9.	INDEMNITIES	25
10.	PURPOSE OF ALLOCATIONS	26
11.	SUBSEQUENT ALLOCATIONS AND ATTRIBUTIONS	26
12.	ALLOCATION OF ASSETS	26
13.	ALLOCATION OF LIABILITIES	27
14.	SPECIFIC ARRANGEMENTS IN RESPECT OF SLIF EB ANNUITIES REINSURANCE AGREEMENT AND LINKED REINSURANCE AGREEMENTS	29
15.	LINKED FUNDS	30
16.	UNCERTAINTY, DISPUTES AND ADJUSTMENTS IN RELATION TO ALLOCATIONS	30
17.	COSTS AND EXPENSES	31
18.	EFFECTIVE DATE	32
19.	MODIFICATIONS OR ADDITIONS	32
20.	2006 SCHEME	33
21.	THIRD PARTY RIGHTS	33
22.	GOVERNING LAW	33

SCHEDULE 1 Listed Reinsurance Agreements

SCHEDULE 2 Replacement Arrangements in respect of the SLIF EB Annuities Reinsurance Agreement

SCHEDULE 3 Amended Charge Documents (Property-Linked Floating Charge and Security Trust Agreement)

SCHEDULE 4 Variations to 2006 Scheme

## PART A - DEFINITIONS AND INTERPRETATION

### 1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, the following expressions bear the meanings respectively set opposite them:

<b>“Actuarial Function Holder”</b>	the person appointed by a company from time to time to perform the actuarial function and duties as set out in SUP 4.3.13R in respect of that company;
<b>“Board”</b>	in respect of a company, the board of directors from time to time of that company;
<b>“Charge Documents”</b>	the Property-Linked Floating Charge and the Security Trust Agreement, in each case as amended at, and with effect from, the Effective Date in accordance with <u>paragraph 5.6</u> ;
<b>“Court”</b>	the Court of Session in Scotland;
<b>“CTA 2010”</b>	the Corporation Tax Act 2010;
<b>“Effective Date”</b>	the time and date on which this Scheme shall become effective in accordance with <u>paragraph 18</u> ;
<b>“Encumbrance”</b>	any mortgage, charge, pledge, assignation 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 arrangements) having a similar effect;
<b>“Equivalent Attribution”</b>	has the meaning given to it in <u>paragraph 14.1(A)</u> ;
<b>“Excluded Assets”</b>	all rights, benefits or powers of SLIF under or by virtue of:  (A) each Excluded Reinsurance Agreement; and  (B) the Non-Linked Floating Charge;
<b>“Excluded Liabilities”</b>	all liabilities under, in respect of, or attributable to:  (A) each Excluded Reinsurance Agreement; and  (B) the Non-Linked Floating Charge;



<b>“Excluded Reinsurance Agreement”</b>	<p>each reinsurance agreement to which SLIF is party:</p> <ul style="list-style-type: none"> <li>(A) which is in respect of reinsurance which SLIF has accepted or agreed to accept;</li> <li>(B) under which any liability remains unsatisfied or outstanding on the Effective Date;</li> <li>(C) which is comprised in the Transferred Business; and</li> <li>(D) the rights, benefits, powers and liabilities under which are not capable on the Effective Date of being transferred by this Scheme;</li> </ul>
<b>“FA 2004”</b>	the Finance Act 2004;
<b>“FSA Handbook”</b>	the FSA Handbook of rules and guidance issued by the Insurance Regulator;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000;
<b>“GENPRU”</b>	the General Prudential sourcebook issued by the Insurance Regulator;
<b>“Group”</b>	in respect of a person, that person, its subsidiaries and subsidiary undertakings, any holding company of that person and all other subsidiaries and subsidiary undertakings of any such holding company from time to time, and <b>“SLAL Group”</b> and <b>“SLIF Group”</b> shall be construed accordingly;
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs;
<b>“HWPF Policy”</b>	a Policy written in or allocated to the SLAL HWPF in each case immediately prior to the Effective Date;
<b>“ICTA”</b>	the Income and Corporation Taxes Act 1988;
<b>“Independent Expert”</b>	Mr. John McKenzie, the expert nominated and approved pursuant to section 109(2) of FSMA and appointed in connection with this Scheme, or any person so nominated, approved and appointed in substitution of Mr. John McKenzie in the event of a vacancy occurring by reason of his death, incapacity or resignation;
<b>“Index-Linked Policy”</b>	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 an index of the value of property of any description (whether specified in the Policy or not);

<b>"INSPRU"</b>	the Prudential sourcebook for Insurers issued by the Insurance Regulator;
<b>"Insurance Regulator"</b>	the Financial Services Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to Long-Term Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Services Authority under FSMA;
<b>"Investment Element"</b>	has the meaning given to it in <u>paragraph 14.4</u> ;
<b>"Linked Fund"</b>	an internal linked fund established and maintained for accounting purposes by SLIF (before the Effective Date) or SLAL (before, on or after the Effective Date) to enable benefits payable under Linked Policies to be calculated, other than benefits determined by reference to the value of With Profits Units, and <b>"SLIF Linked Fund"</b> and <b>"SLAL Linked Fund"</b> shall be construed accordingly;
<b>"Linked Policy"</b>	(A) any Index-Linked Policy; and  (B) any Property-Linked Policy;
<b>"Linked Reinsurance Agreements"</b>	the SLIF EB ULL Reinsurance Agreement and the SLIF EB ULP Reinsurance Agreement;
<b>"Listed Reinsurance Agreements"</b>	the agreements set out in Schedule 1 to this Scheme, in each case as varied;
<b>"Long-Term Business"</b>	the business of effecting or carrying out Long-Term Insurance Contracts;
<b>"Long-Term Insurance Contracts"</b>	contracts falling within classes of long term insurance business as set out in Part II of Schedule 1 to the Regulated Activities Order;
<b>"Long-Term Insurance Fund"</b>	has the meaning given to it in INSPRU 1.5.22R;
<b>"Mathematical Reserves"</b>	has the meaning given to it in the Glossary to the FSA Handbook;
<b>"Non-Linked Floating"</b>	the non-linked floating charge securing the non-linked

<b>Charge</b>	liabilities of SLIF under certain Non-Linked Reinsurance Contracts (as that term is defined in that charge), dated 12 October 2006 and entered into by SLIF, as chargor, and the Law Debenture Trust Corporation p.l.c., as chargee in its capacity as security trustee for SLAL and SLPF as beneficiaries;
<b>“Order”</b>	an order to be made by the Court pursuant to section 111 of FSMA sanctioning this Scheme and any order (including any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of FSMA;
<b>“Paragraph 24”</b>	has the meaning given to it in <u>paragraph 14.2(A)</u> ;
<b>“Paragraph 39”</b>	has the meaning given to it in <u>paragraph 12.4(C)</u> ;
<b>“Personnel”</b>	<p>in respect of a person:</p> <ul style="list-style-type: none"> <li>(A) the Actuarial Function Holder in respect of that person;</li> <li>(B) the officers and employees of that person; and</li> <li>(C) the agents of that person, including those agents to whom the administration or investment management of the business, or part of the business, of that person is delegated,</li> </ul> <p>in each case from time to time;</p>
<b>“Policy”</b>	<ul style="list-style-type: none"> <li>(A) any “policy” within the meaning of the Financial Services and Markets Act (Meaning of “Policy” and “Policyholder”) Order 2001 (SI 2001/2361); and</li> <li>(B) any constituent part of such a policy which, in the opinion of the SLAL Board (having regard to the advice of the SLAL With-Profits Actuary) gives rise to any separately identifiable benefit and which the SLAL Board (having regard to the advice of the SLAL With-Profits Actuary) determines is a Policy;</li> </ul>
<b>“Principle 6”</b>	Principle 6 in the Principles for Businesses set out in the FSA Handbook;
<b>“Property-Linked Floating Charge”</b>	the property-linked floating charge securing the property-linked liabilities of SLIF under certain Property-Linked Reinsurance Contracts (as that term is defined in that charge), dated 12 October 2006 between SLIF, as

chargor, and The Law Debenture Trust Corporation p.l.c. as chargee in its capacity as security trustee for the Property-Linked Beneficiaries (as such term is defined in the charge);

**“Property-Linked Policy”** 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;

**“Records”** all books and records containing, or relating to, information in respect of the Transferred Business, or on which such information is recorded (including without limitation all documents and other material (whether human or computer or machine readable)), in each case which are in the possession of, or under the control of, SLIF;

**“Regulated Activities Order”** the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

**“Relevant Policy”** each Property-Linked Policy that is:

- (A) written in the United Kingdom or the Republic of Ireland; and
- (B) written in, allocated to or reinsured by the SLAL HWPF in accordance with the 2006 Scheme,

save for the Policy known as the “Unit Endowment Policy”;

**“Required Capital”** such property (if any) as the SLIF Board determines as being necessary to ensure that SLIF is able to satisfy applicable capital resources requirements (including as set out in GENPRU 2.1.17R to GENPRU 2.1.23R, both inclusive) in relation to its Long-Term Business immediately after the Effective Date;

**“Residual Assets”**

- (A) any property of SLIF to be transferred pursuant to this Scheme:
  - (i) which is not capable of being transferred to SLAL at the Effective Date pursuant to this Scheme by virtue of the fact that such transfer would (as at the Effective Date):
    - (a) require the consent of any person (other than SLIF, SLAL, any other member of the SLAL Group or

the Court); or

(b) require the waiver by any person of any right to acquire, or be offered the right to, or to offer to, acquire or 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 as a consequence of such transfer being proposed or taking effect; or

(c) result in a third party having a right to terminate an agreement with SLIF or claim compensation in damages or otherwise; and

(ii) which the Court determines, notwithstanding section 112(2)(a) of FSMA, not so to transfer to SLAL at the Effective Date or in respect of which the Court makes an order under section 112A(1) of FSMA containing any provision under section 112A(2)(b) of FSMA;

(B) any property of SLIF whose transfer pursuant to this Scheme SLIF and SLAL agree in writing prior to the Effective Date should be delayed;

(C) any Required Capital; and

(D) any substituting property, proceeds of sale or income, distribution or other accrual or return whatsoever, whether or not in any case in the form of cash, in each case which is earned, received or obtained in respect of (or in substitution of) any property referred to in paragraphs (A), (B), or (C) of this definition by SLIF from time to time after the Effective Date but prior to any relevant Subsequent Transfer Date;

**“Residual Liabilities”**

any liability whatsoever of SLIF to be transferred under this Scheme:

(A) which 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

(B) which:

- (i) is not capable of being transferred to SLAL at the Effective Date pursuant to this Scheme by virtue of the fact that such transfer would (as at the Effective Date) require the consent or waiver of any person (other than SLIF, SLAL, any other member of the SLAL Group or the Court); and
- (ii) which the Court determines, notwithstanding section 112(2)(a) of FSMA, not so to transfer to SLAL at the Effective Date;

**“this Scheme”**

this Scheme in its original form or with or subject to any variation or condition which may be approved, or imposed, in accordance with paragraph 19;

**“Security Trust Agreement”**

the security trust agreement entered into in connection with the Non-Linked Floating Charge and the Property-Linked Floating Charge between The Law Debenture Trust Corporation p.l.c. (as security trustee), SLIF, SLAL and others dated 12 October 2006 and as amended and restated on 27 November 2007;

**“SLAC”**

The Standard Life Assurance Company 2006, previously known as The Standard Life Assurance Company (being a company incorporated in Scotland by Act of Parliament and with registered number SZ4);

**“SLAL”**

Standard Life Assurance Limited, a company incorporated in Scotland with registered number SC286833, whose registered office is at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH;

**“SLAL AFH”**

the Actuarial Function Holder of SLAL;

**“SLAL Board”**

the Board of SLAL;

**“SLAL Fund”**

any of the SLAL SHF and the Long-Term Insurance Funds of SLAL;

**“SLAL HWPf”**

the Long-Term Insurance Fund of SLAL known at the Effective Date as the “Heritage With Profits Fund”, being the fund referred to in the 2006 Scheme as the “With

	Profits Fund”;
<b>“SLAL PBF”</b>	the Long-Term Insurance Fund of SLAL known at the Effective Date as the “Proprietary Business Fund”, being the fund referred to in the 2006 Scheme as the “Non Profit Fund”;
<b>“SLAL SHF”</b>	the property and liabilities of SLAL excluding those allocated or attributable to, or represented by, a Long-Term Insurance Fund, being the fund referred to in the 2006 Scheme as the “Shareholder Fund”;
<b>“SLAL With-Profits Actuary”</b>	the person appointed by SLAL from time to time to perform the with-profits actuary function as set out in SUP 4.3.16A R;
<b>“SLIF”</b>	Standard Life Investment Funds Limited, a company incorporated in Scotland with registered number SC068442, whose registered office is at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH;
<b>“SLIF AFH”</b>	the Actuarial Function Holder of SLIF;
<b>“SLIF Board”</b>	the Board of SLIF;
<b>“SLIF EB Annuities Reinsurance Agreement”</b>	the agreement entitled “Reinsurance Agreement: Existing Business (Annuities)” entered into between SLAL (as Reinsured) and SLIF (as Reinsurer) and dated 7 July 2006 (as varied);
<b>“SLIF EB ULL Reinsurance Agreement”</b>	the agreement entitled “Reinsurance Agreement: UK and Republic of Ireland Unit-Linked Life” entered into between SLAC (as Reinsured) and SLIF (as Reinsurer) dated 7 July 2006 (as varied), which agreement was transferred from SLAC to SLAL under and subject to the terms of the 2006 Scheme;
<b>“SLIF EB ULP Reinsurance Agreement”</b>	the agreement entitled “Reinsurance Agreement: UK and Republic of Ireland Unit-Linked Pensions” entered into between SLAC (as Reinsured) and SLIF (as Reinsurer) dated 28 April 2006 (as varied), which agreement was transferred from SLAC to SLAL under and subject to the terms of the 2006 Scheme;
<b>“SLIF SHF”</b>	the property and liabilities of SLIF excluding those allocated or attributable to, or represented by, a Long-Term Insurance Fund;

<b>“SLIF Surplus”</b>	the excess of the value of the Long-Term Insurance Fund of SLIF over its Mathematical Reserves, in each case as calculated as at the Effective Date;
<b>“SLPF”</b>	Standard Life Pension Funds Limited, a company incorporated in Scotland with limited liability, with registered number SC046447 and whose registered office is at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH;
<b>“Stop-Loss Agreement”</b>	the agreement entitled “Stop-Loss Retrocession Agreement” between SLAL (as retrocessionaire) and SLIF (as retrocedant) dated 7 July 2006;
<b>“Subsequent Transfer Date”</b>	<p>in relation to any Residual Asset or Residual Liability, the date after the Effective Date on which such Residual Asset or Residual Liability (as the case may be) is to be transferred to SLAL, namely:</p> <ul style="list-style-type: none"> <li data-bbox="668 952 1375 1400">(A) in respect of any Residual Asset falling within <u>paragraphs A(i)(a) and (A)(ii)</u>, or <u>A(i)(b) and A(ii)</u>, of the definition thereof, and (to the extent applicable) in respect of any Residual Liability which is attributable to or connected with that Residual Asset or which falls within <u>paragraphs (B)(i) and (B)(ii)</u> 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;</li> <li data-bbox="668 1444 1375 1736">(B) in respect of any Residual Asset falling within <u>paragraphs (A)(i)(c) and A(ii)</u> of the definition thereof and (to the extent applicable) in respect 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 in damages or otherwise (i) lapses; or (ii) is waived;</li> <li data-bbox="668 1780 1375 1991">(C) in respect of any Residual Asset falling within <u>paragraph (B)</u> of the definition thereof, and (to the extent applicable) in respect of any Residual Liability which is attributable to or connected with that Residual Asset, the date agreed in writing by SLIF and SLAL;</li> </ul>



- (D) in respect of any Required Capital (and in respect of any Residual Liability attributable thereto or connected therewith) the date on which the SLIF Board determines that such property is no longer required to be retained by SLIF in order for SLIF to satisfy applicable capital resources requirements (including as set out in GENPRU 2.1.17R to GENPRU 2.1.23R inclusive) in relation to its Long-Term Business; and
- (E) in respect of any Residual Asset falling within paragraph (D) of the definition thereof (and in respect of any Residual Liability attributable thereto or connected therewith), the Subsequent Transfer Date specified in paragraph (A), (B), (C) or (D) of this definition (as the case may be);

**“SUP”**

the Supervision Manual issued by the Insurance Regulator;

**“Tax” or “Taxation”**

all forms of tax, duty, rate, levy, charge or other imposition or withholding in the nature of tax whenever or by whatever authority imposed and whether of the United Kingdom or elsewhere, including any tax on gross or net income, profit or gains, income tax required to be deducted or withheld from or accounted for in respect of any payment, corporation tax, capital gains tax, inheritance tax, wealth taxes, value added tax, customs duties, excise duties, insurance premium tax, rates (including the uniform business rate), stamp duty, capital duty, stamp duty reserve tax, stamp duty land tax, PAYE, national insurance and other similar contributions, any payments in respect of policyholder taxation, any liability arising under Section 455 of CTA 2010, Part 4 of FA 2004, Section 746 of CTA 2010 or Section 747 of ICTA and any other taxes, duties, rates, levies charges, imposts or withholdings corresponding to, similar to, in the nature of, replaced by or replacing any of them together with any interest, penalty or fine in connection with any taxation and regardless of whether any such taxes, duties, rates, levies, charges, imposts, withholdings, interest, penalties or fines are chargeable directly on SLIF or any other person and of whether any amount in respect of them is recoverable from any other person;

**“Tax Asset”**

any Transferred Asset or Residual Asset (or in each case part thereof) in each case which is in respect of or

attributable to Taxation;

**“Tax Liability”**

- (A) any Transferred Liability or Residual Liability (or in each case part thereof); and
- (B) any liability to discharge on SLIF's behalf or, failing that, to indemnify SLIF pursuant to paragraph 9.1,

in each case which is in respect of or attributable to Taxation;

**“Transferred Assets”**

all property of SLIF immediately prior to the Effective Date (wherever situated) in respect of, or attributable, to the Transferred Business, including without limitation all of the following whatsoever and wheresoever situated immediately prior to the Effective Date:

- (A) the rights, benefits and powers of SLIF under or by virtue of the Transferred Reinsurance Agreements;
- (B) the Records and all rights, title and interest of SLIF in the Records;
- (C) all assets held by SLIF in respect of its liabilities under any Excluded Reinsurance Agreement;
- (D) all rights and claims (whether present, future, actual or contingent) against any third party in relation to the Transferred Business or arising as a result of SLIF having carried on the Transferred Business;
- (E) the rights, benefits and powers of SLIF under or by virtue of any contracts or arrangements (other than the Transferred Reinsurance Agreements) in respect of the Transferred Business, including without limitation the Stop-Loss Agreement, any other agreements in respect of reinsurance ceded or retrocession ceded and any investment agreements with managers of mutual funds; and
- (F) the rights, benefits and powers of SLIF under or by virtue of any charges or security in respect of the Transferred Business (including without limitation the Charge Documents),

but excluding in each case: (i) the Residual Assets; and (ii)

the Excluded Assets;

**“Transferred Business”** the whole of the business and undertaking of SLIF (including its Long-Term Business) immediately prior to the Effective Date, including all activities carried on in connection with, or for the purposes of, that business;

**“Transferred Liabilities”** all liabilities of SLIF immediately prior to the Effective Date in respect of, or attributable to, the Transferred Business, including, without limitation:

(A) all liabilities under, in respect of or attributable to the Transferred Reinsurance Agreements;

(B) all liabilities under, in respect of or attributable to any contracts or arrangements (other than the Transferred Reinsurance Agreements) in respect of the Transferred Business, including without limitation the Stop-Loss Agreement, any other agreements in respect of reinsurance ceded or retrocession ceded and any investment agreements with managers of mutual funds; and

(C) all liabilities under, in respect of or attributable to any charges or security in respect of the Transferred Business (including without limitation the Charge Documents),

but excluding: (i) the Residual Liabilities; and (ii) the Excluded Liabilities;

**“Transferred Reinsurance Agreements”**

any reinsurance agreement to which SLIF is party:

(A) which is in respect of reinsurance which SLIF has accepted or agreed to accept;

(B) under which any liability remains unsatisfied or outstanding on the Effective Date; and

(C) which is comprised in the Transferred Business,

including without limitation the Listed Reinsurance Agreements, but excluding the Excluded Reinsurance Agreements;

**“Trust Property”**

has the meaning given to it in paragraph 8.1;

<b>“UL Investment Element”</b>	has the meaning given to it in <u>paragraph 14.4</u> ;
<b>“With Profits Units”</b>	notional units whose value or number vary by reference to premiums paid, bonuses declared or surpluses distributed in each case as determined by SLAL for the purposes of calculating benefits under Policies; and
<b>“2006 Scheme”</b>	the scheme pursuant to Part VII of, and Schedule 12 to, FSMA, under which substantially all of the Long-Term Business of SLAC was transferred to SLAL and which became effective on 10 July 2006.

