

IN THE MATTER OF THE EQUITABLE LIFE ASSURANCE SOCIETY

- and -

IN THE MATTER OF CANADA LIFE LIMITED

- and -

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

for the transfer of the non-profit annuity business of
The Equitable Life Assurance Society to Canada Life Limited
pursuant to Part VII of the Financial Services and Markets Act 2000



1P0860/006051

Ref: C1/CSR

Hogan Lovells International LLP
Atlantic House, Holborn Viaduct, London EC1A 2FG

CONTENTS

CLAUSE	PAGE
PART A - DEFINITIONS AND INTERPRETATION	1
1. DEFINITIONS AND INTERPRETATION	1
PART B – INTRODUCTION	13
2. INTRODUCTION	13
PART C – TRANSFER	14
3. TRANSFER OF THE TRANSFERRED BUSINESS	14
4. CONTINUITY OF PROCEEDINGS	15
5. RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES AND OTHER DOCUMENTS	15
6. UNIT-LINKED POLICIES	18
7. MANDATES	19
8. RESIDUAL POLICIES	19
9. DECLARATION OF TRUST BY THE TRANSFEROR	21
10. INDEMNITIES IN FAVOUR OF THE TRANSFEROR	21
PART D - MISCELLANEOUS PROVISIONS	23
11. EFFECTIVE DATE	23
12. MODIFICATIONS OR ADDITIONS	23
13. COSTS AND EXPENSES	24
14. THIRD PARTY RIGHTS	24
15. GOVERNING LAW	25

PART A - DEFINITIONS AND INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless the subject or context requires otherwise, the following expressions bear the meanings respectively set opposite them:

"**Actuary**" means the person appointed by the relevant insurer from time to time to perform the "actuarial function", as described in SUP 4.3.13R;

"**Administration Services**" means the customer administration and service support provided by the Transferor and the Service Provider in relation to the Transferred Policies;

"**Board**" means, in relation to a company, the board of directors from time to time of that company;

"**Business Day**" 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 euro) in London, United Kingdom;

"**Charged Accounts**" means the Euro Charged Account, the Sterling Fixed Charged Account and the Sterling Index Charged Account;

"**Court**" means the High Court of Justice in England and Wales;

"**Custodian**" means The Northern Trust Company, a company established under the laws of Illinois, United States of America, acting through its branch in the United Kingdom (registered branch number BR001960) whose principal place of business in the United Kingdom is 50 Bank Street, Canary Wharf, London E14 5NT;

"**Custodian Services**" means the custodian services in relation to the Reserves which are provided by the Custodian to the Transferor pursuant to the Custody Agreement;

"**Custody Agreement**" means the agreement between the Transferor and the Custodian dated 22 December 2011 (as amended by letter dated 1 April 2014) under which the Custodian provides custody services to the Transferor;

"**Data**" means the Non-Profit Data and the Unit-Linked Data;

"**Discretionary Management Agreement**" means the discretionary management agreement dated 30 June 2010 between the Investment Manager and the Transferor as amended by the Discretionary Investment Management Amendment Agreement;

"**Discretionary Investment Management Amendment Agreement**" means the agreement dated 2 March 2015 between the Investment Manager and the Transferor amending the Discretionary Management Agreement;

"**DTT Clearance**" means a communication from HM Revenue & Customs providing confirmation, in terms acceptable to the parties acting reasonably, that any tax exemption authorities issued to the Transferor under the terms of any relevant double taxation agreements between the United Kingdom and other countries, and having effect at the Scheme Effective Date to enable relief from UK withholding tax in respect of payments to policyholders under relevant Transferred Policies, will continue in force when the Transferred Business is transferred to the Transferee;

"**Effective Date**" means the time and date on which this Scheme shall become effective in accordance with paragraph 11;

"Encumbrance" means any mortgage, charge (fixed or floating), pledge, lien, option, right to acquire, right of pre-emption, assignment by way of security or trust arrangement for the purpose of providing security or other security interest of any kind (including any retention arrangement), or any agreement to create any of the foregoing;

"Euro Charged Account" means the securities account opened in the name of the Transferor on the books of the Custodian designated "Irish Non-Profit Sub Fund (Blackrock ticker: EL_IRENP, Northern Trust account number: EQU 27)";

"Excluded Assets" means any assets of the Transferor except for the Transferred Assets and the Residual Assets, and such Excluded Assets shall include:

- (a) the rights of the Transferor under or relating to this Scheme, the Excluded Policies, the Residual Policies or the Residual Policies Reassurance Arrangement;
- (b) the rights of the Transferor, the Service Provider, the Investment Manager and the Custodian under or relating to the provision of the Administration Services, the Investment Management Services and the Custodian Services (as applicable);
- (c) any reliefs or other assets in respect of Tax of the Transferor;
- (d) any property of the Transferor that would be comprised in the Transferred Assets but which the parties agree in writing prior to the Effective Date that it shall not be transferred to the Transferee; and
- (e) the rights of the Transferor to any defence, claim, counterclaim, defence to counterclaim or right of set-off in respect of any of the rights referred to in paragraphs (a) to (d) inclusive above or in respect of any of the Excluded Liabilities;

"Excluded Liabilities" means:

- (a) any liabilities arising from the acts or omissions of the Transferor or of any other member of the Transferor Group or any of their directors, officers, employees, contractors or agents (including the Custodian, the Investment Manager and the Service Provider) in relation to the Transferred Business which occurred on or before the Effective Date, including, without limitation:
 - (i) the Misselling Liabilities; and
 - (ii) the liabilities of the Transferor for breach of the Transferred Policies or of policies whose proceeds were used, wholly or in part, to pay the premium for a Transferred Policy;
- (b) any liabilities of the Transferor under or relating to this Scheme, the Excluded Policies, the Residual Policies or the Residual Policies Reassurance Arrangement;
- (c) any liabilities of the Transferor, the Service Provider, the Investment Manager and the Custodian under or relating to the provision of the Administration Services, the Investment Management Services, the Custodian Services and, other than the Transferred Liabilities, to any other third parties (as applicable);
- (d) any liabilities in respect of Tax of the Transferor; and

- (e) any liability of the Transferor that would be comprised in the Transferred Liabilities but which the parties agree in writing prior to the Effective Date that it shall not be transferred to the Transferee;

"Excluded Policies" means:

- (a) any and all Non-Transferred Group Pension Policy Elements of a Group Pension Policy;
- (b) any policies or benefits which are not non-profit or non-profit unit-linked annuity policies and benefits;
- (c) any policies which the parties agree in writing are not to be included in the Data, including as a result of any data audit undertaken by the Transferee;
- (d) any policy which has ceased to be a Residual Policy as a result of the termination of the Residual Policies Reassurance Arrangement; and
- (e) any other policies which are not Transferred Policies;

"FSMA" means the Financial Services and Markets Act 2000;

"Group Pension Policy" means a policy under which the Transferor has, amongst other rights and liabilities, rights and liabilities as insurer in respect of certain pension policies which are held by the trustee or trustees of a pension scheme for the benefit of their members;

"Guernsey Effective Date" means the time and date on which the Guernsey Scheme becomes operative in accordance with its terms;

"Guernsey Policies" means any policies of the Transferor comprised in the Data under which any liability remains unsatisfied or outstanding at the Guernsey Effective Date which comprise long term business (as such expression is interpreted for the purpose of the Insurance Business (Bailiwick of Guernsey) Law, 2002) which was carried on in or from within the Bailiwick of Guernsey or in respect of policies written under Guernsey law or issued to a resident of the Bailiwick of Guernsey and the transfer of which to the Transferee requires the sanction of the Royal Court of Guernsey pursuant to section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law, 2002;

"Guernsey Scheme" means a scheme of transfer in respect of the Guernsey Policies pursuant to section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law, 2002;

"HMRC Commissioners" means the Commissioners for HM Revenue & Customs;

"INSPRU" means the Prudential Sourcebook for Insurers which forms part of the Regulatory Handbook;

"Insurance Regulators" means, as the context requires, the Financial Conduct Authority or the Prudential Regulation Authority or both, or such other governmental, statutory or other authority or authorities as shall from time to time carry out such functions in relation to Long-Term Insurance Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority and the Prudential Regulation Authority under the FSMA;

"Investment Manager" means Blackrock Investment Management (UK) Limited, a company incorporated in England and Wales under registered number 0202394 whose registered address is at 12 Throgmorton Avenue, London EC2N 2DL;

"Investment Management Services" means the investment management services in relation to the Reserves which are provided by the Investment Manager to the Transferor pursuant to the Discretionary Management Agreement;

"Jersey Effective Date" means the time and date on which the Jersey Scheme becomes operative in accordance with its terms;

"Jersey Policies" means any policies of the Transferor comprised in the Data under which any liability remains unsatisfied or outstanding at the Jersey Effective Date which comprise the business of effecting or carrying out long-term insurance contracts as principal in or from within Jersey, falling within the classes of insurance business set out in Part 1 of Schedule 1 to the Insurance Business (Jersey) Law 1996, and the transfer of which to the Transferee requires the sanction of the Royal Court of Jersey pursuant to Article 27 of, and Schedule 2 to, the Insurance Business (Jersey) Law 1996;

"Jersey Scheme" means a scheme of transfer in respect of the Jersey Policies pursuant to Article 27 of, and Schedule 2 to, the Insurance Business (Jersey) Law 1996;

"Linked Fund" means an internal linked fund maintained by the Transferor prior to the Effective Date or by the Transferee following the Effective Date for the purpose of calculating benefits payable under Unit-Linked Policies (including such a fund maintained for the purpose of calculating benefits linked to the value of external unit trusts);

"Long-Term Insurance Business" means the business of effecting or carrying out long-term insurance contracts as principal, being contracts falling within Part II of Schedule 1 to the RAO;

"Long-Term Insurance Fund" means the fund, or each of the funds, established and maintained by the Transferor or by the Transferee (as the context requires) pursuant to INSPRU 1.5.22R in respect of Long-Term Insurance Business;

"Misselling Liabilities" means any liabilities, losses, costs and/or expenses from time to time incurred by the Transferor or any member of the Transferor Group or any appointed representative of the Transferor in respect of the marketing or sale of any Transferred Policies, or any policies whose proceeds were used, wholly or in part, to pay the premium for a Transferred Policy, such marketing or sale having occurred on or prior to the Effective Date, including liabilities, losses, costs and/or expenses arising from:

- (a) any complaint, claim, legal action or proceedings brought against the Transferor or any member of the Transferor Group by or on behalf of any person or group of persons whether as a result of any agreed settlement or compromise (including, without limitation, an ex gratia payment) or otherwise, including, without limitation, the costs and expenses incurred in investigating and defending against any such complaint, claim, legal action or proceeding;
- (b) the Transferor or any member of the Transferor Group complying with (or the Transferor or any member of the Transferor Group failing to comply with) applicable law, or with rules, regulations, directions, guidance or industry practice (whether formal or informal) set by or given by any Regulatory Authority, including, without limitation, in connection with the review process relating to the mis-selling of personal pension policies and free standing additional voluntary contributions, as overseen by the Insurance Regulators, and including, without limitation, the costs and expenses in connection with any such compliance, non-compliance or review so required;