1.2 In this Scheme:

- (A) **“costs”** includes costs, charges and expenses;
- (B) **“property”** includes (without limitation) property, assets, rights, benefits and powers of every description (in each case whether present or future, actual or contingent), including property held on trust and securities, and any interest whatsoever in any of the foregoing;
- (C) **“liabilities”** includes (without limitation) liabilities, duties and obligations of every description (in each case whether present or future, actual or contingent);
- (D) **“transfer”** includes (as the context may require) “vest”, “assign”, “dispose” or “convey” and grammatical variations of such terms shall be construed accordingly;
- (E) any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa;
- (F) any reference to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;
- (G) any reference to any rules, regulations or guidance issued by the Insurance Regulator shall be deemed to include a reference to such rules, regulations or guidance as amended, modified, supplemented or replaced from time to time;
- (H) the expressions **“holding company”**, **“subsidiary”** and **“subsidiary undertaking”** shall have the same meanings as in the Companies Act 2006;
- (I) except where the context specifically provides otherwise, references to paragraphs and Parts are to paragraphs and Parts of this Scheme;

- (J) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (K) any reference to a person shall include a reference to a body corporate, a partnership (whether or not having separate legal personality), an unincorporated association or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- (L) if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- (M) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (N) the expression “**variation**” shall include any amendment, modification, variation, supplement, deletion, restatement, replacement or termination (as the context requires), however effected, and grammatical variations of that term shall be construed accordingly; and
- (O) any reference to an amount shall be exclusive of any applicable value added taxation.

## **PART B – INTRODUCTION**

### **2. INTRODUCTION**

- 2.1 SLIF is a company incorporated in Scotland with registered number SC068442. The registered office of SLIF is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.
- 2.2 SLAL is a company incorporated in Scotland with registered number SC286833. The registered office of SLAL is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.
- 2.3 Each of SLIF and SLAL is an authorised person for the purposes of FSMA. Each of SLIF and SLAL has a permission under Part IV of FSMA to carry on Long-Term Business of the same classes as the Transferred Business.
- 2.4 It is proposed that the whole of the Transferred Business, the Transferred Assets, the Transferred Liabilities, the Residual Assets and the Residual Liabilities shall, on the terms of and in accordance with this Scheme, be transferred to SLAL, and that an Order be made accordingly for the sanction of this Scheme under section 111(1) of FSMA and that, by the Order, provision be made, as hereinafter appearing, for, among other matters, the transfers from SLIF to SLAL, pursuant to section 112(1) of FSMA.
- 2.5 SLIF and SLAL have each agreed to appear by Counsel at the hearing of the application 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 executed or done by it for the purposes of giving effect to this Scheme.

## **PART C – TRANSFER**

### **3. TRANSFER OF BUSINESS, ASSETS AND LIABILITIES**

- 3.1 On and with effect from the Effective Date, the Transferred Business shall be transferred to SLAL subject to and in accordance with this Part C (Transfer).
- 3.2 On and with effect from the Effective Date each Transferred Asset and, in each case, all the title and interest of SLIF in it shall, by the Order and without any further act or instrument, be transferred to, and be vested in, SLAL, subject to all Encumbrances (if any) affecting it.
- 3.3 Without prejudice to the transfer to SLAL of all rights, title and interest of SLIF in the Records on the Effective Date in accordance with paragraph 3.2, delivery of the Records by SLIF to SLAL shall occur as soon as reasonably practicable after the Effective Date as SLIF and SLAL shall agree.
- 3.4 On and with effect from the Effective Date, each Transferred Liability shall, by the Order and without any further act or instrument, be transferred to and become a liability of SLAL and shall cease to be a liability of SLIF.
- 3.5 The transfer under this Scheme of the Transferred Business, each Transferred Asset and each Transferred Liability shall, by the Order and without any further act or instrument, prevail over and take effect notwithstanding:
  - (A) any requirement that would otherwise exist for the consent or waiver of any person (other than the Court) to the transfer; and
  - (B) any right that any third party would otherwise have to terminate an agreement with SLIF or claim compensation in damages or otherwise in each case as a result of the transfer.
- 3.6 On and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all the interest of SLIF in it shall, by the Order and without any further act or instrument, be transferred to, and be vested in, SLAL subject to all Encumbrances (if any) affecting it.
- 3.7 On and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to, and become a liability of, SLAL and shall cease to be a liability of SLIF.
- 3.8 SLAL shall accept without investigation or requisition such title as SLIF shall have at the Effective Date to the Transferred Assets and, at any Subsequent Transfer Date, to the Residual Assets then transferred.
- 3.9 Without prejudice to any other provision of this Scheme, SLIF and SLAL shall each take all such steps and do all such things (including the execution and delivery of any

documents) as may be required to effect or perfect the transfer to, and vesting in, SLAL of the Transferred Business, any Transferred Asset, any Transferred Liability, any Residual Asset and any Residual Liability (together with any rights, benefits, powers and liabilities under, in respect of or attributable to any Excluded Reinsurance Agreement that is subsequently novated to SLAL pursuant to paragraph 6.5) in accordance with the terms of this Scheme.

- 3.10 Without prejudice to paragraph 6.5, none of the Excluded Assets or Excluded Liabilities shall be transferred to or vested in SLAL under the terms of this Scheme.
- 3.11 The Transferred Assets, Residual Assets, Transferred Liabilities and Residual Liabilities (together with all other property and liabilities to be allocated under this Scheme) shall be allocated in accordance with Part D (Allocations and Costs).

#### **4. CONTINUITY OF PROCEEDINGS**

- 4.1 On and with effect from the Effective Date, any proceedings which are pending by, or against, SLIF under, or in connection with, the Transferred Business, the Transferred Assets or the Transferred Liabilities shall be continued by, or against, SLAL and SLAL shall be entitled to all defences, claims, counterclaims and rights of set-off and all other remedies that were or would have been available to SLIF in relation to those proceedings.
- 4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any proceedings which are pending by, or against, SLIF in connection with the Residual Assets or the Residual Liabilities which are to be transferred on such Subsequent Transfer Date shall be continued by, or against, SLAL and SLAL shall be entitled to all defences, claims, counterclaims and rights of set-off and all other remedies that were, or would have been, available to SLIF in relation to those proceedings. Until such Subsequent Transfer Date, the relevant proceedings shall be continued by, or against, SLIF.

#### **5. TRANSFERRED REINSURANCE AGREEMENTS AND CHARGE DOCUMENTS**

- 5.1 Without prejudice to the generality of paragraph 3.2 and subject to paragraph 5.4, on and with effect from the Effective Date, SLAL shall become entitled to all the rights, benefits and powers (whether present or future, actual or contingent) of SLIF whatsoever subsisting on the Effective Date under or by virtue of the Transferred Reinsurance Agreements.
- 5.2 Subject to the terms of this Scheme (including without limitation paragraph 5.4), every person (other than SLIF) who as at the time immediately prior to the Effective Date is a party to a Transferred Reinsurance Agreement shall, on and with effect from the Effective Date:
- (A) become entitled, in succession to, and to the exclusion of, any rights which it may have had against SLIF under any of the Transferred Reinsurance Agreements, to the same rights, benefits and powers against SLAL as were



available to it against SLIF under such Transferred Reinsurance Agreements;  
and

- (B) (as regards Transferred Reinsurance Agreements under which premiums or other sums attributable or referable thereto continue to be payable by it) account to SLAL for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable,

and, on and with effect from the Effective Date, SLAL shall become entitled to any and all defences, claims, counterclaims and rights of set-off that were or would have been available to SLIF under the Transferred Reinsurance Agreements.

5.3 Any reference in any Transferred Reinsurance Agreement to:

- (A) SLIF, the SLIF Group, the SLIF Board, any Personnel of SLIF or any other person relating to SLIF; or
- (B) to the extent that such reference relates to rights or obligations subsequently assigned or transferred to SLIF, any person who originally entered into that Transferred Reinsurance Agreement, such person's Group, Board, any Personnel of such person or any other person relating to such person,

shall, with effect from the Effective Date, be read as reference to SLAL, the SLAL Group, the SLAL Board, the relevant Personnel of SLAL (as appropriate), the equivalent person relating to SLAL as the context requires, or in each case such other person as the SLAL Board considers (in its sole and absolute discretion) appropriate. In particular, but without limitation, this paragraph 5.3 shall apply to all rights, benefits, powers, duties, responsibilities and obligations under any Transferred Reinsurance Agreement which are exercisable, expressed to be exercisable, or required to be fulfilled or performed by any person, Group or Board referred to in (A) or (B) above.

5.4 Each of SLIF and SLAL acknowledges that each Transferred Reinsurance Agreement and every other contract or arrangement to which SLIF and SLAL are the sole parties (including without limitation the Listed Reinsurance Agreements and the Stop-Loss Agreement) and which in each case is in force immediately prior to the date on which the rights, benefits, powers and liabilities thereunder are transferred under this Scheme shall, with effect from the date of (and as a result of) such transfer under this Scheme, cease to have further effect in all respects by operation of law.

5.5 Each of SLIF and SLAL shall take all such steps and do all such things (including procuring any release, waiver or consent required from a third party) in each case that are necessary to procure that on or prior to the Effective Date the Non-Linked Floating Charge is discharged on and with effect from the Effective Date.

5.6 On and with effect from the Effective Date, the Charge Documents shall be amended and restated in the manner set out in Schedule 3, and thereafter every person's rights, powers, benefits, obligations and liabilities thereunder or with respect thereto shall be

determined solely by reference to the relevant provisions of the Charge Documents as so amended and restated. Each of SLIF and SLAL shall take all such steps and do all such things (including the filing, execution and delivery of any document) in each case which may be necessary or desirable to effect or perfect such amended and restated Charge Documents.

## **6. EXCLUDED REINSURANCE AGREEMENTS**

6.1 Without prejudice to the generality of paragraph 3.10 and subject to paragraph 6.4 and paragraph 6.5:

(A) the liabilities under every Excluded Reinsurance Agreement shall remain liabilities of SLIF; and

(B) save to the extent that the reinsured under the Excluded Reinsurance Agreement is SLAL, the liabilities under each Excluded Reinsurance Agreement shall, in accordance with this paragraph 6, at all times after the Effective Date be retroceded or otherwise reinsured in their entirety into SLAL, such that SLAL shall discharge on SLIF's behalf or, failing that, indemnify SLIF fully against any such liabilities.

6.2 The liability of SLAL in respect of the retrocession or other reinsurance arrangements described in paragraph 6.1(B) shall be calculated so as to ensure that the rights, benefits and powers of the third party reinsureds under the Excluded Reinsurance Agreements shall be no less favourable than the rights, benefits and powers that such third party reinsureds would have had under the Excluded Reinsurance Agreements had such Excluded Reinsurance Agreements been Transferred Reinsurance Agreements.

6.3 The premiums payable by SLIF to SLAL in connection with the provision of the retrocession or reinsurance described in paragraph 6.1(B) shall be payable on the Effective Date and shall comprise an amount equal to the aggregate amount of the Mathematical Reserves (net of any reinsurance or retrocession ceded to any person other than SLAL) relating to those Excluded Reinsurance Agreements immediately prior to the Effective Date. Such amounts shall be deemed to have been satisfied by the transfer to SLAL of the appropriate proportion of the Transferred Assets and such assets or property shall be allocated in the manner and to the SLAL Fund in and to which they would have been allocated in accordance with this Scheme had the Excluded Reinsurance Agreements been Transferred Reinsurance Agreements. All subsequent premiums received by SLIF in respect of such Excluded Reinsurance Agreements at any time after the Effective Date shall be paid to SLAL as soon as practicable after they are received and credited to the SLAL Fund to which they would have been allocated had the Excluded Reinsurance Agreements been Transferred Reinsurance Agreements.

6.4 The provisions of paragraphs 6.1(B), 6.2 and 6.3 shall not apply to an Excluded Reinsurance Agreement to the extent that SLAL is the reinsured party under that Excluded Reinsurance Agreement.

6.5 If at any time following the Effective Date any Excluded Reinsurance Agreement is novated to SLAL:

- (A) the rights, benefits, powers and liabilities under such Excluded Reinsurance Agreement shall, to the extent not previously transferred, be transferred to SLAL;
- (B) thereafter:
  - (i) such Excluded Reinsurance Agreement shall be dealt with by SLAL under the provisions of this Scheme in all respects as if such Excluded Reinsurance Agreement were a Transferred Reinsurance Agreement; and
  - (ii) the rights, benefits powers and liabilities under such Excluded Reinsurance Agreement shall be dealt with by SLAL under the provisions of this Scheme in all respects as if they were Transferred Assets or Transferred Liabilities, as appropriate (and without limitation shall be allocated in accordance with the principles set forth in Part D (Allocations and Costs)); and
- (C) in the case of an Excluded Reinsurance Agreement under which SLAL is not the reinsured, the retrocession and reinsurance arrangements set out in this paragraph 6 shall, on and with effect from that novation, cease to apply to that Excluded Reinsurance Agreement (provided however that, to the extent that any liability of SLIF under such Excluded Reinsurance Agreement is not novated, SLAL shall continue to reinsure SLIF against any such liability of SLIF in accordance with this paragraph 6).

## **7. PAYMENTS**

Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by SLIF in connection with any property or liability which is attributable to or in connection with the Transferred Business shall, with effect from the date on which the property or liability is transferred to SLAL under this Scheme, continue in force as an effective authority to SLAL. On and with effect from the date on which such property or liability is so transferred under this Scheme, any reference to SLIF in any such mandate or instruction shall be read as a reference to SLAL.

## **8. DECLARATION OF TRUST BY SLIF**

8.1 Subject to paragraph 8.3, if:

- (A) any property proposed to be transferred to SLAL by this Scheme is not, or is not capable of being, transferred to and vested in SLAL by the Order on the Effective Date by reason of:
  - (i) such property being a Residual Asset; or

- (ii) such property being outside the jurisdiction of the Court; or
  - (iii) any other reason;
- (B) 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;
- (C) any Residual Asset is not transferred to SLAL on the relevant Subsequent Transfer Date; or
- (D) in any circumstances SLIF and SLAL shall agree in writing before the Effective Date (or, in the case of any Residual Asset, before the Subsequent Transfer Date applicable thereto) that it is expedient not to effect a transfer to SLAL of a Transferred Asset or a Residual Asset (as the case may be),

then SLIF shall, from the Effective Date: (i) hold any such property, Transferred Asset or Residual Asset that is referred to in paragraphs (A) to (D) and that is not referred to in paragraph 8.3 ("**Trust Property**") on irrevocable trust for SLAL; and (ii) comply with any and all directions given by SLAL in respect of such Trust Property, in each case until it is either transferred to, or otherwise vested in, SLAL or disposed of (whereupon SLIF shall account to SLAL for the proceeds of disposal thereof).

8.2 Subject to paragraph 8.3, SLAL shall have irrevocable authority to act as attorney for SLIF in respect of Trust Property for the purposes of paragraph 8.1.

8.3 The provisions of paragraph 8.1 and paragraph 8.2 shall not apply to, and Trust Property shall not include, any of:

- (A) any Required Capital;
- (B) any substituting property, proceeds of sale or income, distribution or other accrual or return whatsoever, whether or not in any case in the form of cash, in each case which is earned, received or obtained in respect of (or in substitution of) any Required Capital by SLIF from time to time after the Effective Date but in each case prior to its Subsequent Transfer Date; and
- (C) any Excluded Asset.

8.4 If (i) any payment is made to; (ii) any property is received by; or (iii) any right, benefit or power is conferred upon SLIF on or after the Effective Date in respect of any part of the Transferred Business, any Transferred Asset, any Residual Asset or any Trust Property (save in each case for any payment, property, right, benefit or power referred to in paragraph 8.3 until (in the case of property under paragraph 8.3(A) or paragraph 8.3(B)) the relevant Subsequent Transfer Date has occurred), such payment, property, right, benefit or power (as the case may be) shall also constitute Trust Property and SLIF 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 SLIF 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.