- (c) the Transferor or any member of the Transferor Group complying with (or the Transferor or any member of the Transferor Group failing to comply with) the Code of Conduct on Retirement Options of the Association of British Insurers or any other code of conduct in relation to the exercise of the open market option in the Transferred Policies; or
- (d) any penalty or fine levied, or which results from or arises in connection with any disciplinary action undertaken, by any Regulatory Authority, including, without limitation, the costs and expenses incurred in investigating, challenging and defending against any such penalty, fine or disciplinary action;

"New Business Transfer Amount" means the present value of the liabilities of the Transferor in respect of any non-profit or non-profit unit-linked policies written by the Transferor between 2 March 2015 and the Effective Date, as agreed in writing by the parties;

"Non-Profit Data" means the data containing the list of the non-profit annuity policies and the Transferred Group Pension Policy Elements to be transferred pursuant to the Scheme provided by the Transferor to the Transferee on [insert date] on a CD-ROM, which CD-ROM is physically labelled "Non-Profit Data – Final Approved Version" and initialled on behalf of the Transferor and the Transferee, as amended by agreement in writing between the parties from time to time, including as a result of any data audit undertaken by the Transferee;

"Non-Transferred Group Pension Policy Elements" means all rights and liabilities under the Group Pension Policies, other than the Transferred Group Pension Policy Elements;

"Order" means an order made by the Court pursuant to section 111 of the 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 the FSMA;

"Policy Materials" means any materials existing prior to the Effective Date relating to the process of underwriting of the Transferred Policies or evidencing the rights and obligations of the Transferor under the Transferred Policies in whatever media including proposal forms, policy wordings, policy schedules, underwriting manuals and such or similar materials that are not Promotional Materials;

"Proceedings" means any claim, counterclaim, complaint, petition, suit, appeal or other legal process (including any application), whether current or future and whether intended to have interim or final legal effect in relation to its subject matter, before any court, governmental authority, Regulatory Authority, tribunal, arbitration panel, ombudsman or other body subsisting or empowered by law or regulation or by the provisions of an agreement;

"Promotional Materials" means any materials existing prior to the Effective Date in any form or media whatever prepared for the advertising, marketing or provision of the Transferred Policies;

"RAO" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

"Records" means (i) all Policy Materials, Promotional Materials, documents, files and other records, whether in physical or electronic form, which are in the possession of, or under the control of the Transferor relating to the Transferred Policies, the Transferred Assets, the Residual Assets, the Transferred Liabilities and the Residual Liabilities and (ii)

copies of all Policy Materials, Promotional Materials, documents, files and other records, whether in physical or electronic form, which are in the possession of or under the control of the Transferor relating to the Group Pension Policies which include Transferred Group Pension Policy Elements to the extent not included in the documents, files and other records referred to in (i) above, but excluding:

- (a) any documents, files and other records relating to Tax, except to the extent relating to policyholder tax-related matters or PAYE data relating to policyholders; and
- (b) any original Policy Materials, Promotional Materials, documents, files and other records, whether in physical or electronic form, that relate to Transferred Policies which are Group Pension Policies;

"Regulatory Authority" means the Insurance Regulators or any other regulatory body in any jurisdiction which has responsibility for regulating businesses such as that relating to the Transferred Policies and with authority with respect to any party or the transfer of the Transferred Policies;

"Regulatory Handbook" means the rules and guidance (as applicable) issued by the Insurance Regulators pursuant to Part 9A of FSMA from time to time, including any successor rules, guidance or legislation;

"Regulatory Requirements" means the FSMA and the Regulatory Handbook;

"Reserves" means:

- (a) all of the assets held in or standing to the credit of the Charged Accounts as at the Effective Date;
- (b) any cash in an amount having a value of any amounts which are required (or would, but for the occurrence of the Effective Date, be required) to be held in or to stand to the credit of the Charged Accounts as at the Effective Date under the terms of any agreement in writing between the Transferor and the Transferee entered into on or before the Effective Date;
- (c) cash with a value equal to the Unit-Linked Transfer Amount;
- (d) cash with a value equal to the New Business Transfer Amount; and
- (e) any cash or property which, on or at any time from 1 January 2015 and to the extent not taken into account in the foregoing, has accrued upon or in respect of any of the foregoing;

"Residual Assets" means:

- (a) any property of the Transferor that would be comprised in the Transferred Business (including any right, benefit or power under any Transferred Policy) but in respect of which the Court has declined to order the transfer to the Transferee under section 112(2) of the FSMA at the Effective Date;
- (b) any property of the Transferor that would be comprised in the Transferred Business (including any right, benefit or power under a Transferred Policy) but where the Transferor and the Transferee agree in writing prior to the Effective Date that its transfer should be delayed;

- (c) any property of the Transferor that would be comprised in the Transferred Business but which is outside the jurisdiction of the Court or in respect of which the transfer pursuant to an order of the Court is not recognised by the laws of the jurisdiction in which the property is situated or in respect of which further steps are necessary to effect the transfer pursuant to the laws of the jurisdiction in which such property is situated;
- (d) any property of the Transferor that would be comprised in the Transferred Business but which cannot be transferred to or vested in the Transferee on the Effective Date for any other reason; and
- (e) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, or any other property or rights earned or received from time to time after the Effective Date but prior to any relevant Subsequent Transfer Date in respect of any property referred to in paragraphs (a) to (d) of this definition;

"Residual Liability" means any liability of the Transferor:

- (a) that would be comprised in the Transferred Business but in respect of which the Court has declined to order the transfer to the Transferee under section 112(2) of the FSMA at the Effective Date; or
- (b) that would be comprised in the Transferred Business but where the Transferor and the Transferee agree in writing prior to the Effective Date that its transfer should be delayed; or
- (c) that would be comprised in the Transferred Liabilities but which is outside the jurisdiction of the Court or in respect of which the transfer pursuant to an order of the Court is not recognised by the laws of any applicable jurisdiction or in respect of which further steps are necessary to effect the transfer pursuant to the laws of any applicable jurisdiction; or
- (d) that would be comprised in the Transferred Liabilities but which cannot be transferred to or vested in the Transferee on the Effective Date for any other reason; or
- (e) in respect of a Residual Asset or any liability arising from any liabilities referred to in paragraphs (a) to (d) of this definition, including any liability to Taxation;

"Residual Policies" means any policy of the Transferor comprised in the Data under which any liability remains unsatisfied or outstanding at the Effective Date:

- (a) which was concluded in an EEA State other than the United Kingdom for the purposes of paragraph 1(2A) of Schedule 12 to the FSMA and the appropriate Insurance Regulator has not prior to the making of the Order by which the Court sanctions this Scheme provided the certificate referred to in paragraph 3A of Schedule 12 to the FSMA with respect to the relevant EEA State; or
- (b) which are Guernsey Policies (to the extent that and for so long only as the Guernsey Scheme has not yet received the requisite court approval and become effective in accordance with its terms) or Jersey Policies (to the extent that and for so long only as the Jersey Scheme has not yet received the requisite court approval and become effective in accordance with its terms); or

- (c) written by the Transferor in the course of carrying on Long-Term Insurance Business but which are not otherwise capable of being transferred pursuant to the FSMA at the Effective Date; or
- (d) which the Court for any reason determines not to transfer by the Order,

but only until in respect of each such policy, the earlier of (i) the Subsequent Transfer Date applicable to such policy at which point any such policy becomes a Transferred Policy, or (ii) the termination of the Residual Policies Reassurance Arrangement at which point any such policies which are still Residual Policies shall cease to be Residual Policies and shall become Excluded Policies;

"Residual Policies Reassurance Arrangement" means the reassurance arrangement entered into between the Transferor and the Transferee described in paragraph 8 under which the Transferee will provide reassurance to the Transferor in respect of the Residual Policies;

"Scheme" means this scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 12;

"Service Provider" means Allied Pension Trustees Limited, a company incorporated in Ireland under registered number 317820 whose address is Apex Business Centre, Blackthorn Road, Sandyford, Dublin 18, Ireland;

"Status Clearance" means a clearance from HM Revenue & Customs in terms acceptable to the parties acting reasonably that (a) the tax status of the Transferred Policyholders and the Transferred Policies and any pension scheme pursuant to which the Transferred Policies are or were issued will not be adversely affected by the Scheme and (b) the implementation of the Scheme will not result in any unauthorised payment for the purposes of the Finance Act 2004;

"Sterling Fixed Charged Account" means the securities account opened in the name of the Transferor on the books of the Custodian designated "UK Non-Profit Sub Fund (Blackrock ticker: EL_UKNP, Northern Trust account number: EQU 22)";

"Sterling Index Charged Account" means the securities account opened in the name of the Transferor on the books of the Custodian designated "UK RPI Linked Non-Profit Sub Fund (Blackrock ticker: EL_RPI, Northern Trust account number: EQU 23)";

"Subsequent Transfer Date" means, in relation to any Residual Policy, Residual Asset or Residual Liability, the date (and each date) after the Effective Date on which such Residual Policy, Residual Asset or Residual Liability is to be transferred to the Transferee, namely:

- (a) in respect of any Residual Asset falling within paragraph (a), (c) or (d) of the definition thereof and of any Residual Liability falling within paragraph (a), (c) or (d) of the definition thereof, the date on which any impediment to its transfer shall have been removed or overcome;
- (b) in respect of any Residual Asset falling within paragraphs (b) of the definition thereof and of any Residual Liability falling within paragraph (b) of the definition thereof, the date on which the parties agree that the transfer should take effect;
- (c) in the case of any Residual Asset falling within paragraph (e) of the definition thereof and of any Residual Liability falling within paragraph (e) of the definition

thereof, the Business Day agreed between the Transferor and the Transferee and to be no later than 5 Business Days from the date on which such Residual Asset or Residual Liability is received, earned or incurred (as applicable) by the Transferor; and

- (d) in the case of any Residual Policy, the date on which all consents, orders, permissions or other requirements for the transfer or novation of such Residual Policy are obtained;

"SUP" means the Supervision Manual which forms part of the Regulatory Handbook;

"TAAR Tax Clearance" means clearances from HM Revenue & Customs under section 133 of the Finance Act 2012 in terms acceptable to the parties acting reasonably that HMRC Commissioners are satisfied that the parties' main purpose in entering into the arrangements included in the insurance business transfer arrangements is not an unallowable purpose or none of the parties' main purposes in entering into those arrangements is an unallowable purpose;

"Tax" or **"Taxation"** means all forms of tax, duty, rate, levy, contribution, charge or other imposition, liability or withholding in the nature of tax whenever or by whatever authority imposed and whether of the United Kingdom or elsewhere, together with any interest, penalty or fine in connection with taxation;

"Tax Clearances" means the DTT Clearance, the Status Clearance, the TAAR Tax Clearance and the VAT Clearance;

"Transferee" means Canada Life Limited, a company incorporated in England and Wales under registered number 973271 whose registered office is at Canada Life Place, Potters Bar, Hertfordshire EN6 5BA;

"Transferee Actuary" means the Actuary of the Transferee;

"Transferee Board" means the Board of the Transferee;

"Transferee Group" means the Transferee and any of its holding companies from time to time and any of its or their subsidiaries from time to time;

"Transferee Non-Profit Fund" means the sub-fund forming part of the Transferee Long-Term Insurance Fund that is known as the "non-profit fund";

"Transferor" means The Equitable Life Assurance Society, an unlimited company incorporated in England and Wales with registered number 37038, whose registered office is at 20-22 Bedford Row, London WC1R 4JS;

"Transferor Actuary" means the Actuary of the Transferor;

"Transferor Board" means the Board of the Transferor;

"Transferor Group" means the Transferor and its subsidiaries from time to time;

"Transferred Assets" means all of the following whatsoever and wheresoever situated as at the Effective Date:

- (a) the rights, benefits and powers of the Transferor under or by virtue of the Transferred Policies;
- (b) the Reserves;

- (c) the Records, including all rights, title and interest of the Transferor in the Records; and
- (d) any other assets which the parties agree in writing, whether before or after the Effective Date, are to be transferred under this Scheme,

but excluding any rights, benefits or powers under or relating to the Excluded Assets and, prior to each Subsequent Transfer Date, the relevant Residual Assets and any rights, benefits and powers under the Residual Policies;

"Transferred Business" means:

- (a) the Transferred Policies;
- (b) the Transferred Assets; and
- (c) the Transferred Liabilities,

and following each Subsequent Transfer Date, the relevant Residual Asset or Residual Liability, but does not include the Excluded Assets, the Excluded Policies and the Excluded Liabilities;

"Transferred Group Pension Policy Elements" means all rights and liabilities in respect of the benefits under the Group Pension Policies which are comprised within the Transferred Policies;

"Transferred Liabilities" means:

- (a) all and any liabilities whatsoever of the Transferor under:
 - (i) the Transferred Policies, to the extent that such liabilities first become due for payment on or after the Effective Date;
 - (ii) the assets described in paragraph (a) of the definition of Reserves, to the extent that such liabilities are incurred, accrue or relate to a period following 2 March 2015; and
 - (iii) the assets described in paragraphs (b) to (e) inclusive of the definition of Reserves, to the extent that such liabilities are incurred, accrue or relate to a period following the Effective Date; and
- (b) any other liabilities which the parties agree in writing, whether before or after the Effective Date, are to be transferred under this Scheme,

but excluding the Excluded Liabilities, the Excluded Policies and, prior to each Subsequent Transfer Date, the relevant Residual Liabilities and Residual Policies;

"Transferred Policies" means the policies and the Transferred Group Pension Policy Elements underwritten by the Transferor which are non-profit and non-profit unit-linked annuity policies and benefits, all of which are listed in the Data, but for the avoidance of doubt excluding the Excluded Policies and, prior to each Subsequent Transfer Date, the Residual Policies;

"Transferred Policyholders" means the policyholders of the Transferred Policies;

"Unit-Linked Data" means the data containing the list of the non-profit unit-linked policies to be transferred pursuant to the Scheme provided by the Transferor to the Transferee on [insert date] on a CD-ROM, which CD-ROM is physically labelled "Unit-Linked Data –

Final Approved Version" and initialled on behalf of the Transferor and the Transferee, as amended by agreement in writing between the parties from time to time, including as a result of any data audit undertaken by the Transferee;

"Unit-Linked Policies" means the non-profit unit-linked policies listed in the Unit-Linked Data;

"Unit-Linked Transfer Amount" means the present value of the liabilities of the Transferor in respect of the Unit-Linked Policies as at the Effective Date, as agreed in writing by the parties;

"VAT" means value added tax as provided for in VATA or any equivalent tax in any other jurisdiction;

"VATA" means the Value Added Tax Act 1994; and

"VAT Clearance" means a communication from HM Revenue & Customs providing confirmation, in terms acceptable to the parties acting reasonably, that the Scheme will be treated as a transfer of a going concern for the purposes of section 49(1) of VATA and article 5 of the Value Added Tax (Special Provisions) Order 1995 (SI 1995/1268) or that the transactions contemplated by the Scheme are either outside the scope of VAT or supplies of services which are exempt from VAT.

1.2 In this Scheme, unless the subject or context requires otherwise:

- (a) **"including"** or **"includes"** means including or includes without limitation;
- (b) **"property"** or **"assets"** includes property (including real property and charges registered at the Land Registry within England and Wales and at the Registers of Scotland in Scotland and elsewhere and unregistered real property and charges), assets, cash, Encumbrances, causes of action, rights (including contingent rights as to the repayment of Tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, income or interest accrued but unpaid, powers of any description and any interest whatsoever in any of the foregoing;
- (c) **"liabilities"** includes, without limitation, duties and obligations of every description (whether present or future, actual or contingent);
- (d) **"transfer"** includes (as the context may require) "assign", "assignment" or "assignment", "dispose" or "disposal" or "convey" or "conveyance";
- (e) references to rights or liabilities being "under" a Transferred Policy shall mean rights or liabilities under the contractual terms of that Transferred Policy;
- (f) 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;
- (g) 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 on or before the Effective Date and to any instrument or order made on or before the Effective Date under such enactment, statutory provision or subordinate legislation;