8.5 Any costs (including without limitation any liabilities in respect of Tax) incurred in making any payment or transfer referred to in paragraph 8.4 or otherwise complying with any of the obligations under this paragraph 8 shall be borne by SLAL (and SLAL shall reimburse SLIF accordingly), and such costs shall be allocated to the SLAL PBF.

## **9. INDEMNITIES**

9.1 Subject to paragraph 9.2 and paragraph 9.4, and save as otherwise provided in this Scheme, with effect from the Effective Date, SLAL shall discharge on SLIF's behalf or, failing that, shall indemnify SLIF against all Transferred Liabilities and Residual Liabilities (which, for the avoidance of doubt, shall include any fines, penalties, costs, losses and damages) and any other liability of SLIF in respect of the Transferred Business.

9.2 Where any liability referred to in paragraph 9.1 is, whether wholly or partly, the subject of a policy of indemnity insurance or a claim or right of recovery against a third party, the indemnity given by SLAL under paragraph 9.1 shall only apply to the extent that SLIF, having made a claim under such a policy or against such third party, shall have failed to recover any such amount pursuant to rights it may have under such policy, claim or right of recovery (having used all reasonable endeavours to do so), provided always that SLAL shall indemnify SLIF in respect of any costs, claims, charges and other liabilities incurred by SLIF in recovering the same.

9.3 The provisions of paragraph 9.1 and paragraph 9.2 shall not prejudice any indemnity granted by SLIF to SLAL prior to the Effective Date in respect of Transferred Liabilities or Residual Liabilities.

9.4 Where SLIF is entitled to receive an amount from SLAL under this paragraph 9, it shall be entitled to receive such amount as, after any withholding or deduction required by law and after payment of any liability to Tax in respect of the amount receivable, will result in the receipt, after any such withholding or deduction and after payment of any such liability to Tax referred to above, of an amount equal to the liability indemnified against.

9.5 SLAL shall not be required under paragraph 9.1, above to discharge or indemnify SLIF against or in respect of any Excluded Liabilities or any charges, costs, claims or other liabilities in respect of any Excluded Liabilities.

## **PART D – ALLOCATIONS AND COSTS**

### **10. PURPOSE OF ALLOCATIONS**

Any allocation of property or attribution of liabilities, and any reallocation or reattribution of the same, which is made under this Scheme, is for the purpose of establishing or recognising respective policyholder and shareholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of SLAL to meet the liabilities which it is obliged by law to meet.

### **11. SUBSEQUENT ALLOCATIONS AND ATTRIBUTIONS**

Subject to compliance with all applicable laws and regulations (including without limitation FSMA and the rules and regulations made thereunder) and, to the extent applicable, with the 2006 Scheme, nothing in this Scheme shall prevent the subsequent allocation or attribution of any Transferred Asset, Transferred Liability, Residual Asset or Residual Liability, or any other property or liability, to a SLAL Fund.

### **12. ALLOCATION OF ASSETS**

12.1 Save to the extent otherwise specified in this paragraph 12 and subject to paragraph 12.4, on and with effect from the Effective Date, each of the following shall be allocated to the SLAL PBF:

- (A) all Transferred Assets; and
- (B) all rights, benefits and powers arising under the retrocession or reinsurance arrangements set out in paragraph 6,

provided that, for the avoidance of doubt, this paragraph 12.1 shall apply to (and there shall be allocated to the SLAL PBF):

- (A) all assets which, as at the time immediately prior to the Effective Date, are held by SLIF in respect of liabilities reinsured under a Listed Reinsurance Agreement specified in part 1 of Schedule 1;
- (B) the SLIF Surplus; and
- (C) any Transferred Asset which, as at the time immediately prior to the Effective Date, is attributable to the Stop-Loss Agreement.

12.2 Subject to (B) and (C) of the proviso to paragraph 12.1, paragraph 12.4 and paragraph 14, on and with effect from the Effective Date every Transferred Asset (or part thereof) which, as at the time immediately prior to the Effective Date, is attributable to the reinsurance of HWPF Policies shall (to the extent so attributable) be allocated to the SLAL HWPF.

- 12.3 Subject to (B) of the proviso to paragraph 12.1 and paragraph 12.4, on and with effect from the Effective Date every Transferred Asset (or part thereof) which, as at the time immediately prior to the Effective Date, is comprised in or attributed to the SLIF SHF shall (to the extent so comprised or attributed) be allocated to the SLAL SHF.
- 12.4 Upon the transfer of any Tax Asset in accordance with this Scheme:
- (A) to the extent that, as at the time immediately prior to the time of such transfer, that Tax Asset (or part thereof) is comprised in or attributed to the Long-Term Insurance Fund of SLIF, that Tax Asset (or that part thereof) shall be allocated to the SLAL PBF;
  - (B) to the extent that, as at the time immediately prior to the time of such transfer, that Tax Asset (or part thereof) is comprised in or attributed to the SLIF SHF, that Tax Asset (or that part thereof) shall be allocated to the SLAL SHF; and
  - (C) without prejudice to the generality of paragraph 20.1, the provisions of paragraph 39 of the 2006 Scheme ("**Paragraph 39**") shall continue in force in all respects, including (as applicable) in respect of that Tax Asset.
- 12.5 Subject to paragraph 12.6, on and with effect from its Subsequent Transfer Date, each Residual Asset shall be allocated to the SLAL Fund to which it would have been allocated pursuant to the preceding provisions of this paragraph 12 (and, where applicable, the provisions of paragraph 14) had it been a Transferred Asset.
- 12.6 On and with effect from its Subsequent Transfer Date, the Required Capital and all property referred to in paragraph 8.3(B) shall be allocated to the SLAL SHF.
- 12.7 All Trust Property, the beneficial interest of SLAL therein, and all rights of SLAL in respect thereof shall be allocated to the SLAL Fund to which such Trust Property would have been allocated had it been a Transferred Asset.

### **13. ALLOCATION OF LIABILITIES**

- 13.1 Save to the extent otherwise specified in this paragraph 13 and subject to paragraph 13.4, on and with effect from the Effective Date, each of the following shall be allocated to the SLAL PBF:
- (A) all Transferred Liabilities;
  - (B) all liabilities attributable to the reinsurance or retrocession arrangements set out in paragraph 6; and
  - (C) the liability to discharge on SLIF's behalf or, failing that, to indemnify SLIF pursuant to paragraph 9.1,

and for the avoidance of doubt this paragraph 13.1 shall apply to (and there shall be allocated to the SLAL PBF) any liability which is attributable to the Stop-Loss Agreement.

13.2 Subject to paragraph 13.4 and paragraph 14, and save for any liability attributable to the Stop-Loss Agreement, on and with effect from the Effective Date:

- (A) every Transferred Liability (or part thereof) which, as at the time immediately prior to the Effective Date, is attributable to the reinsurance of HWPF Policies; and
- (B) every liability (or part thereof) pursuant to paragraph 9.1 to discharge on SLIF's behalf or, failing that, to indemnify SLIF in respect of, any liability of SLIF attributable to the reinsurance of HWPF Policies,

shall (to the extent so attributable) be allocated to the SLAL HWPF.

13.3 Subject to paragraph 13.4, on and with effect from the Effective Date:

- (A) every Transferred Liability (or part thereof) which, as at the time immediately prior to the Effective Date, is comprised in or attributed to the SLIF SHF; and
- (B) every liability (or part thereof) pursuant to paragraph 9.1 to discharge on SLIF's behalf or, failing that, to indemnify SLIF in respect of, any liability of SLIF which is comprised in or attributed to the SLIF SHF,

shall (to the extent so comprised or attributed) be allocated to the SLAL SHF.

13.4 Upon the transfer of any Tax Liability in accordance with this Scheme:

- (A) to the extent that, as at the time immediately prior to the time of such transfer, that Tax Liability (or part thereof) is comprised in or attributed to the Long-Term Insurance Fund of SLIF, that Tax Liability (or that part thereof) shall be allocated to the SLAL PBF;
- (B) to the extent that, as at the time immediately prior to the time of such transfer, that Tax Liability (or part thereof) is comprised in or attributed to the SLIF SHF, that Tax Liability (or that part thereof) shall be allocated to the SLAL SHF; and
- (C) without prejudice to the generality of paragraph 20.1, the provisions of Paragraph 39 shall continue in force in all respects, including (as applicable) in respect of that Tax Liability.

13.5 Subject to paragraph 13.6, on and with effect from its 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 13 (and, where applicable, the provisions of paragraph 14) had it been a Transferred Liability.



- 13.7 On and with effect from its Subsequent Transfer Date, every Residual Liability which is attributable to, or connected with the Required Capital or any property referred to in paragraph 8.3(B) shall be allocated to the SLAL SHF.

**14. SPECIFIC ARRANGEMENTS IN RESPECT OF SLIF EB ANNUITIES REINSURANCE AGREEMENT AND LINKED REINSURANCE AGREEMENTS**

- 14.1 Subject to paragraph 20.2, immediately after the time at which the rights, benefits, powers and liabilities under, and in respect of, the SLIF EB Annuities Reinsurance Agreement are transferred from SLIF to SLAL in accordance with this Scheme:

- (A) there shall be attributed to the SLAL PBF 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 under the terms of the SLIF EB Annuities Reinsurance Agreement had it terminated in accordance with its terms (the “**Equivalent Attribution**”); and
- (B) the arrangements set out in Schedule 2 shall apply and shall be implemented by SLAL.

- 14.2 Subject to paragraph 14.3, with effect from the time immediately following the transfer of the rights, benefits, powers and liabilities under and in respect of the Linked Reinsurance Agreements in accordance with this Scheme, and at all times thereafter:

- (A) the UL Investment Element of any Policy that is or becomes a Relevant Policy (which shall include without limitation those Relevant Policies that were subject to the reinsurance provided under a Linked Reinsurance Agreement) shall be transferred from the SLAL HWPF to the SLAL PBF in accordance with Paragraph 24 of the 2006 Scheme (“**Paragraph 24**”);
- (B) the provisions of Paragraph 24 shall apply in all respects in respect of that Relevant Policy; and
- (C) for the purposes of Paragraph 24:
  - (i) the SLAL PBF shall be a “New Investment Fund”; and
  - (ii) all Relevant Policies shall be “New Investment Policies”.

- 14.3 Paragraph 14.2 shall not operate in any way to limit, and shall be without prejudice to, the right of the SLAL Board (acting in accordance with the 2006 Scheme) to make subsequent or alternative determinations under, or in connection with, Paragraph 24, including without limitation in respect of any allocation, transfer or reinsurance of the Investment Element of any Policy (whether or not a Relevant Policy).

- 14.4 For the purposes of this paragraph 14, each of “**UL Investment Element**” and “**Investment Element**” has the meaning given to it in Paragraph 24.

## **15. LINKED FUNDS**

15.1 On and with effect from the Effective Date, all Transferred Assets and Transferred Liabilities in each case which, as at the time immediately prior to the Effective Date, were comprised in a SLIF Linked Fund shall be allocated to, and become comprised in, an existing and corresponding SLAL Linked Fund (or, where there is no such existing and corresponding SLAL Linked Fund at the Effective Date, a new corresponding SLAL Linked Fund), in each case within the relevant SLAL Fund, comprising the same number and value of units as were comprised within the relevant SLIF Linked Fund immediately prior to the Effective Date.

15.2 Subject to FSMA and the requirements of Principle 6, the SLAL Board may (having regard to the advice of the SLAL AFH):

- (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;
- (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 SLIF would, prior to the Effective Time, have been so entitled.

## **16. UNCERTAINTY, DISPUTES AND ADJUSTMENTS IN RELATION TO ALLOCATIONS**

16.1 If:

- (A) in the opinion of the SLAL Board (having regard to the advice of the SLAL With-Profits Actuary), the allocation or attribution of any property or liability to be allocated or attributed under this Scheme is uncertain; or
- (B) any doubt or difference shall arise as to the allocation or attribution of any property or liability to be allocated or attributed under this Scheme (including any right, benefit, power or liability under, in respect of or attributable to any Excluded Reinsurance Agreement which is subsequently novated to SLAL),

the property or liability shall be allocated or attributed (as the case may be) in such manner as the SLAL Board, having regard to the advice of the SLAL With-Profits Actuary (and, to the extent applicable, to the 2006 Scheme), shall determine, in each case in accordance with the principles underlying this Scheme.

16.2 If, for any reason, there is any error in the allocation or attribution of (or any omission or failure to allocate or attribute in accordance with this Scheme) any property or liability

(including without limitation the SLIF Surplus, any Required Capital and any right, benefit, power or liability under, in respect of or attributable to an Excluded Reinsurance Agreement which is subsequently novated to SLAL), the SLAL Board (having regard to the advice of the SLAL With-Profits Actuary and, to the extent applicable, to the 2006 Scheme) may make such re-allocations, re-attributions and adjustments between the SLAL Funds as it considers necessary or appropriate to remedy such error, omission or failure, in each case in accordance with the principles underlying this Scheme.

## **17. COSTS AND EXPENSES**

SLAL shall bear the costs and expenses incurred by each of it and SLIF in relation to the preparation and carrying into effect of this Scheme, whether before or after the Effective Date, including without limitation the following costs and expenses and any value added tax payable thereon (and SLAL shall reimburse SLIF accordingly):

- (A) the costs and expenses of jointly appointed Counsel (including disbursements in connection therewith) in relation to this Scheme; and
- (B) the cost and expenses of the Independent Expert,

and such costs shall be allocated to the SLAL PBF.

## **PART E - MISCELLANEOUS PROVISIONS**

### **18. EFFECTIVE DATE**

- 18.1 Subject to paragraph 18.3, this Scheme shall become effective at a time and date (being a time and date falling after the making of the Order sanctioning this Scheme) as is agreed in writing in advance of the Order by SLAL and SLIF.
- 18.2 Unless this Scheme shall become effective in its entirety on or before 11:59 p.m. on 31 March 2012 or such later date and/or time, if any, as the Court may allow upon the application of SLIF and SLAL, it shall lapse.
- 18.3 This Scheme shall not become effective or unconditional until the Effective Date and unless:
- (A) on or prior to the Effective Date, the Order shall have been made;
  - (B) SLIF and SLAL shall have received (in terms satisfactory in all respects to each) clearance from HMRC in respect of this Scheme under Section 444AED of ICTA or the requirement for such clearance has been waived in whole or in part by SLAL and SLIF with the approval of the Independent Expert; and
  - (C) the Court shall have granted its consent, in terms satisfactory in all respects to each of SLIF and SLAL, to the variations to the 2006 Scheme contemplated by paragraph 20.2 and Schedule 4.

### **19. MODIFICATIONS OR ADDITIONS**

- 19.1 SLIF and SLAL may consent for and on behalf of themselves and all other persons concerned to any variation of this Scheme or to any further condition or provision affecting the same which, in each case prior to its sanction of this Scheme, the Court may approve or impose.
- 19.2 Subject to paragraph 19.3, SLAL may, after the grant of the 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 With-Profits Actuary where the proposed variation is necessary to correct a manifest error;
  - (C) vary this Scheme with the approval of the SLAL With-Profits Actuary and the Insurance 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 FSA Handbook or other applicable legislation or regulations); and

- (D) apply to the Court for consent to vary the terms of this Scheme, provided that in any such case the Insurance Regulator shall be notified of, and have the right to be heard at, any hearing of the Court at which the application is considered.

19.3 The arrangements set out in Schedule 2 may be varied by SLAL (without any requirement for the consent of the Court) on the condition that such variation:

- (A) accords with the terms of, and meets all applicable conditions set out in, clause 8 (or any equivalent successor provision) of Schedule 2; and
- (B) complies with all applicable law and regulation.

## **20. 2006 SCHEME**

20.1 Save as specified at paragraph 20.2, the provisions of the 2006 Scheme shall continue in force in all respects and shall not be varied in any respect as a result of this Scheme.

20.2 With effect from the Effective Date, the 2006 Scheme shall be varied in the manner set out in Schedule 4.

## **21. THIRD PARTY RIGHTS**

A person who is not a party to this Scheme may not enforce any term of this Scheme.

## **22. GOVERNING LAW**

This Scheme is governed by, and shall be construed in accordance with, Scots law.

Dated: 20 December 2011

## **SCHEDULE 1**

### **Listed Reinsurance Agreements**

#### Part 1

1. Reinsurance Agreement: UK SIPPs – Unit-Linked Funds between SLAC (as Reinsured) and SLIF (as Reinsurer) dated 28 April 2006.
2. Reinsurance Agreement: New SIPP Business between SLAL (as Reinsured) and SLIF (as Reinsurer) dated 20 December 2006.
3. Reinsurance Agreement: New Business between SLAL (as Reinsured) and SLIF (as Reinsurer) dated 7 July 2006.

#### Part 2

4. SLIF EB ULL Reinsurance Agreement.
5. SLIF EB ULP Reinsurance Agreement.
6. SLIF EB Annuities Reinsurance Agreement.

## SCHEDULE 2

### Replacement Arrangements in respect of the SLIF EB Annuities Reinsurance Agreement

#### 1. INTERPRETATION

##### 1.1 In this Schedule 2:

**“Actual Annuity  
Payments”**

means all payments made or due and payable (and, for the purposes of this Schedule 2, amounts which are not permitted to be paid to annuitants by SLAL or SL Intl (as the case may be) pursuant to rules of pension schemes are neither payments made nor payments due and payable) by:

(A) SLAL in respect of SLAL Covered Policies during each Calculation Period, but excluding: (i) payments made (or due and payable) by SLAL in respect of Annuity Augmentations; and (ii) any such payments made by SLAL after the death of the annuitant which are not recovered; and

(B) SL Intl in respect of SL Intl Indirectly Covered Policies during each Calculation Period, but excluding: (i) payments made (or due and payable) by SL Intl in respect of Annuity Augmentations; and (ii) any such payments made by SL Intl after the death of the annuitant which are not recovered;

**“Adjustment Amount”**

has the meaning given to it in clause 8.4;

**“Amendment Effective  
Date”**

has the meaning given to the “Effective Date” in the Amendment to Deed of Variation dated 15 November 2016 in relation to the Scheme;

**“Annuity Augmentation”**

means:

~~means~~(A) any augmentation or increase to an annuity which was paid, due and payable or secured after the 2006 Scheme Effective Time in respect of a SLAL Covered Policy which was written in, or allocated to, the SLAL HWPF pursuant to the 2006 Scheme, but excluding any contractual or automatic increase to an annuity (other than a contractual increase which is an

Increased Annuity Payment); and

(B) any augmentation or increase to an annuity which was paid, due and payable or secured after the 2006 Scheme Effective Time in respect of a SL Intl Indirectly Covered Policy which was (i) written in, or allocated to, the SLAL HWPF pursuant to the 2006 Scheme, and subsequently (ii) written in, or allocated to, the SL Intl HWPF pursuant to the Brexit Scheme, but excluding any contractual or automatic increase to an annuity (other than a contractual increase which is an Increased Annuity Payment);

**“Annuity Augmentation Costs”**

has the meaning given in clause 5.2;

**“Annuity Augmentation Coverage Payments”**

means annuity augmentation premiums, being all premiums received or applied by:

(A) (in respect of SLAL Covered Policies) the SLAL HWPF to secure New Annuity Augmentations including the single premium cost to the SLAL HWPF (calculated using the SLAL HWPF’s nil commission immediate annuity premium basis then in force) in respect of Increased Annuity Payments; and

(B) (in respect of SL Intl Indirectly Covered Policies) the SL Intl HWPF to secure New Annuity Augmentations including the single premium cost to the SL Intl HWPF (calculated using the SL Intl HWPF’s nil commission immediate annuity premium basis then in force) in respect of Increased Annuity Payments, but only to the extent reinsured to SLAL pursuant to the HWPF Reinsurance Agreement;

**“Brexit Scheme”**

means the Scottish scheme of transfer between SLAL and SL Intl, as sanctioned by the Court of Session on [●] and effective on 28 February 2019;

**“Brexit Scheme Effective Time”**

means the “Effective Time” as defined in the Brexit Scheme;

**“Business Day”**

means any day (other than a Saturday or Sunday) on which banks are open for the transaction of general



banking business in Edinburgh and London;

**“Calculation Date”** means, in respect of each Calculation Period, the last Business Day of that Calculation Period;

**“Calculation Period”** means each calendar month during the term of the arrangements set out in this Schedule 2 or, in respect of the Coverage Effective Month, the period from and including the Amendment Effective Date to and including the last day in the Coverage Effective Month;

**“Coverage Effective Month”** means the calendar month in which the Amendment Effective Date falls;

**“Covered Liabilities”** means:

(A) the longevity risk in respect of all of the Covered Policies; and

(B) all Annuity Augmentations,

except to the extent that such liabilities are reinsured pursuant to third party reinsurance arrangements;

**“Covered Policies”** means together:

(A) the SLAL Covered Policies; and

~~(A) (B) the HWPF Reinsurance Agreement, but only to the extent attributable to SL Intl Indirectly Covered Policies; all Transferred Policies in respect of which a non-profit annuity was in payment or had vested (including where such vesting has arisen on retirement or death) prior to the 2006 Scheme Effective Time, excluding all EEA Policies, but including: (i) Jersey Policies from and with effect from the Jersey Effective Time; and (ii) Guernsey Policies from and with effect from the Guernsey Effective Time; and~~

~~(B) all reinsurances ceded to SLAL in respect of which a non-profit annuity was in payment or had vested (including where such vesting has arisen on retirement or death) prior to the 2006 Scheme Effective Time, including: (i) Jersey Policies prior to the Jersey Effective Time; (ii) Guernsey Policies prior to the Guernsey Effective Time; and (iii) any such Policies which are comprised within~~

~~the SLPF Annuity Business,~~

~~other than Policies, and reinsurances ceded, where the liability in respect of the Policy, or reinsurance, has been reinsured by SLAL pursuant to a third party reinsurance arrangement;~~

<b>"EEA Policies"</b>	means all Policies written in the course of carrying on insurance business in any EEA State other than the United Kingdom and the Republic of Ireland;
<b>"EEA State"</b>	has the meaning set out in paragraph 8, Part I of Schedule 3 to FSMA;
<b>"Existing Annuity Augmentations"</b>	means Annuity Augmentations that are not New Annuity Augmentations;
<b>"Guernsey Effective Time"</b>	has the meaning given to it in the 2006 Scheme;
<b>"Guernsey Policies"</b>	has the meaning given to it in the 2006 Scheme;
<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>"Increased Annuity Payment"</b>	means any payment in respect of an annuity to the extent that such payment arises as a result of the trustees of the relevant pension scheme varying the rules of the pension scheme to remove restrictions on the amount which can be paid to annuitants in respect of the annuity;
<b>"Initial Expenses"</b>	<p>means distribution and issue expenses allocated to the SLAL HWPF in respect of <del>the Covered Policies</del>;</p> <p>(A) <u>the SLAL Covered Policies; or</u></p> <p>(B) <u>the SL Intl Covered Policies (prior to their transfer to SL Intl pursuant to the Brexit Scheme),</u></p> <p>in accordance with paragraph 34 of the 2006 Scheme;</p>
<b>"Interim Refund Amount"</b>	has the meaning given <u>to it</u> in <u>clause 8.2</u> ;
<b><u>"Interim SL Intl Refund Amount"</u></b>	<u>has the meaning given to it in clause 10.3;</u>

<b>“Jersey Effective Time”</b>	has the meaning given to it in the 2006 Scheme;
<b>“Jersey Policies”</b>	has the meaning given to it in the 2006 Scheme;
<b>“Monthly Coverage Payment”</b>	means, in respect of a Calculation Period, such amount as is specified in (and determined in accordance with the provisions of) schedule 3 to the SLIF EB Annuities Reinsurance Agreement <a href="#">to the extent that it relates to the Covered Policies</a> , the provisions of and data contained in that schedule applying <i>mutatis mutandis</i> to the determination of such amount and any reference in that schedule to a “Monthly Reinsurance Premium” being, for the purposes of this Schedule 2, a reference to a Monthly Coverage Payment;
<b>“Monthly Coverage Payment Deduction”</b>	means, in respect of a Calculation Period, such amount as is specified in (and determined in accordance with the provisions of) schedule 7 to the SLIF EB Annuities Reinsurance Agreement <a href="#">to the extent that it relates to the Covered Policies</a> , the provisions of and data contained in that schedule applying <i>mutatis mutandis</i> to the determination of such amount and any reference in that schedule to a “Monthly Reinsurance Premium Deduction” being, for the purpose of this Schedule 2, a reference to a Monthly Coverage Payment Deduction;
<b>“Monthly Settlement Date”</b>	means the Business Day immediately following each Calculation Date;
<b>“Net Monthly Coverage Payment”</b>	means, in respect of a Calculation Period, the Monthly Coverage Payment less the Monthly Coverage Payment Deduction in respect of that Calculation Period;
<b>“New Annuity Augmentation”</b>	means any Annuity Augmentation which was paid, due and payable or secured after the Amendment Effective Date;
<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);
<b>“Reimbursed Monthly Reinsurance Premium”</b>	means, in respect of a Calculation Period, such amount as is specified in (and determined in accordance with the provisions of) Schedule 5 to the Amendment to Deed of Variation dated 15 November 2016 in relation to the Scheme;
<b>“Restricted Annuity</b>	means, in respect of a Calculation Period, an amount

**Adjustment”**

equal to the Unrestricted Annuity Payments in respect of that Calculation Period less the Actual Annuity Payments in respect of that Calculation Period;

**“Scheme”**

means the Scheme of Transfer to which this document forms Schedule 2 and in accordance with which it is intended that all of SLIF’s business, and its property and liabilities, are to be transferred to SLAL;

**“SLAL Covered Policies”**

means:

(A) all Transferred Policies in respect of which a non profit annuity was in payment or had vested (including where such vesting has arisen on retirement or death) prior to the 2006 Scheme Effective Time, excluding all EEA Policies, but including: (i) Jersey Policies from and with effect from the Jersey Effective Time; and (ii) Guernsey Policies from and with effect from the Guernsey Effective Time; and

(B) all reinsurances ceded to SLAL in respect of which a non profit annuity was in payment or had vested (including where such vesting has arisen on retirement or death) prior to the 2006 Scheme Effective Time, including: (i) Jersey Policies prior to the Jersey Effective Time; (ii) Guernsey Policies prior to the Guernsey Effective Time; and (iii) any such Policies which are comprised within the SLPF Annuity Business,

but excluding: (i) Policies, and reinsurances ceded, where the liability in respect of the Policy, or reinsurance, has been reinsured by SLAL pursuant to a third party reinsurance arrangement; and (ii) SL Intl Indirectly Covered Policies;

**“SLAL HWPF With Profits Policies”**

means (i) “WPF With Profits Policies” as such term is defined in the 2006 Scheme, and (ii) any Policies issued by SL Intl which are reinsured in whole or part into the SLAL HWPF by virtue of the HWPF Reinsurance Agreement;

**“SL Intl”**

means Standard Life International DAC, a designated activity company incorporated in the Republic of Ireland with registered number 408507;

**“SL Intl Adjustment**

<b><u>Amount</u></b>	<u>has the meaning given to it in clause 10.3;</u>
<b><u>“SL Intl HWPF”</u></b>	<u>means the “SL Intl Heritage With Profits Fund” established and maintained by SL Intl in accordance with the terms of the Brexit Scheme;</u>
<b><u>“SL Intl Indirectly Covered Policies”</u></b>	<p><u>means Policies or reinsurances which:</u></p> <p>(A) <u>would have fallen within limb (A) or (B) of the definition of SLAL Covered Policies immediately prior to the Brexit Scheme Effective Date; and</u></p> <p>(B) <u>were transferred to SL Intl and allocated to the SL Intl HWPF pursuant to the Brexit Scheme,</u></p> <p><u>other than Policies, and reinsurances ceded, where the liability in respect of the Policy, or reinsurance, has been reinsured by SL Intl pursuant to a third party reinsurance arrangement;</u></p>
<b>“SLPF Annuity Business”</b>	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 I to the Regulated Activities Order and which is, from time to time, reinsured into the SLAL HWPF;
<b><u>“Technical Provisions”</u></b>	<u>has the meaning given to it in the Glossary of the PRA Rulebook;</u>
<b>“Transferred Policies”</b>	has the meaning given to it in the 2006 Scheme;
<b>“Unrestricted Annuity Payments”</b>	means, in respect of a Calculation Period, the Actual Annuity Payments that otherwise would be made or due and payable in respect of that Calculation Period had the rules of pension schemes not restricted the application of fixed rate escalation to the amount of such Actual Annuity Payments; and
<b>“2006 Scheme Effective Time”</b>	means the “Effective Time” as defined in the 2006 Scheme.

- 1.2 Unless otherwise defined in this Schedule 2, capitalised expressions shall have the meaning ascribed to them in the Scheme.

## **2. COVERED LIABILITIES: COVERED POLICIES AND ANNUITY AUGMENTATIONS**

- 2.1 The coverage by the SLAL PBF of the Covered Liabilities on the basis set out in this Schedule 2 shall constitute the provision of reinsurance for the purposes of paragraph 22.1 of the 2006 Scheme (as varied on the terms set out in Schedule 4 to the Scheme).

- 2.2 The coverage by the SLAL PBF of:

- (A) the longevity risk in respect of the Covered Policies; and
- (B) the liabilities in respect of Existing Annuity Augmentations,

shall be borne by the SLAL PBF on the basis set out in this Schedule 2.

- 2.3 The coverage by the SLAL PBF of the liabilities in respect of any New Annuity Augmentation shall:

- (A) be effected immediately and automatically on, and with effect from, the acceptance of liability in respect of such New Annuity Augmentation by the SLAL HWPF; and
- (B) otherwise be implemented on the basis set out in this Schedule 2.

## **3. PREMIUM**

The SLAL HWPF has paid or shall pay the following amounts to the SLAL PBF on the dates set out below by way of premium in respect of the Reimbursed Monthly Reinsurance Premiums:

Date	Premium	Identifier	Definition
<b>7<sup>th</sup> August 2014</b>	£170,442,402	UPIF	UK PLA Individual Fixed
<b>15<sup>th</sup> October 2014</b>	£202,298,302	UCIF2	UK CPA Individual Fixed (part)
<b>16<sup>th</sup> December 2014</b>	£257,506,919	UCIF3	UK CPA Individual Fixed (part)

<b>17<sup>th</sup> March 2015</b>	£102,815,573	UCIF4	UK CPA Individual Fixed (part)
<b>24<sup>th</sup> February 2016</b>	£212,950,690	UCIF5	UK CPA Individual Fixed (part)
<b>15<sup>th</sup> November 2016</b>	£143,133,261	UCIF	UK CPA Individual Fixed (final part)

#### 4. ACKNOWLEDGEMENT OF EQUIVALENT ATTRIBUTION

The Equivalent Attribution to the SLAL PBF pursuant to paragraph 14.1(A) of the Scheme, in consideration for the SLAL PBF bearing the coverage of the Covered Liabilities on the terms set out in this Schedule 2, is hereby acknowledged.

#### 5. COMMISSIONS AND BROKERAGE; EXPENSES

5.1 Subject to clause 5.2, the SLAL HWPF shall be responsible for and bear:

- (A) all administration and management costs and expenses in respect of the Covered Policies (whether directly or indirectly via the HWPF Reinsurance Agreement); and
- (B) all amounts which become due and payable as commission and/or brokerage in respect of the Covered Policies (whether directly or indirectly via the HWPF Reinsurance Agreement).

5.2 The SLAL PBF shall be responsible for and bear:

- (A) the Initial Expenses incurred by SLAL in accepting liability in respect of a New Annuity Augmentation (whether directly or indirectly via the HWPF Reinsurance Agreement); and
- (B) all amounts which become due and payable by SLAL as commission and/or brokerage in respect of New Annuity Augmentations (whether directly or indirectly via the HWPF Reinsurance Agreement),

(together, the “**Annuity Augmentation Costs**”) and the SLAL PBF shall reimburse such amounts to the SLAL HWPF in accordance with clause 6.

- 5.3 Without prejudice to clauses 5.1 and 5.2, each of the SLAL HWPF and the SLAL PBF shall bear the costs of investment management in respect of the assets held by it in respect of the Covered Liabilities.

## **6. SETTLEMENT AND RECONCILIATION**

On each Monthly Settlement Date, the SLAL PBF shall reimburse the SLAL HWPF with an amount equal to:

- 6.1 all Actual Annuity Payments;
- 6.2 all Annuity Augmentation Costs;
- 6.3 all payments made (or due and payable) by SLAL to Policyholders or other beneficiaries (including to SL Intl under the HWPF Reinsurance Agreement in respect of SL Intl Indirectly Covered Policies) in respect of Annuity Augmentations (excluding any payments made by SLAL after the death of an annuitant which are not recovered by SLAL, and any payments made by SL Intl after the death of an annuitant which are not recovered by SL Intl);
- 6.4 the Restricted Annuity Adjustment; and
- 6.5 the Reimbursed Monthly Reinsurance Premium,

less:

- 6.6 the Net Monthly Coverage Payment;
- 6.7 the Annuity Augmentation Coverage Payments; ~~and~~
- 6.8 all amounts recovered by SLAL in respect of (i) Actual Annuity Payments made by SLAL; and (ii) all payments made by SLAL in respect of Annuity Augmentations, in each case where such amounts are recovered as a result of the death of the annuitant; ~~and~~
- 6.9 all amounts recovered by SL Intl in respect of (i) Actual Annuity Payments made by SL Intl; and (ii) all payments made by SL Intl in respect of Annuity Augmentations, in each case where such amounts are recovered as a result of the death of the annuitant,

in each case in respect of the immediately preceding Calculation Period.

## **7. TERMINATION**

- 7.1 Subject to clause 7.2 and clause 7.3 and without prejudice to clause 10, the arrangements set out in this Schedule may be terminated by the SLAL Board at any time.



7.2 The arrangements set out in this Schedule may not be terminated under clause 7.1 without the prior written consent of the SLAL With-Profits Actuary, given on the basis that the proposed termination is expected to materially and adversely affect neither:

- (A) the contractual rights of the holders of SLAL HWPF With Profits Policies; nor
- (B) the reasonable expectations of the holders of SLAL HWPF With Profits Policies regarding non-contractual rights under such Policies.

7.3 If it is proposed, intended or envisaged that the arrangements set out in this Schedule 2 will be terminated, the SLAL Board shall procure that, no later than the date on which the arrangements are so terminated, an alternative arrangement is implemented to provide reinsurance of or otherwise to transfer the longevity risk in respect of the Covered Liabilities, on terms determined by the SLAL Board to be not materially less beneficial to the SLAL HWPF than the arrangements set out in this Schedule 2 (any such determination to be made having regard to the advice of the SLAL With-Profits Actuary). Such alternative arrangement may, at the discretion of the SLAL Board, be provided by a SLAL Fund (other than the HWPF), any member of the SLAL Group and/or any other person.

## 8. CONSEQUENCES OF TERMINATION

8.1 If the arrangements set out in this Schedule 2 are terminated pursuant to clause 7, the provisions of this clause 8 shall apply.

8.2 The SLAL PBF shall, within 3 Business Days of the termination becoming effective, refund an amount to the SLAL HWPF that is equal to the SLAL Board's good faith estimate of 100% of the ~~Mathematical Reserves~~Technical Provisions (gross of external reinsurance) held by the SLAL PBF in relation to the Covered Liabilities as at the end of the Calculation Period immediately preceding the date on which the termination took effect (the "**Interim Refund Amount**"), such Interim Refund Amount to be calculated in accordance with all applicable law and regulation.

8.3 The liability of the SLAL PBF to cover the Covered Liabilities on the terms of this Schedule 2 shall cease.

8.4 Within three months of the termination taking effect, the SLAL Board shall determine the appropriate adjustment to be made to the Interim Refund Amount (by making a transfer from the SLAL HWPF to the SLAL PBF or from the SLAL PBF to the SLAL HWPF (as the context requires)) in order to ensure that 100% of the ~~Mathematical Reserves~~Technical Provisions (gross of external reinsurance) required to be held by the SLAL PBF in relation to the Covered Liabilities as at the date of termination (the "**Adjustment Amount**") has been transferred to the SLAL HWPF.

8.5 Any determination by the SLAL Board under clause 8.4 shall be made having regard to the advice of the SLAL With-Profits Actuary.

## **9. WAIVERS AND VARIATIONS**

9.1 The arrangements set out in this Schedule 2 and any part thereof may be varied or waived without the consent of the Court if such variation or waiver (as the case may be) has been consented to in writing by the SLAL With-Profits Actuary, such consent given on the basis that the proposed waiver or variation is expected to materially and adversely affect neither:

- (A) the contractual rights of the holders of SLAL HWPF With Profits Policies; nor
- (B) the reasonable expectations of the holders of SLAL HWPF With Profits Policies regarding non-contractual rights under such Policies.