- (h) any reference to any rules or regulations issued by the Insurance Regulators shall be deemed to include a reference to such rules or regulations as at the date of this Scheme;
- (i) expressions used in this Scheme which have meanings under the FSMA shall bear those meanings, including:
 - (i) "**State of the commitment**" which bears the meaning set out in paragraph 6, Part 1 of Schedule 12 to the FSMA; and
 - (ii) "**EEA State**" which bears the meaning set out in paragraph 8, Part I of Schedule 3 to the FSMA;
- (j) references to "**holding company**" and "**subsidiary**" shall have the same meanings as in the Companies Act 2006;
- (k) reference to a "**party**" shall be a reference to the Transferor or the Transferee as applicable, and a reference to the "**parties**" shall be to the Transferor and the Transferee;
- (l) references to a "**policy**" and a "**policyholder**" shall have the meanings ascribed to them by the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2000 (SI 2001/2361);
- (m) references to paragraphs and Parts are to paragraphs and Parts respectively of this Scheme;
- (n) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (o) 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;
- (p) any reference to a board of directors of a company shall be deemed to include a reference to a duly constituted committee or duly authorised representative of that board of directors;
- (q) 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;
- (r) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (s) the expression "**variation**" shall include any variation, supplement, deletion, replacement or termination, however effected;
- (t) any reference to an amount shall be exclusive of any applicable VAT; and
- (u) any reference to "**euro**" shall denote the lawful currency of the Euro area.

PART B – INTRODUCTION

2. INTRODUCTION

- 2.1 Each of the Transferor and the Transferee has permission under Part 4A of the FSMA to carry on Long-Term Insurance Business of the same classes as the Transferred Policies.
- 2.2 The purpose of this Scheme is to effect the transfer to the Transferee, subject to the terms of this Scheme, of certain Long-Term Insurance Business carried on by the Transferor.
- 2.3 The Transferor and the Transferee have agreed that the Transferor shall only transfer to the Transferee its rights and liabilities under the Group Pension Policies to the extent that they relate to the Transferred Policies, as described in paragraphs 5.7 and 5.8. Accordingly, the Transferor and the Transferee shall, with effect from the Effective Date, become co-insurers of the Group Pension Policies, with the Transferee being the insurer of the Transferred Group Pension Policy Elements and the Transferor remaining the insurer of those parts of the Group Pension Policies which are Non-Transferred Group Pension Policy Elements.
- 2.4 It is also proposed that:
- (a) the transfer of the Guernsey Policies to the Transferee shall only take place to the extent that the transfer of such policies to the Transferee by the Guernsey Scheme has been approved by the Royal Court of Guernsey and has become operative and effective; and
 - (b) the transfer of the Jersey Policies to the Transferee shall only take place to the extent that the transfer of such Policies to the Transferee by the Jersey Scheme has been approved by the Royal Court of Jersey and has become operative and effective,

and that, if and to the extent that the Guernsey Effective Date or the Jersey Effective Date (as the case may be) does not fall on or before the Effective Date, the Guernsey Policies and/or the Jersey Policies (as the case may be) shall be reassured to the Transferee under the terms of the Residual Policies Reassurance Arrangement until the Guernsey Effective Date or the Jersey Effective Date (as the case may be).

- 2.5 Accordingly, it is further proposed that:
- (a) an Order be made for the sanction of this Scheme under Section 111(1) of the FSMA and that by the Order by which this Scheme is sanctioned, provision be made, as hereinafter appearing, for, inter alia, the transfer of the Transferred Business to the Transferee, pursuant to Section 112(1) of the FSMA; and
 - (b) by such Order, provision be made for the transfer of the Transferred Business from the Transferor to the Transferee in accordance with the terms of this Scheme.

PART C – TRANSFER

3. TRANSFER OF THE TRANSFERRED BUSINESS

3.1 Each part of the Transferred Business shall be transferred to and be vested in the Transferee in accordance with this Scheme, so that:

- (a) subject to paragraph 9, on and with effect from the Effective Date, each Transferred Asset and all the interest of the Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the Transferee, subject to all Encumbrances (if any) affecting such asset;
- (b) subject to paragraph 9, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all the interest of the Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the Transferee, subject to all Encumbrances (if any) affecting such asset;
- (c) 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 the Transferee and shall cease to be a liability of the Transferor; and
- (d) 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 the Transferee and shall cease to be a liability of the Transferor.

3.2 The Transferee shall accept without investigation or requisition such title as the Transferor shall have at the Effective Date to the Transferred Assets and, at any Subsequent Transfer Date, to each Residual Asset then transferred.

3.3 On and with effect from the Effective Date, the Transferee shall:

- (a) succeed to all rights, liabilities and obligations of the Transferor in respect of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998;
- (b) become the data controller of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998 in place of the Transferor; and
- (c) in respect of any personal data which relates to the Transferred Business be under the same duty by virtue of any law as the Transferor was under to respect the confidentiality and privacy of any person in relation to that personal data and shall be bound by any specific notice or consent given, or request made by, the data subject which was binding on either the Transferor or the Transferee and which required either the Transferor or the Transferee not to use the personal data for marketing purposes,

and in any consent given by a data subject in respect of such data as is mentioned in this paragraph 3.3, any reference to the Transferor (or to any member of the Transferor Group) shall be deemed to include a reference to the Transferee (and to any member of the Transferee Group).

3.4 On and with effect from the Effective Date, the Transferred Business shall be allocated to the Transferee Non-Profit Fund.

3.5 No Excluded Policies, Excluded Assets or Excluded Liabilities shall be transferred to or vested in the Transferee under or by virtue of the terms of this Scheme.

4. CONTINUITY OF PROCEEDINGS

4.1 On and with effect from the Effective Date, any Proceedings issued, served, pending, threatened or otherwise (including future Proceedings not yet in contemplation) in connection with the Transferred Business in respect of which the Transferor is a party (whether as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender, petitioner or otherwise), and including any such Proceedings commenced in error against the Transferor on or after the Effective Date, shall be continued or commenced by or against Transferee and the Transferee shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to the Transferor in relation to the Transferred Business and such Proceedings.