## **10. TERMINATION OF THE HWPF REINSURANCE AGREEMENT**

10.1 In the event that the HWPF Reinsurance Agreement terminates, the provisions of clauses 10.2 and 10.3 shall apply.

10.2 Where this clause 10.2 applies, this Schedule 2 shall be automatically varied as follows:

- (A) the text “or SL Intl (as the case may be)” and limb (B) shall be deleted from the definition of “Actual Annuity Payments” in clause 1.1;
- (B) limb (B) shall be deleted from the definition of “Annuity Augmentation” in clause 1.1;
- (C) limb (B) shall be deleted from the definition of “Annuity Augmentation Coverage Payments” in clause 1.1;
- (D) limb (B) shall be deleted from the definition of “Covered Policies” in clause 1.1;
- (E) the text “and the Republic of Ireland” shall be deleted from the definition of “EEA Policies” in clause 1.1;
- (F) the definition of “HWPF Reinsurance Agreement” shall be deleted from clause 1.1;
- (G) limb (B) shall be deleted from the definition of “Initial Expenses” in clause 1.1;
- (H) the text “and (ii) SL Intl Indirectly Covered Policies” shall be deleted from the definition of “EEA Policies” in clause 1.1;
- (I) the text “(whether directly or indirectly via the HWPF Reinsurance Agreement)” shall be deleted from clause 5.1(A);

- (J) the text “(whether directly or indirectly via the HWPF Reinsurance Agreement)” shall be deleted from clause 5.1(B);
- (K) the text “(whether directly or indirectly via the HWPF Reinsurance Agreement)” shall be deleted from clause 5.2(A);
- (L) the text “(whether directly or indirectly via the HWPF Reinsurance Agreement)” shall be deleted from clause 5.2(B);
- (M) the text “(including to SL Intl under the HWPF Reinsurance Agreement in respect of SL Intl Indirectly Covered Policies)” and “and any payments made by SL Intl after the death of an annuitant which are not recovered by SL Intl” shall be deleted from clause 6.3; and
- (N) clause 6.9 shall be deleted.

10.3 Where this clause 10.3 applies:

- (A) The SLAL PBF shall, within 3 Business Days of the termination of the HWPF Reinsurance Agreement becoming effective, refund an amount to the SLAL HWPF that is equal to the SLAL Board’s good faith estimate of 100% of the Technical Provisions (gross of external reinsurance) held by the SLAL PBF in relation to the Covered Liabilities in respect of the SL Intl Indirectly Covered Policies as at the end of the Calculation Period immediately preceding the date on which the termination took effect (the “**Interim SL Intl Refund Amount**”), such Interim Refund Amount to be calculated in accordance with all applicable law and regulation.
- (B) The liability of the SLAL PBF to cover the Covered Liabilities in respect of the SL Intl Indirectly Covered Policies on the terms of this Schedule 2 shall cease.
- (C) Within three months of the termination of the HWPF Reinsurance Agreement taking effect, the SLAL Board shall determine the appropriate adjustment to be made to the Interim SL Intl Refund Amount (by making a transfer from the SLAL HWPF to the SLAL PBF or from the SLAL PBF to the SLAL HWPF (as the context requires)) in order to ensure that 100% of the Technical Provisions (gross of external reinsurance) required to be held by the SLAL PBF in relation to the Covered Liabilities in respect of the SL Intl Indirectly Covered Policies as at the date of termination of the HWPF Reinsurance Agreement (the “**SL Intl Adjustment Amount**”) has been transferred to the SLAL HWPF.
- (D) Any determination by the SLAL Board under clause (C) shall be made having regard to the advice of the SLAL With-Profits Actuary.

## **SCHEDULE 3**

### **Amended Charge Documents**

#### Part 1

Property-Linked Floating Charge

**PROPERTY-LINKED FLOATING CHARGE  
IN RELATION TO UNIT-LINKED LIABILITIES**

between

**STANDARD LIFE ASSURANCE LIMITED  
(as Chargor)**

and

**THE LAW DEBENTURE TRUST CORPORATION P.L.C.  
(as Chargee)**

Dated 12 October 2006 and as [most recently](#) amended and restated by order of the Court of Session in Scotland on ~~20-December-2011~~[\[.\]](#) and taking effect on ~~31-December-2011~~[28 February 2019](#) pursuant to the insurance business scheme under Part VII of the Financial Services and Markets Act 2000

Ref: STA077.0009

~~554614703~~

[551981272](#)

## INDEX

1.	Interpretation	1
2.	Covenant to pay Secured Amount	4
3.	Creation of Floating Charge and Attachment	4
4.	Representations and Warranties	5
5.	Negative Pledge	5
6.	Stock Lending and Borrowing and Repurchase Transactions	6
7.	Continuance of Security; Redemption	6
8.	Additional Security	6
9.	Forbearance and Illegality	6
10.	Variations	7
11.	Demands, Notices etc	7
12.	Governing Law and Jurisdiction	8
	The Schedule Property-Linked Reinsurance Contracts	9

**This PROPERTY-LINKED Floating charge is made by:**

- (1) **STANDARD LIFE ASSURANCE LIMITED** (company number SC286833) whose registered office is at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH (the **Chargor**); and
- (2) **THE LAW DEBENTURE TRUST CORPORATION P.L.C.** (company number 1675231) whose registered office is at Fifth Floor, 100 Wood Street, London, EC2V 7EX, acting as security trustee for the Beneficiaries (as defined in the Security Trust Agreement) in terms of the Security Trust Agreement (as defined below) (the **Chargee**).

**WITNESSES as follows:**

**1. Interpretation**

- 1.1 In this Property-Linked Floating Charge, except insofar as the context otherwise requires, the following words and expressions shall have the meanings set out below:

**Beneficiaries** is as defined in the Security Trust Agreement and **Beneficiary** shall mean each of them;

**Business Day** means a day on which clearing banks are ordinarily open for business in London;

**Chargee Sums** means any sums due to the Chargee under the Security Trust Agreement and this Property-Linked Floating Charge;

**Permitted Security Interest** means any Security Interest created by the Chargor in the ordinary course of business of the Chargor in relation to that part of its business which relates to the Property-Linked Policies but excluding any Security Interest securing or otherwise referable to money and liabilities now or in the future due, owing or incurred by the Chargor under or in connection with a contract of insurance or contract of reinsurance;

**Policy** means any "policy" within the meaning of the Financial Services and Markets Act (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361);

**Property-Linked Charged Property** means the assets and rights of the Chargor which are held from time to time by the Chargor in order to calculate the monetary value of its Property-Linked Liabilities, but excluding any assets and rights under ISDA master agreements or other derivative contracts to which the Chargor is a party or in which the Chargor otherwise has an interest from time to time;

**Property-Linked Liabilities** means all liabilities of the Chargor denominated in pounds sterling in respect of the Property-Linked Policies including the Property-Linked Reinsurance Contracts;

**Property-Linked Policy** means any Policy (or part of any Policy) issued by (or transferred to) the Chargor in the United Kingdom ~~or, the Republic of Ireland,~~ [liabilities in respect of which are denominated in pounds sterling, and](#) which falls within paragraph III of Part II of Schedule 1 to the Regulated Activities Order, to the extent to 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) and including each of the Property-Linked Reinsurance Contracts, but not, for the avoidance of doubt, any Policy (or part of such Policy):

- a) in respect of which any policyholder is entitled to participate in any established surplus or in relation to which the value of benefits is measured by reference to with profits units allocated to that Policy; or
- b) where the benefits payable are determined by reference to an index of the value of property of any description (whether or not specified in the Policy; for the avoidance of doubt, a policy or part of a policy does not fall within paragraph (b) if the benefits payable are linked to any underlying fund of assets (whether or not those assets include derivatives) which is managed with a view to replicating an index; or
- c) where the benefits payable are determined by reference to a unit endowment fund;

**Property-Linked Reinsurance Contracts** means (1) the reinsurance contracts specified in the Schedule and (2) any subsequent reinsurance contracts written by the Chargor in favour of any Beneficiary, which are contracts of long-term insurance, as that term is defined in Article 3 of the Regulated Activities Order and which the Chargor and Chargee specify from time to time as being "Property-Linked Reinsurance Contracts" for the purpose of this Property-Linked Floating Charge,

as each is amended, supplemented or replaced from time to time and only to the extent that such contracts continue to relate to Property-Linked Liabilities;

**Property-Linked Reinsured Liabilities** means all money and liabilities [denominated in pounds sterling](#) now or in the future due, owing or incurred in any manner to the Beneficiaries by the Chargor under or in connection with Property-Linked Reinsurance Contracts, whether actually, prospectively or contingently but only to the extent that such liabilities are in respect of Property-Linked Policies;

**Property-Linked Secured Amount** means the amount resulting from the following calculation:

(the Total Proceeds - the Chargee Sums - S176A Sums) x the Reinsured Proportion;

**Regulated Activities Order** means the Financial Services and Markets Act (Regulated Activities) Order 2001 (SI 2001/544);



**Reinsured Proportion** means:

the Property-Linked Reinsurance Liabilities at the Valuation Time  
the Property-Linked Liabilities at the Valuation Time

**S176A Sums** means any sum payable to unsecured creditors of the Company under Section 176A of the Insolvency Act 1986;

**Secured Obligations** means the Property-Linked Secured Amounts and the Chargee Sums;

**Secured Parties** is as defined in the Security Trust Agreement;

**Security Interest** means any right or interest arising out of:

- a) any mortgage, charge, pledge, assignment (whether or not expressed to be by way of security), hypothecation, lien, encumbrance or other priority or security interest of any kind, howsoever created or arising;
- b) any deferred purchase, title retention, trust, sale-and-repurchase, sale-and-leaseback, hold back or "flawed asset" arrangement or right of set-off;
- c) any other agreement or arrangement of any kind having the same or a similar commercial or economic effect as security; and
- d) any agreement for any of the foregoing;

**Security Trust Agreement** means the security trust agreement between the Chargee, the Chargor and the Beneficiaries (as defined in that agreement) dated 12 October 2006, as amended and restated on 27 November 2007 and as amended and restated by order of the Court of Session in Scotland on 20 December 2011 and taking effect on 31 December 2011 pursuant to the insurance business scheme under Part VII of the Financial Services and Markets Act 2000;

**Total Proceeds** means the aggregate of all moneys, or other assets, received or recovered (i) by the Chargee (or on its behalf) in connection with the realisation of the whole of the Property-Linked Charged Property; and (ii) by the Chargor (or on its behalf) in connection with any rights under ISDA master agreements or other derivative contracts to which the Chargor is a party or in which the Chargor otherwise has an interest from time to time, in each case to the extent that such rights are held by the Chargor in order to calculate the monetary value of its Property-Linked Liabilities;

**Valuation Time** means 23.59 on the date before a liquidator is appointed to the Chargor or the Chargee exercises its right under Clause 3.2 below to appoint an administrator to the Chargor or a receiver of the Property-Linked Charged Property;

**VAT** means valued added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

## 1.2 Interpretation

(A) Unless the context otherwise requires, in this Property-Linked Floating Charge:

- (i) references to any party shall be construed so as to include that party's respective successors in title, permitted assigns and permitted transferees;
- (ii) "**including**" and "**in particular**" shall not be construed restrictively but shall mean respectively "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing";
- (iii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- (iv) "**variation**" includes any variation, amendment, accession, novation, restatement, modification, assignment, transfer, supplement, extension, deletion or replacement however effected and "**vary**" and "**varied**" shall be construed accordingly;
- (v) "**writing**" includes facsimile transmission legibly received except in relation to any certificate, notice or other document which is expressly required by this Property-Linked Floating Charge to be signed and "written" has a corresponding meaning;
- (vi) subject to Clause 10 (*Variations*), references to this Property-Linked Floating Charge or to any other document include references to this Property-Linked Floating Charge or such other document as varied in any manner from time to time;
- (vii) the singular shall include the plural and vice versa; any gender shall include the other genders; clauses shall be construed as references to clauses of this Property-Linked Floating Charge.

## 1.3 Statutes

Any reference to any statute or statutory instrument or any section of it shall be deemed to include a reference to any statutory modification or re-enactment of it for the time being in force.

#### **1.4 Headings**

Headings in this Property-Linked Floating Charge are inserted for convenience and shall not affect its interpretation.

#### **2. Covenant to pay Secured Amount**

The Chargor hereby covenants that it will pay or discharge when due to the Secured Parties the Secured Obligations owing by it to the Secured Parties from time to time.

#### **3. Creation of Floating Charge and Attachment**

- 3.1 As continuing security for the payment or discharge of the Secured Obligations, the Chargor hereby charges to the Chargee by way of floating charge all its right to and title in the Property-Linked Charged Property.
- 3.2 At any time after (a) appointment of a liquidator or receiver over all or any of the Property- Linked Charged Property; or (b) any request from the board of directors of the Chargor that a liquidator or administrator be appointed, the Chargee may then by instrument in writing appoint any person or persons (if more than one with power to act both jointly and severally) to be an administrator of the Chargor or receiver of the Property-Linked Charged Property.
- 3.3 Any administrator appointed under the terms of Clause 3.2 shall have and be entitled to exercise all the powers conferred upon such administrator by the Insolvency Act 1986.
- 3.4 The proceeds of the enforcement of this Property-Linked Floating Charge shall be applied only in accordance with the Security Trust Agreement.

#### **4. Representations and Warranties**

- 4.1 The Chargor represents and warrants to the Chargee that:
  - (A) it has the capacity and power to execute and deliver this Property-Linked Floating Charge and to perform its obligations under it and has taken all necessary action to authorise such execution, delivery and performance;
  - (B) the persons signing this Property-Linked Floating Charge on its behalf are duly authorised to do so on its behalf;
  - (C) it has obtained all authorisations of any governmental or regulatory body required in connection with execution, delivery and performance of this Property-Linked Floating Charge and such authorisations are in full force and effect;

- (D) the execution, delivery and performance of this Property-Linked Floating Charge has not, and will not, violate any law or rule applicable to it;
- (E) it is acting as a principal in entering into this Property-Linked Floating Charge and performing its obligations hereunder;
- (F) it has the right to charge the Property-Linked Charged Property in favour of the Chargee under this Property-Linked Floating Charge; and
- (G) there are no prior ranking fixed or floating charges over the Property-Linked Charged Property other than any Permitted Security Interest.

## **5. Negative Pledge**

Until the floating charge hereby created shall have been discharged in full the Chargor shall not create or permit to subsist any Security Interest on or over the Property-Linked Charged Property or any part of it, except for this Property-Linked Floating Charge and any transaction permitted hereunder and any Permitted Security Interest whether or not it constitutes a fixed security or a floating charge in terms of Section 462 of the Companies Act 1985. The floating charge hereby created shall, subject to Section 462(2) of the Companies Act 1985, rank in priority to any fixed security (other than a Permitted Security Interest constituting a security right) which shall be created by the Chargor after its execution.

## **6. Stock Lending and Borrowing and Repurchase Transactions**

It is hereby agreed that, prior to crystallisation, the Chargor shall be free to deal, trade, exchange or otherwise dispose of the Property-Linked Charged Property in any manner it deems fit and, for the avoidance of doubt, the Chargor may enter into any agreement for the transfer of securities, financial instruments, money and/or other assets by way of a stock lending or borrowing, repurchase arrangement or sale and buy-back, or any securitisation arrangements where it assigns (or creates a trust over, all or part of the Property-Linked Charged Property (or any economically equivalent transaction)) or may make any dividend payment, repay capital or reduce its capital.

## **7. Continuance of Security; Redemption**

- 7.1 Without prejudice to the generality of Clause 2 (*Covenant to pay Secured Amount*), the charge, covenants and provisions contained in this Property-Linked Floating Charge shall remain in force as a continuing security to the Chargee, notwithstanding any settlement of account or any other act, event or matter whatsoever, except only the execution by the Chargee of an absolute and unconditional release under Scots law.
- 7.2 Once the Property-Linked Secured Amount is repaid and discharged in full and the Chargor has no further obligation (whether actual, prospective or contingent) in relation to any Property-Linked Reinsurance Contract with the Beneficiaries or in respect of the Chargee Sums, the Chargor shall be entitled to redeem the security constituted by this

Property-Linked Floating Charge and to require the Chargee to effect a full release and discharge of it, including performing all such deeds, acts and things as are necessary to release the Property- Linked Charged Property from the security created by this Property-Linked Floating Charge.

## **8. Additional Security**

The charge contained in this Property-Linked Floating Charge is in addition to, and shall neither be merged in, nor in any way exclude or prejudice, any other Security Interest, right of recourse or other right whatsoever which the Secured Parties may now or in the future hold or have (or would apart from this Property-Linked Floating Charge hold or have) as regards the Chargor or any other person in respect of the Secured Obligations, whether by virtue of contract, statute or otherwise.

## **9. Forbearance and Illegality**

### **9.1 Delay etc**

All rights, powers and privileges under this Property-Linked Floating Charge shall continue in full force and effect, regardless of the Chargee exercising, delaying in exercising or omitting to exercise any of them.

### **9.2 Illegality, invalidity, unenforceability**

Any provision of this Property-Linked Floating Charge which is or becomes illegal, invalid or unenforceable shall be ineffective only to the extent of such illegality, invalidity and unenforceability, without invalidating the remaining provisions of this Property-Linked Floating Charge.

## **10. Variations**

No variation of this Property-Linked Floating Charge shall be valid and constitute part of this Property-Linked Floating Charge, unless such variation shall have been made in writing and signed by the Chargor and the Chargee.

## **11. Demands, Notices etc**

### **11.1 Demands**

A demand for payment or other demand or notice to the Chargor under this Property-Linked Floating Charge shall be made or given by any director or officer of the Chargee in accordance with Clause 11.2.

### **11.2 Addresses for notice and deemed service**

Each party shall notify to the other party an authorised address and facsimile number in the United Kingdom for the purpose of this Clause and the first such authorised

address for each party shall be the address and facsimile number stated in Clause 11.3. Any demand, notice, consent or approval or other communication to be given under this Property-Linked Floating Charge shall be in writing and shall either be delivered personally or sent by pre-paid first class post or facsimile transmission to the relevant party's address or facsimile number stated in Clause 11.3 (or such other address or facsimile number (in each case in the United Kingdom) as is notified in writing from time to time by such party to the other party in accordance with the requirements of this Clause). Any such notice shall be effective upon receipt and shall be deemed to have been received:

- (A) if delivered personally, at the time of delivery;
- (B) if sent by pre-paid first class post, at 17.00 hours on the day following the day of posting and shall be effective even if it is misdelivered or returned undelivered; and
- (C) if communicated by facsimile transmission, upon receipt by the sender of a facsimile transmission report (or other appropriate evidence) that the facsimile has been transmitted to the address,

PROVIDED that where, in the case of delivery by hand or facsimile transmission, delivery or transmission occurs after 6.00pm on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 9.00am on the next following Business Day.

### 11.3 **Addresses for service**

For the purposes of this Clause the authorised address of each party shall be the address set out below:

- (A) **Chargor:**

**Standard Life Assurance Limited**

Address: Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH

Fax No: 0131 245 7955

Attention: ~~Simon Burns or his successor as~~ Company Secretary

- (B) **Chargee:**

**The Law Debenture Trust Corporation p.l.c.**

Address: 5th Floor, 100 Wood Street, London, EC2V 7EX

Fax No: 020 7606 0643

Attention: Manager, Commercial Trusts

## **12. Governing Law and Jurisdiction**

### **12.1 Governing law**

This Property-Linked Floating Charge is governed by and shall be construed in accordance with Scots law.

### **12.2 Jurisdiction of Scottish courts**

12.3 The Scottish courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Property-Linked Floating Charge, including a dispute regarding the existence, validity or discharge of this Property-Linked Floating Charge or the security comprised in it (a **Dispute**).

12.4 The parties agree that the Scottish courts are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.

12.5 Nothing in this Clause limits the rights of the Chargee to bring proceedings against the Chargor in connection with this Property-Linked Floating Charge in any other court of competent jurisdiction or concurrently in more than one jurisdiction.

## The Schedule

### Property-Linked Reinsurance Contracts

(i) ~~The agreement entitled 'Reinsurance Agreement (Trustee Investment Plan)' entered into between Standard Life Pension Funds Limited and Standard Life Investment Funds Limited dated 10 October 2006 to the extent that it relates to liabilities in respect of Property-Linked Policies.~~

1. (ii) ~~\_\_\_\_\_~~ The agreement entitled 'Reassurance Policy' entered into between The Standard Life Assurance Company<sup>4</sup> ~~\_\_\_\_\_~~<sup>\*1</sup> and Fidelity Investments Life Insurance Limited dated 21 April 2005 as amended by an agreement dated 22 November 2007 and 4 December 2007 by which the obligations of Standard Life Assurance Limited under that agreement were assumed by Standard Life Investment Funds Limited<sup>\*2</sup>.

2. (iii) ~~\_\_\_\_\_~~ The agreement entitled 'Reassurance Policy' entered into between The Standard Life Assurance Company<sup>\*1</sup> and ~~Threadneedle Pensions~~ Prudential Assurance Company Limited dated ~~3 January 2006~~ 6 April 2001 and numbered ~~GBRT 101790~~ GR 79000 as amended by an agreement dated ~~25 July and 7 and 17~~ 25 July and 7 October 2008 by which the obligations of Standard Life Assurance Limited under that agreement were assumed by Standard Life Investment Funds Limited<sup>\*2</sup>.

3. (iv) ~~\_\_\_\_\_~~ The agreement entitled 'Reassurance Policy' entered into between The Standard Life Assurance Company<sup>\*1</sup> and ~~Prudential Assurance Company~~ Merrill Lynch Pensions Limited ~~dated 6 April 2001~~ (renamed BlackRock Pensions Limited)<sup>\*3</sup> and <sup>\*4</sup> dated 19 January 2006 and numbered ~~GR 79000~~ GBRT 101819 as amended by an agreement dated ~~25 July~~ 6 and ~~17 October 2008~~ May 2010 by which the obligations of Standard Life Assurance Limited under that agreement were assumed by Standard Life Investment Funds Limited<sup>\*2</sup>. As a result of the various insurance business transfer schemes, this agreement is now between Standard Life Assurance Limited and Scottish Equitable Plc.

4. (v) ~~\_\_\_\_\_~~ The agreement entitled 'Reassurance Policy' entered into between ~~The~~ Standard Life Investment Funds Limited<sup>\*2</sup> and Zurich Assurance ~~Company\*~~ and Invesco Pensions Limited dated ~~22 July 2003~~ 26 October 2010 and numbered GBRT ~~100861 as amended by an~~ 103738.

5. ~~The agreement dated 31 October and 3 November 2008 by which the obligations of~~ entitled 'Reassurance Policy' entered into between Standard Life Assurance Limited ~~under that agreement were assumed by Standard Life Investment Funds Limited. By virtue of an order of the High Court of Justice, the rights and obligations of Invesco Pensions Limited were transferred to Threadneedle Pensions Limited on 31 October 2008 pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 and Investment Solutions Limited (now known as Mobius Life Limited) dated 31 July 2012 and numbered GBRT 104273.~~

<sup>4</sup> ~~The Standard Life Assurance Company transferred substantially all of its long-term business, including all of its rights and obligations under the agreements referred to above, to Standard Life Assurance Limited pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000.~~



6. ~~(vi)~~ The agreement entitled 'Reassurance Policy' entered into between ~~The Standard Life Assurance Company\* and Merrill Lynch Pensions Limited (now BlackRock Pensions and Old Mutual Wealth Life Assurance Limited)~~ dated ~~19 January 2006~~2 December 2014 and numbered GBRT ~~101819 as amended by an~~104899.
7. The agreement ~~dated 6 and 17 May 2010 by which the obligations of~~entitled 'Reassurance Policy' entered into between Standard Life Assurance Limited under that agreement were assumed by Standard Life Investment Funds Limited and Old Mutual Wealth Life Assurance Limited dated 2 December 2014 and numbered GBRT 104900.
8. ~~(vii)~~ The agreement entitled "Reassurance Policy" entered into between Standard Life ~~Investments Limited and Zurich Assurance Limited~~ dated ~~26 October 2010~~and Legal and General Assurance (Pension Management) Limited dated 23 December 2014 and numbered ~~GBR T 103738~~GBRT 104914.

In each case, as amended, supplemented or replaced from time to time.

\*1 By virtue of an order of the Court of Session, substantially all of the long-term business of The Standard Life Assurance Company transferred substantially all of its long-term business, (including all of its rights and obligations under the agreements referred to above,) was transferred to Standard Life Assurance Limited pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 with effect from 10 July 2006.

\*2 By virtue of an order of the Court of Session, the long-term business of Standard Life Investment Funds Limited (including all of its rights and obligations under the agreements referred to above) was transferred to Standard Life Assurance Limited pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 with effect from 31 December 2011.

\*3 By virtue of an order of the High Court of Justice on 12 December 2011, the rights and obligations of BlackRock Pensions Limited were transferred to BlackRock Asset Management Pensions Limited (now renamed BlackRock Life Limited) pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 with effect from 31 December 2011.

\*4 By virtue of an order of the High Court of Justice on 21 June 2018, the rights and obligations of BlackRock Life Limited were transferred to Scottish Equitable Plc pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 with effect from 1 July 2018.

## Part 2

### Security Trust Agreement

**AMENDED AND RESTATED SECURITY TRUST AGREEMENT**

between

**THE LAW DEBENTURE TRUST CORPORATION p.l.c.  
as Security Trustee**

**STANDARD LIFE ASSURANCE LIMITED  
as Company**

**STANDARD LIFE PENSION FUNDS LIMITED  
as Instructing Parties' Agent**

and

**OTHERS  
as Beneficiaries**

**Dated: 12 October 2006 and amended and restated on 27 November 2007 and as further amended and restated by an order of the Court of Session on 20 December 2011 and taking effect on 31 December 2011 pursuant to the insurance business scheme under Part VII of the Financial Services and Markets Act 2000**

Ref: BDP/CLP/STA077.0009

## INDEX

1.	Definitions and Interpretation	16
2.	Trust for the Secured Parties	20
3.	Application of Total Proceeds	20
4.	Security Trustee's Actions	22
5.	Resignation of Security Trustee	28
6.	Change of Party	29
7.	Delegation and Additional Security Trustees	30
8.	Fees and Expenses	30
9.	Indemnities	32
10.	Calculation of Secured Amount	32
11.	Amendments and Releases	33
12.	Miscellaneous	34
13.	Remedies and Waivers, Partial Invalidity	35
14.	Notices	36
15.	Winding-Up of Trust and Perpetuity Period	37
16.	Floating Charge to Prevail	37
17.	Governing Law	38
18.	Jurisdiction	38
	Schedule 1 The Beneficiaries	40
	Schedule 2 Form of Beneficiary Accession Undertaking	41
	Schedule 3 Form of Instructing Parties' Agent Accession Undertaking	43

**THIS AGREEMENT was made on 12 October 2006 and amended and restated on 27 November 2007 and as further amended and restated by an order of the Court of Session in Scotland on 20 December 2011 and taking effect on 31 December 2011 pursuant to the insurance business scheme under Part VII of the Financial Services and Markets Act 2000**

**BETWEEN:**

- (1) **THE LAW DEBENTURE TRUST CORPORATION P.L.C.** (Registered Number 01675231) in its capacity as security trustee for the Secured Parties under the Floating Charge (as defined below) (the **Security Trustee**);
- (2) **STANDARD LIFE ASSURANCE LIMITED** (Registered Number SC286833) a company incorporated in Scotland with limited liability and whose registered office is at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH (the **Company**);
- (3) **THE BENEFICIARIES** (the **Beneficiaries**) with the initial such persons' details being more particularly set out at Appendix A; and
- (4) **STANDARD LIFE PENSION FUNDS LIMITED** (Registered Number SC046447) a company incorporated in Scotland with limited liability and whose registered office is at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH in its capacity as agent of the Instructing Parties (as defined below) (the **Instructing Parties' Agent**).

**AND WITNESS as follows:**

**13. DEFINITIONS AND INTERPRETATION**

**13.1 Definitions**

Terms defined in the Floating Charge shall, unless otherwise defined in this Agreement, have the same meaning when used in this Agreement and in addition:

**Accession Undertaking** means a Beneficiary Accession Undertaking or an Instructing Parties' Agent Accession Undertaking (as the case may be);

**Beneficiaries** means the persons being named as Beneficiaries in Appendix A and any person who becomes a beneficiary as a result of executing and delivering to the Instructing Parties' Agent a Beneficiary Accession Undertaking but excluding any such person who has ceased to be a party to a Property-Linked Reinsurance Contract;

**Beneficiary Accession Undertaking** means an undertaking in substantially the form set out in Appendix B (*Form of Beneficiary Accession Undertaking*) or any other form agreed between the Instructing Parties' Agent and the Security Trustee;

**Beneficiaries' Share** means, in relation to a Beneficiary, the proportion of the Property-Linked Secured Amount or Interim Beneficiaries Proceeds that the Property-Linked Reinsured Liabilities at the Valuation Time under the Property-Linked Reinsured

Contract(s) issued to that Beneficiary bear to the total Property-Linked Reinsured Liabilities at the Valuation Time;

**Chargee Sums** means Chargee Sums as such term is defined in the Floating Charge;

**Default** means any event causing or giving rise to the crystallisation of the floating charge under Clause 3.2 of the Floating Charge;

**Delegate** means any delegate, agent, attorney or co-trustee appointed by the Security Trustee;

**Finance Documents** means, together:

- a) this Agreement; and
- b) the Floating Charge.

**Floating Charge** means the property-linked floating charge granted by the Company to the Security Trustee as security trustee for the Beneficiaries in relation to the Property-Linked Reinsurance Liabilities, on or around the date of this Agreement;

**Instructing Parties** means a Beneficiary or Beneficiaries holding not less than 662/3% of the Reinsured Liabilities from time to time;

**Instructing Parties' Agent** means Standard Life Pension Funds Limited (or any successor thereof);

**Instructing Parties' Agent Accession Undertaking** means an undertaking in substantially the form set out in Appendix D (*Form of Instructing Parties' Agent Accession Undertaking*) or any other form agreed between the Instructing Parties' Agent and the Security Trustee;

**Interim Beneficiaries Proceeds** means the Interim Proceeds multiplied by the Reinsured Proportion;

**Interim Proceeds** means, at any time, the aggregate at any time of all monies and/or other assets received or recovered by the Security Trustee (or on its behalf) in connection with the realisation of (only) part of the Property-Linked Charged Property, less:

- a) the aggregate of any Reinsured Interim Distribution and any Non-Reinsured Interim Distribution which have been made up to that date; and

- b) the aggregate of any amounts paid or payable to the Security Trustee (in its capacity as Security Trustee) or to any Receiver or Delegate or administrator or liquidator of the Company up to that date; and
- c) such provision as any administrator or liquidator of the Company thinks fit for a sum which is, or may be, owed to the unsecured creditors of the Company under Section 176A of the Insolvency Act 1986.

**Non-Reinsured Interim Distribution** means an amount equal to;

Reinsured Interim Distribution x 
$$\frac{(\text{the Property-Linked Liabilities at the Valuation Time} - \text{the Property-Linked Reinsured Liabilities at the Valuation Time})}{\text{the Property-Linked Reinsured Liabilities at the Valuation Time}}$$

**Property-Linked Charged Property** means the Property-Linked Charged Property as that term is defined in the Floating Charge;

**Property-Linked Liabilities** means the Property-Linked Liabilities as that term is defined in the Floating Charge;

**Property-Linked Reinsurance Contracts** means the Property-Linked Reinsurance Contracts as that term is defined in the Floating Charge;

**Property-Linked Reinsured Liabilities** means the Property-Linked Reinsured Liabilities as that term is defined in the Floating Charge;

**Property-Linked Secured Amount** means the Property-Linked Secured Amount as that term is defined in the Floating Charge;

**Reinsured Interim Distribution** means a distribution made to the Beneficiaries pursuant to Clause 3.1.(A);

**Reinsured Proportion** means the Reinsured Proportion as that term is defined in the Floating Charge;

**Receiver** means any one or more receivers and/or managers or administrative receivers (whether appointed pursuant to this Agreement or pursuant to any statute, by a court or otherwise) of all or any of the Property-Linked Charged Property;

**Secured Parties** means each of the Beneficiaries and the Security Trustee (acting in that capacity);

**Security** means any and all Security Interests (as defined in the Floating Charge) created under the Floating Charge by the Company in favour of the Security Trustee;

**Total Proceeds** means the Total Proceeds as such term is defined in the Floating Charge;

**Valuation Time** means the Valuation Time as that term is defined in the Floating Charge.

## 13.2 Interpretation

In this Agreement:

- 13.2.1 references to any party shall be construed so as to include that party's respective successors in title, permitted assigns and permitted transferees;
- 13.2.2 "including" and "in particular" shall not be construed restrictively but shall mean respectively "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing";
- 13.2.3 a "person" includes any individual, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- 13.2.4 "variation" includes any variation, amendment, accession, novation, restatement, modification, assignment, transfer, supplement, extension, deletion or replacement however effected and "vary" and "varied" shall be construed accordingly;
- 13.2.5 "writing" includes facsimile transmission legibly received except in relation to any certificate, notice or other document which is expressly required by this Agreement to be signed and "written" has a corresponding meaning;
- 13.2.6 subject to Clause 23.1, references to this Agreement or to any other document include references to this Agreement or such other document as varied in any manner from time to time;
- 13.2.7 the singular shall include the plural and vice versa; any gender shall include the other genders; clauses shall be construed as references to clauses of this Agreement;
- 13.2.8 any reference to any statute or statutory instrument or any section of it shall be deemed to include a reference to any statutory modification or re-enactment of it for the time being in force;



13.2.9 headings in this Agreement are inserted for convenience and shall not affect its interpretation; and

13.2.10 references in this Agreement to any Clause or any Schedule or part thereof shall be to a clause or schedule or part thereof contained in this Agreement.

#### **14. TRUST FOR THE SECURED PARTIES**

##### **14.1 Trust**

The Security Trustee declares that it shall hold the Floating Charge on trust for the Secured Parties on the terms contained in this Agreement. Each of the parties to this Agreement agrees that the Security Trustee shall have only those duties, obligations and responsibilities expressly specified in the Floating Charge and in this Agreement (and no others shall be implied).

##### **14.2 No Independent Power**

The Beneficiaries shall not have any independent power to enforce, or have recourse to, any of the Security or to exercise any rights or powers pursuant to the Floating Charge except through the Security Trustee.

#### **15. APPLICATION OF TOTAL PROCEEDS**

##### **15.1 Order of Application**

The Total Proceeds shall be held by the Security Trustee on trust to apply them at such times as the Security Trustee sees fit, to the extent permitted by applicable law, in the following order of priority:

15.1.1 to the Security Trustee in discharging any Chargee Sums owing to the Security Trustee (in its capacity as trustee), any Receiver or to any Delegate or to any administrator or to any liquidator;

15.1.2 in distributing to each Beneficiary, its Beneficiary Share of the Property-Linked Secured Amount, that distribution being in the discharge of the Property-Linked Secured Amount in respect of its Property-Linked Reinsurance Contract;

15.1.3 any distribution under Clause 3.1.3 shall be under deduction of any Reinsured Interim Distribution made under Clause 3.1.(A).1;

15.1.4 the balance in payment to the Company (or the liquidator or administrator of the Company).

**3.1(A). Interim Distributions**

3.1.(A).1 The Security Trustee or administrator or liquidator of the Company may at such time as it sees fit make one or more distributions to the Beneficiaries only out of the Interim Beneficiaries Proceeds.

3.1.(A).2 Each Beneficiary shall receive from such a distribution its Beneficiaries Share of the Interim Beneficiaries Proceeds being distributed, that distribution being in partial discharge of the Property-Linked Secured Amount in respect of its Property-Linked Reinsurance Contract.

3.1.(A).3 The Security Trustee shall make a distribution to the Beneficiaries pursuant to Clause 3.1(A).1 and 3.1(A).2 only if at the same time it makes to the Company (or the liquidator or administrator of the Company) a Non-Reinsured Interim Distribution.

**15.2 Investment of Proceeds**

Prior to the application of the Total Proceeds in accordance with Clause 15.1 (*Order of Application*) the Security Trustee may, at its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Trustee with such financial institution for so long as the Security Trustee shall think fit (the interest being credited to the relevant account) pending the application from time to time of those monies at the Security Trustee's discretion in accordance with the provisions of this Clause 15.