4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any Proceedings issued, served, pending, threatened or otherwise (including future Proceedings not yet in contemplation) in connection with the Residual Assets or the Residual Liabilities which are to be transferred on such Subsequent Transfer Date in respect of which the Transferor is a party (whether as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender, petitioner or otherwise), and including any such Proceedings commenced in error against the Transferor on or after the relevant Subsequent Transfer Date, shall be continued or commenced by or against the Transferee and the Transferee shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to the Transferor in relation to the Residual Assets or the Residual Liabilities and such Proceedings. Until such Subsequent Transfer Date, the relevant Proceedings shall be continued by or against the Transferor, provided that the Transferor shall conduct such proceedings in accordance with the Transferee's instructions and the Transferee shall discharge on behalf of the Transferor or, failing that, shall indemnify the Transferor against any charges, costs and claims in respect of such Proceedings (but on the basis that the Transferor will use reasonable endeavours to mitigate any such charges, costs and claims).

4.3 For the avoidance of doubt, any proceedings to the extent issued or served which are not to be continued by the Transferee pursuant to paragraph 4.1 or 4.2 shall be continued by the Transferor and the Transferor shall remain entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set-off that were or would have been available to it in relation to those proceedings.

4.4 Any judgement, settlement, order or award obtained by or against the Transferor to the extent that it is in connection with any part of the Transferred Business and which is not fully satisfied before the Effective Date shall, on and with effect from the Effective Date, become enforceable by or against the Transferee to the exclusion of the Transferor.

4.5 Any judgement, settlement, order or award obtained by or against the Transferor to the extent that it is in connection with the Residual Assets or the Residual Liabilities and which is not fully satisfied before the Subsequent Transfer Date shall, on and with effect from the Subsequent Transfer Date, become enforceable by or against the Transferee to the exclusion of the Transferor.

5. RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES AND OTHER DOCUMENTS

5.1 On the Effective Date, the Transferee shall become entitled to all the rights, benefits and powers of the Transferor whatsoever subsisting immediately prior to the Effective Date under or by virtue of the Transferred Policies.

- 5.2 Subject to the terms of this Scheme, every person who is a policyholder in respect of a Transferred Policy shall, on and with effect from the Effective Date, become entitled, in succession to, and to the exclusion of, any rights which he may have had against the Transferor under such Transferred Policy (other than any right arising in respect of or from any Excluded Liability), to the same rights against the Transferee as were available to him against the Transferor under such Transferred Policy (other than any right arising in respect of or from any Excluded Liability) and (as regards a Transferred Policy under which premiums or other sums attributable or referable thereto continue to be payable by him) shall on and with effect from the Effective Date account to the Transferee for any further or additional premiums or other sums attributable or referable thereto, if any, as and when the same become due and payable.
- 5.3 If any person entitled to do so with respect to a Transferred Policy exercises any right or option granted under the terms of that Transferred Policy and either:
- (a) the right or option provides for a new, additional or replacement policy to be issued or amendments to be made to an existing Transferred Policy; or
 - (b) it is appropriate in the opinion of the Transferee Board, having regard to the advice of the Transferee Actuary, in order to comply with that right or option to issue a new, additional or replacement policy or, as the case may be, amend an existing Transferred Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue or amendment (as the case may be) by the Transferee of a policy which complies with the terms of such right or option. Without prejudice to such entitlement, if the Transferee is not at the time of the exercise of such right or option writing policies complying exactly with the policy to which such person is entitled pursuant to the right or option, the Transferee shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the policy commonly offered by the Transferee or any other member of the Transferee Group which the Transferee in its absolute discretion considers to be the nearest equivalent policy of the Transferee or such other member of the Transferee Group (as the case may be) at that time.

- 5.4 All references in any Transferred Policy (and, in relation to any Transferred Group Pension Policy Elements comprised within a Group Pension Policy, all references in that Group Pension Policy in relation to the Transferred Group Pension Policy Elements) or any other agreement or document to the extent that, in each case, it refers to the Transferred Business (including in a contract to which the Transferor is party, a contract to which the Transferor is not party or elsewhere and whether in writing or not) to the Transferor, the Transferor Board, the Transferor Actuary or any other officers, employees or agents of the Transferor shall, with effect on and from the Effective Date, be read as references to the Transferee, the Transferee Board, the Transferee Actuary or any other officers, employees or agents of the Transferee respectively. In particular, but without limitation, and subject to the other provisions of this Scheme, all rights and duties exercisable or expressed to be exercisable or responsibilities to be performed by the Transferor, the Transferor Board, the Transferor Actuary or any other officers, employees or agents of the Transferor in relation to any of the Transferred Policies or any other agreement or document to the extent that, in each case, it refers to the Transferred Business (including in a contract to which the Transferor is party, a contract to which the Transferor is not party or elsewhere and whether in writing or not), shall, with effect on and from the Effective Date, be exercisable or required to be performed by the Transferee, the Transferee Board, the Transferee Actuary or any other officers, employees or such agents of the Transferee respectively. All references in a Transferred Policy to the Transferor Group shall, where the context requires, be read and construed

with effect from the Effective Date as references to the Transferee Group. For the avoidance of doubt, this paragraph 5.4 shall have no effect on any agreement or document to the extent that, in each case, it refers to the Excluded Policies, the Excluded Assets or the Excluded Liabilities.