**15.3 Currency Conversion**

For the purpose of or pending the discharge of any of the Property-Linked Secured Amounts the Security Trustee may convert any Interim Proceeds or the Total Proceeds from one currency to another, at the spot rate at which the Security Trustee is able to purchase the currency in which the Property-Linked Secured Amounts are due with the amount received.

**15.4 Permitted Deductions**

The Security Trustee shall be entitled:

15.4.1 to set aside by way of reserve amounts; and

15.4.2 to make and pay, any deductions and withholdings (on account of taxes (including VAT) or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement and to pay all taxes (including VAT) which may be assessed against it in respect of any of the Property-Linked Charged Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Trustee under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

## 15.5 **Clawback**

15.5.1 If any Beneficiary has received an amount as a result of the enforcement of the Security and the Security Trustee on its behalf is subsequently required to pay that amount to a liquidator (or any other party) pursuant to a court order (a **Clawback Amount**), that Beneficiary will immediately pay an amount equal to such Clawback Amount to the Security Trustee for payment to the liquidator (or other relevant party).

15.5.2 Each Beneficiary that has received a Clawback Amount shall indemnify the Security Trustee against any and all costs, claims, losses, expenses (including legal fees) and liabilities together with any VAT thereon which the Security Trustee may incur with respect to that Clawback Amount otherwise than by reason of the Security Trustee's own gross negligence or wilful misconduct.

## 15.6 **Sums received by Obligors**

If the Company receives any sum which, pursuant to the Floating Charge, should have been paid to the Security Trustee, that sum shall be held by the Company on trust for the Beneficiaries and shall as soon as practicably possible be paid to the Security Trustee for application in accordance with this Clause 15.

## 16. **SECURITY TRUSTEE'S ACTIONS**

### 16.1 **Security Trustee's Instructions**

16.1.1 The Security Trustee shall except as otherwise provided, act in accordance with any written instructions given to it by the Instructing Parties' Agent and shall be entitled to assume that:

- (a) any written instructions received from the Instructing Parties' Agent are duly given by or on behalf of the relevant Instructing Parties;

- (b) unless it has received actual notice of revocation, that any written instructions or directions given by the Instructing Parties' Agent have not been revoked;
- (c) any written instructions received from the Beneficiaries are duly given by or on behalf of the Beneficiaries; and

16.1.2 The Security Trustee shall be entitled to request written instructions, or clarification of any direction, from the Instructing Parties' Agent as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers and discretions and the Security Trustee may refrain from acting unless and until those written instructions or clarification are received by it.

## **16.2 Security Trustee's Actions**

Subject to the provisions of this Clause 16:

- 16.2.1 the Security Trustee may, in the absence of any instructions to the contrary, take such action in the exercise of any of its duties under the Finance Documents which in its absolute discretion it considers to be for the protection and benefit of all the Beneficiaries, including, for the avoidance of doubt, taking enforcement action under the Floating Charge;
- 16.2.2 at any time after a Default the Security Trustee may exercise all or any of its rights, remedies, powers or discretions under the Floating Charge, and the Security Trustee may, and shall if so directed by the Instructing Parties' Agent, take such action as in its sole discretion it thinks fit to enforce the Security; and
- 16.2.3 on the occurrence of a Default, the Instructing Parties' Agent shall take whatever action it considers expedient to authorise the Security Trustee to take any action under this Clause 16.2.

## **16.3 Security Trustee's Discretions**

The Security Trustee may:

- 16.3.1 assume unless it has, in its capacity as trustee for the Secured Parties, received actual notice to the contrary that in:
- 16.3.2 no Default has occurred and the Company is not in breach of or default under its obligations under the Floating Charge; and;
- 16.3.3 any right, power, authority or discretion vested by the Floating Charge in any person has not been exercised;

- 16.3.4 if it receives any instructions or directions from the Instructing Parties' Agent to take any action in relation to the Security, assume that all applicable conditions under the Finance Documents for taking that action have been satisfied and that, unless otherwise specified by the Instructing Parties' Agent, are given in its capacity as the Instructing Parties' Agent;
- 16.3.5 engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts (whether obtained by the Security Trustee, the Company, the Instructing Parties' Agent or by any other Beneficiary) whose advice or services may at any time seem necessary, expedient or desirable;
- 16.3.6 rely upon any communication or document believed by it to be genuine and, as to any matters of fact which might reasonably be expected to be within the knowledge of the Instructing Parties' Agent or a Beneficiary or the Company, upon a certificate signed by or on behalf of that person; and
- 16.3.7 refrain from acting in accordance with the instructions of any person (including bringing any legal action or proceeding arising out of or in connection with the Finance Documents) until it has received such indemnification and/or security as it may in its absolute discretion require (whether by way of payment in advance or otherwise) for all costs, losses and liabilities which it may incur in acting in accordance with such instructions or in bringing such action or proceedings.

#### **16.4 Security Trustee's Obligations**

The Security Trustee shall promptly inform the Beneficiaries of:

- 16.4.1 the contents of any written notice or document received by it in its capacity as Security Trustee from the Company under the Finance Documents; and
- 16.4.2 the occurrence of any Default or any default by the Company in the due performance of or compliance with its obligations under the Finance Documents of which the Security Trustee has received written notice from any other party.

#### **16.5 Excluded Obligations**

Notwithstanding anything to the contrary expressed or implied in any Finance Document, the Security Trustee shall not:

- 16.5.1 be obliged to make any enquiry as to any default by the Company in the performance or observance of any provision of any Finance Document or as to whether any event or circumstance has occurred as a result of which the Security shall have or may become enforceable;
- 16.5.2 be bound to account to any Beneficiary for any sum or the profit element of any sum received by it for its own account;

- 16.5.3 be bound to disclose to any other person (including any Beneficiary);
- 16.5.4 any confidential information; or
- 16.5.5 any other information if disclosure would or might in its reasonable opinion constitute a breach of any law or be a breach of fiduciary duty;
- 16.5.6 be liable to any of the Beneficiaries for any action taken or omitted under or in connection with any of the Finance Documents unless caused by its fraud, gross negligence or wilful misconduct;
- 16.5.7 have or be deemed to have any duty, obligation or responsibility to, or relationship of trust or agency with, the Company; or
- 16.5.8 be obliged to take any action in relation to enforcing or perfecting any charge over any shares in a company registered or incorporated with unlimited liability.

#### **16.6 Exclusion of Security Trustee's Liability**

Unless caused directly by its gross negligence or wilful misconduct the Security Trustee shall not accept responsibility or be liable for:

- 16.6.1 the adequacy, accuracy and/or completeness of any information supplied by the Security Trustee or any other person in connection with the Finance Documents or the transactions contemplated therein, or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection therewith;
- 16.6.2 the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection therewith;
- 16.6.3 any losses to any person or any liability arising as a result of taking or refraining from taking any action in relation to any of the Finance Documents or the Security or otherwise, whether in accordance with an instruction from the Instructing Parties' Agent or otherwise;
- 16.6.4 the exercise of, or the failure to exercise, any judgment, discretion or power given to it by or in connection with any of the Finance Documents, the Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection therewith; or
- 16.6.5 any shortfall which arises on the enforcement of the Security,

and each of the Beneficiaries agrees that it will not assert or seek to assert against any officer, employee or agent of the Security Trustee any claim it might have against any of them in respect of the matters referred to in this Clause 16.

## **16.7 Own Responsibility**

It is understood and agreed by each Beneficiary that at all times that Beneficiary has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigation into all risks arising under or in connection with the Finance Documents including but not limited to:

- 16.7.1 the financial condition, creditworthiness, condition, affairs, status and nature of the Company;
- 16.7.2 the legality, validity, effectiveness, adequacy and enforceability of each of the Finance Documents and the Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents;
- 16.7.3 whether that Beneficiary has recourse, and the nature and extent of that recourse, against the Company or any other person or any of their respective assets under or in connection with the Finance Documents or the transactions contemplated therein or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents;
- 16.7.4 the adequacy, accuracy and/or completeness of any information provided by any person in connection with the Finance Documents or the transactions contemplated therein or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents; and
- 16.7.5 the right or title of any person in or to, or the value or sufficiency of any part of the Property-Linked Charged Property, the priority of any of the Security or the existence of any Security Interest affecting the Property-Linked Charged Property,

and each Beneficiary warrants to the Security Trustee that it has not relied on and will not at any time rely on the Security Trustee in respect of any of these matters.

## **16.8 No responsibility to perfect Security**

The Security Trustee shall not be liable for any failure to:

- 16.8.1 require the deposit with it of any deed or document certifying, representing or constituting the title of the Company to any of the Property-Linked Charged Property;
- 16.8.2 obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any of the Finance Documents or the Security;

- 16.8.3 register, file or record or otherwise protect any of the Security (or the priority of any of the Security) under any applicable laws in any jurisdiction or to give notice to any person of the execution of any of the Finance Documents or of the Security;
- 16.8.4 take, or to require the Company to take, any steps to perfect its title to any of the Property-Linked Charged Property or to render the Security effective or to secure the creation of any ancillary Security Interest under the laws of any jurisdiction; or
- 16.8.5 require any further assurances in relation to any of the Finance Documents.

#### **16.9 Insurance by Security Trustee**

The Security Trustee shall not be under any obligation to insure any of the Property-Linked Charged Property, to require any other person to maintain any insurance or to verify any obligation to arrange or maintain insurance contained in the Floating Charge. The Security Trustee shall not be responsible for any loss which may be suffered by any person as a result of the lack of or inadequacy of any such insurance. Where the Security Trustee is named on any insurance policy as an insured party, it shall not be responsible for any loss which may be suffered by reason of, directly or indirectly, its failure to notify the insurers of any material fact relating to the risk assumed by such insurers or any other information of any kind, unless the Instructing Parties' Agent shall have requested it to do so in writing and the Security Trustee shall have failed to do so within fourteen days after receipt of that request.

#### **16.10 Safekeeping**

The Security Trustee shall, acting reasonably, be at liberty to place (at the cost of the Company) any of the Finance Documents and any other documents or deeds relating to the Security in any safe custody selected by the Security Trustee (acting reasonably) or with any financial institution, any company whose business includes the safe custody of documents or any firm of lawyers of good repute and the Security Trustee shall not be responsible for, or required to insure against, any loss incurred in connection with that deposit.

#### **16.11 Acceptance of Title**

The Security Trustee shall be entitled to accept without enquiry, and shall not be obliged to investigate, such right and title as the Company may have to any of the Property-Linked Charged Property and shall not be liable for or bound to require the Company to remedy any defect in its right or title.

#### **16.12 Refrain from Illegality**

The Security Trustee may refrain from doing anything which in its opinion will or may be contrary to any relevant law of any jurisdiction which would or might otherwise render it liable to any



person, and the Security Trustee may do anything which is, in its opinion, necessary to comply with any such law.

#### **16.13 Powers Supplemental**

The rights, powers and discretions conferred upon the Security Trustee by this Agreement shall be supplemental to the Trustee Act 1925 and in addition to any which may be vested in the Security Trustee by general law or otherwise.

### **17. RESIGNATION OF SECURITY TRUSTEE**

#### **17.1 Resignation of Security Trustee**

The Security Trustee may resign as trustee at any time without assigning any reason by giving not less than ninety days' prior notice to that effect to each of the other parties to this Agreement (save that the other parties waive the requirement for prior notice if it is necessary for the Security Trustee to resign to comply with law or in the event of any illegality) provided that no such resignation shall be effective until:

17.1.1 a successor to the Security Trustee is appointed in accordance with the terms of this Agreement; and

17.1.2 all of the Security has been transferred to its successor.

#### **17.2 Removal of Security Trustee**

The Instructing Parties' Agent may remove the Security Trustee from its role as trustee under this Agreement by giving notice to that effect to each of the other parties to this Agreement. That removal shall take effect only when a successor to the Security Trustee is appointed in accordance with the terms of this Agreement.

#### **17.3 Successor Security Trustee**

If the Security Trustee gives notice of its resignation as trustee pursuant to Clause 17.1 (*Resignation of Security Trustee*) or it is removed as trustee then any reputable and experienced bank or other financial institution may be appointed as a successor to the Security Trustee by the Instructing Parties' Agent during the period of that notice but, if no successor is so appointed, the Security Trustee may appoint a successor itself.

#### **17.4 Rights and Obligations**

If a successor to the Security Trustee is appointed under the provisions of Clause 17.3 (*Successor Security Trustee*), then:

17.4.1 the resigning or departing Security Trustee shall be discharged from any further obligation under this Agreement but shall remain entitled to the benefit of Clause 16 (*Security Trustee's Actions*) and this Clause 17; and

17.4.2 its successor and each of the other parties to this Agreement shall have the same rights and obligations amongst themselves as they would have had if that successor had been a party to this Agreement.

## **18. CHANGE OF PARTY**

### **18.1 Beneficiary Accession Undertaking**

Any person which enters into a Property-Linked Reinsurance Contract shall be entitled to become a Beneficiary and to participate in the Floating Charge as a Secured Party by executing and delivering to the Instructing Parties' Agent a Beneficiary Accession Undertaking and with effect from the "Accession Date" (being the later of the date of countersigning by the Company and the Security Trustee and the date specified in that Beneficiary Accession Undertaking) the additional or replacement Beneficiary shall assume the same obligations, and become entitled to the same rights, as a Beneficiary under this Agreement as if it had been an original party to this Agreement as such a Beneficiary.

### **18.2 Instructing Parties' Agent Accession Undertaking**

The Beneficiaries shall ensure that any person which accepts its appointment as an Instructing Parties' Agent shall execute and deliver an Instructing Parties' Agent Accession Undertaking and with effect from the "Accession Date" (being the later of the date of countersigning by the Company and the Security Trustee and the date specified in that Instructing Parties' Agent Accession Undertaking) such new Instructing Parties' Agent shall assume the same obligations, and become entitled to the same rights as the Instructing Parties' Agent under this Agreement as if it had been an original party to this Agreement as such an Instructing Parties' Agent and the existing Instructing Parties' Agent shall cease to act in that capacity with effect from the Accession Date.

### **18.3 Security Trustee countersign**

The Security Trustee will execute as soon as reasonably practicable an Accession Undertaking delivered to it and which appears on its face to be in order provided always that the Security Trustee's execution of such an undertaking will not be implied to be a vetting or approval of such acceding party on behalf of any party to this Agreement.

### **18.4 Authority to Security Trustee to countersign**

Each party hereto (other than the Company) irrevocably authorises the Security Trustee to execute any duly completed Accession Undertaking on its behalf.

### **18.5 Security Trustee to notify the Instructing Parties' Agent**

The Security Trustee will, as soon as reasonably practicable after it has executed an Accession Undertaking, send to the Instructing Parties' Agent a copy of that Accession Undertaking.

### **18.6 Company and Instructing Parties' Agent notification obligation**

The Company and each Beneficiary will, as soon as reasonably practicable after it becomes aware that no further Secured Amounts will become due and payable to such Beneficiary from the Company, notify the Instructing Parties' Agent in writing of that fact. The Instructing Parties' Agent will promptly on receipt of such notice notify the Security Trustee in writing that it has received such notice and from the date of actual receipt by the Security Trustee of such notice the relevant Beneficiary will cease to be a Beneficiary.

## **19. DELEGATION AND ADDITIONAL SECURITY TRUSTEES**

### **19.1 Delegation**

The Security Trustee may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any of the rights, powers and discretions vested in it by any of the Finance Documents and such delegation may be made upon such terms and conditions (including the power to sub-delegate) and subject to such restrictions as the Security Trustee may think fit in the interest of the Beneficiaries and it shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate.

### **19.2 Additional Security Trustees**

The Security Trustee may at any time appoint (and subsequently remove) any person to act as a separate trustee or as a co-trustee jointly with it:

- 19.2.1 if it considers such appointment to be in the interests of the Beneficiaries; or
- 19.2.2 for the purposes of conforming to any legal requirements, restrictions or conditions which the Security Trustee deems to be relevant; or
- 19.2.3 for obtaining or enforcing any judgment in any jurisdiction, and the Security Trustee shall give prior notice to the Company and the Beneficiaries of any such appointment.

Any person so appointed (subject to the terms of this Agreement) shall have such rights, powers and discretions (not exceeding those conferred on the Security Trustee by this Agreement) and such duties and obligations as are conferred or imposed by the instrument of appointment. The remuneration the Security Trustee may pay to any such person, and any costs and expenses incurred by such person in performing its functions pursuant to that appointment shall, for the purposes of this Agreement, be treated as costs and expenses incurred by the Security Trustee.

## **20. FEES AND EXPENSES**

### **20.1 Security Trustee's Ongoing Fees**

In the event of:

- 20.1.1 the occurrence of a Default; or
- 20.1.2 the Security Trustee considering it necessary or expedient; or

- 20.1.3 the Security Trustee being requested by the Company to undertake duties which the Security Trustee and the Company agree to be of an exceptional nature and/or outside the scope of the normal duties of the Security Trustee under the Finance Documents,

the Company shall pay to the Security Trustee such additional remuneration (together with any applicable VAT) as may be agreed between them. If the Security Trustee and the Company fail to agree upon the nature of such duties or upon such additional remuneration, that dispute shall be determined by a Queen's Counsel (acting as an expert and not as an arbitrator) selected by the Security Trustee and approved by the Company or, failing such approval, nominated (on the application of the Security Trustee) by the President for the time being of the Law Society of Scotland (the costs of such nomination and of the Queen's Counsel being payable by the Company) and the determination of any such Queen's Counsel shall, in the absence of manifest error, be final and binding upon the parties to this Agreement.

## **20.2 Transaction and Enforcement Expenses**

The Company shall, from time to time on demand of the Security Trustee, reimburse the Security Trustee:

- 20.2.1 for all reasonable costs and expenses (including legal fees) properly incurred by the Security Trustee, a Receiver or any Delegate in connection with the negotiation, preparation and execution of this Agreement and the Floating Charge and the completion of the transactions and perfection of the security contemplated in the Floating Charge; and
- 20.2.2 on a full indemnity basis, for all costs and expenses (including legal fees) incurred by the Security Trustee, a Receiver or any Delegate in connection with the exercise, preservation and/or enforcement of any of the rights, powers and remedies of the Security Trustee, of the Security and any proceedings instituted by or against the Security Trustee as a consequence of taking or holding the Security or of enforcing those rights, powers and remedies,

in each case, together with any applicable VAT incurred.

## **20.3 Stamp Taxes**

The Company shall pay all stamp, registration, notarial and other taxes or fees to which this Agreement, the Security or any judgment given in connection with them, is or at any time may be, subject and shall, from time to time, indemnify the Security Trustee on demand against any

liabilities, costs, claims and expenses resulting from any failure to pay or any delay in paying any such tax or fee.

#### **20.4 Interest on Demands**

If the Company fails to pay any sum on the due date for payment of that sum the Company shall pay interest on any such sum (before and after any judgment and to the extent interest at a default rate is not otherwise being paid on such sum) from the date of demand until the date of payment calculated on a daily basis at the rate of 1% above the base rate of Bank of Scotland plc as that rate varies from time to time.

### **21. INDEMNITIES**

The Company shall indemnify the Security Trustee and every Receiver and Delegate against all costs, claims, losses, expenses (including legal fees) and liabilities (together with any applicable VAT), incurred by any of them in relation to or arising out of:

- 21.1.1 any failure by the Company to comply with obligations under Clause 20 (*Fees and Expenses*);
- 21.1.2 the protection or enforcement of the Security;
- 21.1.3 the exercise of any of the rights, powers, discretions and remedies vested in any of them by the Finance Documents or by law;
- 21.1.4 any default by the Company in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or
- 21.1.5 otherwise in relation to any of the Security or the performance of the terms of this Agreement,

in each case other than as a result of the Security Trustee's gross negligence or wilful misconduct. The Security Trustee may, in priority to any payment to the Beneficiaries, indemnify itself out of the Property-Linked Charged Property in respect of, and pay and retain, all sums necessary to give effect to this indemnity from the Company and shall have a lien on the Security and the proceeds of the enforcement of the Security for all moneys payable to it under this Clause.

### **22. CALCULATION OF SECURED AMOUNT**

Without limitation to Clause 16.7 (*Own Responsibility*), each of the Parties (other than the Security Trustee) agrees and acknowledges for the benefit of the Security Trustee that:

22.1 the determination at any time of the Property-Linked Secured Amount and the Beneficiaries' Share of each of the Beneficiaries relies upon:

22.1.1 the records kept by the Company (or its liquidator, administrator or receiver);  
and

22.1.2 certain calculations being made by the Company with respect to the value of the underlying Property-Linked Reinsurance Contracts (which form part of such records),

and such determination and calculations are matters covered by Clause 16.7.4; and

22.2 as the Security Trustee has no independent means to determine or calculate those amounts, any enquiry by a Beneficiary on its proportion of the Property-Linked Secured Amount or its Beneficiaries Share (as appropriate) should be directed to the Company (or its liquidator, administrator or receiver) or each Beneficiary may, at its own cost, appoint a suitably qualified person to make all relevant determinations and calculations to determine or calculate each Beneficiary's respective proportion of the Property-Linked Secured Amount or its Beneficiaries Share and the Security Trustee shall be entitled to request the same at any time and from time to time in order to give full effect to this Agreement.

## 23. **AMENDMENTS AND RELEASES**

### 23.1 **Amendments**

Unless the provisions of any Finance Document expressly provide otherwise, the Company and the Security Trustee, may amend the terms of, waive any of the requirements of, or grant consents under, this Agreement or the Floating Charge, any such amendment, waiver or consent being binding on all the parties to this Agreement and the Security Trustee shall be under no liability whatsoever in respect thereof **provided that**:

23.1.1 the prior consent of all the Beneficiaries is required to authorise any amendment of the Floating Charge which would affect the nature or the scope of the Charged Property or the crystallisation events under the Floating Charge; and

23.1.2 the prior consent of all of the Beneficiaries is required to authorise any amendment of the Floating Charge which would affect the manner in which the proceeds of enforcement are distributed or any amendments of this Clause 23.1; and

23.1.3 no new or additional obligations may be imposed upon any person without the consent of that person and any amendment or waiver which relates to the

rights or obligations of the Security Trustee shall not be effective without the consent of the Security Trustee.

## **23.2 Releases**

Upon:

- 23.2.1 a disposal of any of the Property-Linked Charged Property pursuant to the enforcement of the Security by a Receiver or the Security Trustee; or
- 23.2.2 a disposal of any of the Property-Linked Charged Property, if such disposal is otherwise permitted under the Finance Documents,

the Security Trustee shall (at the cost of the Company) release that property from the Security and is authorised to execute, without the need for any further authority from the Beneficiaries, any release of the Security or other claim over that asset and to issue any certificates of non-crystallisation of floating charges that may be required or desirable.

## **24. MISCELLANEOUS**

### **24.1 Beneficiaries' Information**

The Instructing Parties' Agent shall furnish to the Security Trustee and each of the Beneficiaries shall furnish to the Instructing Parties' Agent, such information as the Security Trustee and/or the Instructing Parties' Agent may reasonably specify as being necessary or desirable to enable the Security Trustee to perform its functions as trustee and the Instructing Parties' Agent to perform its functions.

### **24.2 Company's Waiver**

The Company hereby waives, to the extent permitted under applicable law, all rights it may otherwise have to require that the Security be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Security or any other Security Interest, which is capable of being applied in or towards discharge of any of the Property-Linked Secured Amount is so applied.

### **24.3 Instructing Parties' instructions**

- 24.3.1 Unless a contrary indication appears in a Finance Document, the Instructing Parties' Agent shall (i) exercise any right, power, authority or discretion vested in it as the Instructing Parties' Agent in accordance with any instructions given to it by the Instructing Parties (or, if so instructed by the Instructing Parties, refrain from exercising any right, power, authority or discretion vested in it as the Instructing Parties' Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Instructing Parties.
- 24.3.2 Any instructions given by the Instructing Parties will be binding on all the Beneficiaries.

24.3.3 The Instructing Parties' Agent may refrain from acting in accordance with the instructions of the Instructing Parties (or, if appropriate, the Beneficiaries) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.

24.3.4 In the absence of instructions from the Instructing Parties (or, if appropriate, the Instructing Parties) the Instructing Parties' Agent may act (or refrain from taking action) as it considers to be in the best interest of the Beneficiaries.

#### **24.4 Replacement of Instructing Parties' Agent**

Beneficiaries representing not less than  $66\frac{2}{3}$  of the Property-Linked Secured Amount may, by notice, instruct the relevant Instructing Parties' Agent to resign and appoint a successor Instructing Parties' Agent acting through an office in the United Kingdom. Upon the appointment of a successor and that successor's accession to this Agreement, the retiring Instructing Parties' Agent shall be discharged from any further obligation in respect of the Finance Documents. Its successor and each of the other parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original party.

#### **24.5 Details of an Instructing Parties' Agent**

If the address or contact details for an Instructing Parties' Agent shall change or be varied from those previously notified by the Instructing Parties' Agent to the Security Trustee, the Instructing Parties' Agent shall promptly notify the Security Trustee and the Beneficiaries in writing of such change or variation.

#### **24.6 Relationship with the Beneficiaries**

Unless the provisions of any Finance Document expressly provide otherwise, each Beneficiary will deal and communicate with the Security Trustee exclusively through the Instructing Parties' Agent and will not deal or communicate directly with the Security Trustee.

### **25. REMEDIES AND WAIVERS, PARTIAL INVALIDITY**

#### **25.1 Remedies and Waivers**

No failure to exercise, or any delay in exercising, on the part of any Beneficiary, any right or remedy under this Agreement shall operate as a waiver of that right or remedy, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.



## **25.2 Partial Invalidity**

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## **26. NOTICES**

### **26.1 Notices**

A notice to any party under this Agreement shall be made or given by any director or officer of a party in accordance with Clause 26.2.

### **26.2 Addresses for notice and deemed service**

Each party shall notify to the other party an authorised address and facsimile number in the United Kingdom for the purpose of this Clause and the first such authorised address for each party shall be the address and facsimile number stated in Clause 26.3. Any demand, notice, consent or approval or other communication to be given under this Agreement shall be in writing and shall either be delivered personally or sent by pre-paid first class post or facsimile transmission to the relevant party's address or facsimile number stated in Clause 26.3 (or such other address or facsimile number (in each case in the United Kingdom) as is notified in writing from time to time by such party to the other party in accordance with the requirements of this Clause). Any such notice shall be effective upon receipt and shall be deemed to have been received:

- 26.2.1 if delivered personally, at the time of delivery;
- 26.2.2 if sent by pre-paid first class post, at 17.00 hours on the day following the day of posting and shall be effective even if it is misdelivered or returned undelivered; and
- 26.2.3 if communicated by facsimile transmission, upon receipt by the sender of a facsimile transmission report (or other appropriate evidence) that the facsimile has been transmitted to the address,

PROVIDED that where, in the case of delivery by hand or facsimile transmission, delivery or transmission occurs after 6.00 p.m. on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 9.00 a.m. on the next following Business Day.

### **26.3 Addresses for service**

For the purposes of this Clause the authorised address of each party shall be the address set out below:

- 26.3.1 Company: Standard Life Assurance Limited  
Address: Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH  
Fax No: 0131 245 7955

Attention: Simon Burns or his successor as Company Secretary

**26.3.2 Security Trustee The Law Debenture Trust Corporation p.l.c.**

Address: 5th Floor, 100 Wood Street, London EC2V 7EX

Fax No: 020 7606 0643

Attention: Attn Manager, Commercial Trusts

**26.3.3 Standard Life Pension Funds Limited as a Beneficiary and the Instructing Parties' Agent**

Address: Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

Fax No: 0131 245 7955

Attention: Gillian McGovern or her successor as Company Secretary

**27. WINDING-UP OF TRUST AND PERPETUITY PERIOD**

**27.1 Winding up of Trust**

If the Security Trustee, determines that:

27.1.1 all of the Property-Linked Secured Amount and all other obligations secured by the Floating Charge have been fully and finally discharged; and

27.1.2 none of the Beneficiaries is under any commitment, obligation or liability (whether actual or contingent) to make advances or provide other financial accommodation to the Company pursuant to the Floating Charge the trusts set out in this Agreement shall be wound up. At that time the Security Trustee shall release, without recourse or warranty, all of the Security then held by it and the rights of the Security Trustee under the Floating Charge, at which time each of the Security Trustee, the Beneficiaries and the Company shall be released from its obligations under this Agreement (save for those which arose prior to such winding up).

**27.2 Perpetuity Period**

The perpetuity period under the rule against perpetuities, if applicable to this Agreement, shall be the period of eighty years from the date of this Agreement.

**28. FLOATING CHARGE TO PREVAIL**

Notwithstanding anything contained in this Agreement to the contrary:

28.1.1 in the event of any inconsistency between the terms of this Agreement and the terms of the Floating Charge, the terms of the Floating Charge shall prevail; and

28.1.2 any act or step which is permitted under the Floating Charge shall be permitted under the terms of this Agreement and no such act or step shall constitute a breach of any provision of this Agreement.

29. **GOVERNING LAW**

This Agreement is governed by Scots law.

30. **JURISDICTION**

30.1 **Courts**

The parties hereto agree that the courts of Scotland have exclusive jurisdiction to settle any disputes (a **Dispute**) arising out of, or connected with, this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or the consequences of its nullity) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

30.2 **Waiver**

Each of the Company and the Beneficiaries irrevocably waives any objection which it might now or hereafter have to proceedings being brought or Disputes settled in the courts of Scotland and agrees not to claim that any such court is an inconvenient or inappropriate forum.

### 30.3 **Exclusive Jurisdiction**

This Clause 30 is for the benefit of the Secured Parties only. As a result and notwithstanding Clause 30.1 (*Courts*), it does not prevent any Secured Party from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law the Secured Parties may take concurrent proceedings in any number of jurisdictions.

**APPENDIX A**  
**THE BENEFICIARIES**

Standard Life Pension Funds Limited.

Fidelity Investments Life Insurance Limited.

Threadneedle Pensions Limited.

Prudential Assurance Company Limited.

BlackRock Pensions Limited.

Zurich Assurance Limited.

**APPENDIX B**  
**FORM OF BENEFICIARY ACCESSION UNDERTAKING**

To: The Law Debenture Trust Corporation p.l.c., for itself and each of the other parties to the Security Trust Agreement referred to below; and

To: Standard Life Assurance Limited

**THIS UNDERTAKING** is made on [date] by [new Beneficiary] (the **Acceding Beneficiary**) in relation to the Security Trust Agreement (the **Security Trust Agreement**) dated 12 October 2006 between The Law Debenture Trust Corporation p.l.c. as security trustee and the Company as amended and restated on 27 November 2007 and as further amended and restated by order of the Court of Session in Scotland on 20 December 2011 and taking effect on 31 December 2011 pursuant to an insurance business scheme under Part VII of the Financial Services and Markets Act 2000. Terms defined in the Security Trust Agreement shall bear the same meanings when used in this Undertaking.

In consideration of the Acceding Beneficiary becoming a Beneficiary for the purposes of the Security Trust Agreement, the Acceding Beneficiary hereby confirms that, as from [date], it intends to be party to the Security Trust Agreement as a Beneficiary, undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by a Beneficiary and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement.

This Undertaking shall be governed by and construed in accordance with Scots law.

**THIS UNDERTAKING** has been entered into on the date stated above.

Acceding Beneficiary

By: .....

Address for Notices: .....

Fax: .....

For attention of: .....

<p>Acknowledged by the Security Trustee:</p> <p>.....</p> <p>for and on behalf of</p> <p>The Law Debenture Trust Corporation p.l.c.</p> <p>Date: .....</p>	<p>Acknowledged by the Company:</p> <p>.....</p> <p>for and on behalf of</p> <p>Standard Life Assurance Limited</p> <p>Date: .....</p>
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Note: This Undertaking is to be sent by the Security Trustee to the Instructing Parties' Agent following due execution by all parties.

## APPENDIX C

### FORM OF INSTRUCTING PARTIES' AGENT ACCESSION UNDERTAKING

To: The Law Debenture Trust Corporation p.l.c., for itself and each of the other parties to the Security Trust Agreement referred to below; and

To: Standard Life Assurance Limited

**THIS UNDERTAKING** is made on [date] by [new Instructing Parties' Agent] (the **Acceding Instructing Parties' Agent**) in relation to the Security Trust Agreement (the **Security Trust Agreement**) dated 12 October 2006 between The Law Debenture Trust Corporation p.l.c. as security trustee, the Beneficiaries named therein and the Company as amended and restated on 27 November 2007 and as further amended and restated by order of the Court of Session in Scotland on 20 December 2011 and taking effect on 31 December 2011 pursuant to an insurance business scheme under Part VII of the Financial Services and Markets Act 2000. Terms defined in the Security Trust Agreement shall bear the same meanings when used in this Undertaking.

In consideration of the Acceding Instructing Parties' Agent becoming the Instructing Parties' Agent for the purposes of the Security Trust Agreement, the Acceding Instructing Parties' Agent hereby confirms that, as from [date], it intends to be party to the Security Trust Agreement as the Instructing Parties' Agent, undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by the Instructing Parties' Agent and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement.

This Undertaking shall be governed by and construed in accordance with Scots law.

**THIS UNDERTAKING** has been entered into on the date stated above.

Acceding Instructing Parties' Agent

By: .....

Address for Notices: .....

Fax: .....

For attention of: .....

<p>Acknowledged by the Security Trustee:</p> <p>.....</p> <p>for and on behalf of</p> <p>The Law Debenture Trust Corporation p.l.c.</p> <p>Date: .....</p>	<p>Acknowledged by the Company:</p> <p>.....</p> <p>for and on behalf of</p> <p>Standard Life Assurance Limited</p> <p>Date: .....</p>
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Note: This Undertaking is to be sent by the Security Trustee to the Instructing Parties' Agent following due execution by all parties.

## APPENDIX D

### FORM OF INSTRUCTING PARTIES' AGENT ACCESSION UNDERTAKING

To: The Law Debenture Trust Corporation p.l.c., for itself and each of the other parties to the Security Trust Agreement referred to below; and

To: Standard Life Assurance Limited

**THIS UNDERTAKING** is made on [date] by [new Instructing Parties' Agent] (the **Acceding Instructing Parties' Agent**) in relation to the Security Trust Agreement (the **Security Trust Agreement**) dated 12 October 2006 between The Law Debenture Trust Corporation p.l.c. as security trustee, the Beneficiaries named therein and the Company as amended and restated on 27 November 2007 and as further amended and restated by order of the Court of Session in Scotland on 20 December 2011 and taking effect on 31 December 2011 pursuant to an insurance business scheme under Part VII of the Financial Services and Markets Act 2000. Terms defined in the Security Trust Agreement shall bear the same meanings when used in this Undertaking.

In consideration of the Acceding Instructing Parties' Agent becoming the Instructing Parties' Agent for the purposes of the Security Trust Agreement, the Acceding Instructing Parties' Agent hereby confirms that, as from [date], it intends to be party to the Security Trust Agreement as the Instructing Parties' Agent, undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by the Instructing Parties' Agent and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement.

This Undertaking shall be governed by and construed in accordance with Scots law.

**THIS UNDERTAKING** has been entered into on the date stated above.

Acceding Instructing Parties' Agent

By: .....

Address for Notices: .....

Fax: .....

For attention of: .....

<p>Acknowledged by the Security Trustee:</p> <p>.....</p> <p>for and on behalf of</p> <p>The Law Debenture Trust Corporation p.l.c.</p> <p>Date: .....</p>	<p>Acknowledged by the Company:</p> <p>.....</p> <p>for and on behalf of</p> <p>Standard Life Assurance Limited</p> <p>Date: .....</p>
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Note: This Undertaking is to be sent by the Security Trustee to the Instructing Parties' Agent following due execution by all parties.



## SCHEDULE 4

### Variations to 2006 Scheme

#### 1. General

- 1.1 A capitalised expression used in this paragraph 1 of this Schedule 4, and in the introductory words in paragraph 2.1 and paragraph 2.2 of this Schedule 4, shall have the meaning ascribed to it in the Scheme of Transfer to which this document forms Schedule 4, and in accordance with which it is intended that all of SLIF's business, and its property and liabilities, are to be transferred to SLAL.
- 1.2 With effect from the Effective Date, each of paragraph 22.1 of the 2006 Scheme and paragraph 4(A) of Schedule 3 to the 2006 Scheme shall be varied and shall otherwise continue in full force and effect on the terms set out in this Schedule 4.

#### 2. Specific variations

- 2.1 Paragraph 22.1 of the 2006 Scheme shall be varied so as to take the following form:

**"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:*

(viii) *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*

- (ix) 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.”*

- 2.2 Paragraph 4(A) of Schedule 3 to the 2006 Scheme shall be varied so as to take the following form:

**“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*
- (ii) 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.”*