- 5.5 Without prejudice to the generality of paragraph 3.1(a), where the benefits of any Transferred Policy are held under the terms of a trust, such terms together with any rules applicable to any pension scheme in the case of any pension scheme under which benefits are referable to a Transferred Policy, shall operate and be construed, with effect on and from the Effective Date, on a basis which is consistent with the transfer of such Transferred Policy in accordance with the provisions of this Scheme. For the avoidance of doubt:
- (a) where the consent of the Transferor is required under any such terms, the consent of the Transferee shall, with effect on and from the Effective Date, instead be treated as required; and
 - (b) where a power to appoint trustees under such terms is conferred on the Transferor, that power shall, with effect on and from the Effective Date, instead be treated as conferred on the Transferee.
- 5.6 The transfer of any rights, benefits, liabilities and obligations under or in connection with any Transferred Policy, Transferred Asset, Residual Asset, Transferred Liability or Residual Liability pursuant to this Scheme shall take effect and shall be valid and binding on all parties having any interest in the same notwithstanding any restriction on transferring, assigning or otherwise dealing with the same and such transfer shall be deemed to take effect on the basis that it does not contravene any such restriction and does not give rise to any right to terminate, modify, acquire or claim an interest or right, or to treat an interest or right as terminated or modified.
- 5.7 With effect on and from the Effective Date and without any further act or instrument, each Group Pension Policy shall be construed at all times so that:
- (a) the Transferee has all rights and liabilities arising in connection with or pursuant to the Transferred Group Pension Policy Elements subsisting or outstanding on the Effective Date; and
 - (b) the Transferor retains all Non-Transferred Group Pension Policy Elements,
- provided that (i) the Transferee shall only acquire such rights or liabilities referred to in paragraph 5.7(a) as are respectively Residual Assets or Residual Liabilities in accordance with paragraph 3 on the respective Subsequent Transfer Date relating thereto and (ii) the Transferee shall in no event assume any liability as is referred to in paragraph 5.7(a) which is an Excluded Liability.
- 5.8 In accordance with, but without prejudice to the generality of, paragraph 5.7, each Group Pension Policy shall be construed, with effect on and from the Effective Date, so that:
- (a) the Transferor and the Transferee are each a party to the Group Pension Policy, the Transferor in the capacity of the insurer of the Non-Transferred Group Pension Policy Elements and the Transferee in the capacity of insurer of the Transferred Group Pension Policy Elements;
 - (b) the Transferor retains all rights and liabilities under the Group Pension Policy except to the extent that rights and liabilities thereunder relate to the Transferred Group Pension Policy Elements, in which case the Transferee shall have those

rights and liabilities (other than the Excluded Assets and the Excluded Liabilities, which shall be retained by the Transferor);

- (c) the Transferor shall (to the exclusion of the Transferee) provide any services, information and documents required to be provided under the Group Pension Policy, other than services, information or documents relating to the Transferred Group Pension Policy Elements, which shall be provided by the Transferee (to the exclusion of the Transferor), save that the Transferor shall provide any such information relating to the Excluded Assets and the Excluded Liabilities;
- (d) the Transferor shall (to the exclusion of the Transferee) be responsible for receiving any information or instructions that may be given under the terms of the Group Pension Policy and for updating such information and implementing such instructions in accordance with, and subject to, the terms of the Group Pension Policy, save that the Transferee shall (to the exclusion of the Transferor) be responsible for receiving any information or instructions that may be given in relation to the Transferred Group Pension Policy Elements under the terms of the Group Pension Policy and for updating such information and implementing such instructions in relation to the Transferred Group Pension Policy Elements in accordance with, and subject to, the terms of the Group Pension Policy;
- (e) the Transferor shall (to the exclusion of the Transferee) retain any right, subject to the terms of the Group Pension Policy and all applicable regulatory requirements, to exercise any discretionary power or make any decision in relation to the administration of the Group Pension Policy, save to the extent that any such rights relate to the Transferred Group Pension Policy Elements, in which case the Transferee shall (to the exclusion of the Transferor) have that right;
- (f) the Transferor shall (to the exclusion of the Transferee) retain any obligation to issue a new, replacement or additional policy required to be issued under the terms of any option or right under the Group Pension Policy, save to the extent that any such obligation relates to the Transferred Group Pension Policy Elements, in which case the Transferee shall, in accordance with and subject to paragraph 5.3 (to the exclusion of the Transferor), have that obligation unless that obligation arises from an Excluded Liability;
- (g) the Transferor and the Transferee shall each have separate obligations as insurer under the Group Pension Policy as allocated pursuant to this Scheme and shall be neither jointly, nor jointly and severally, liable for the same obligation under the Group Pension Policy;
- (h) neither the Transferor nor the Transferee shall exercise any right, power or discretion to agree to any amendment to a Group Pension Policy which in any such case may have an effect on the other without the prior written consent of the other; and
- (i) without limitation to paragraph 5.8(h), the Transferor shall not agree to any amendment, modification or variation, including any increment, being made to any Transferred Policy without the prior written consent of the Transferee.

6. UNIT-LINKED POLICIES

6.1 On and with effect from the Effective Date:

- (a) benefits under each Transferred Policy which is a Unit-Linked Policy shall become linked to such Linked Fund(s) of the Transferee as the Transferor and the

Transferee shall agree in writing prior to the Effective Date providing reasonably equivalent investment exposure to the Linked Fund(s) of the Transferor to which the relevant Transferred Policies were linked immediately prior to the Effective Date;

- (b) the Transferee shall allocate to each Transferred Policy which is a Unit-Linked Policy units in the relevant Linked Fund(s) of the Transferee such that the aggregate value of the units used to calculate unit-linked annuity payments under that Transferred Policy as at the Effective Date is the same as the aggregate value of the units in the relevant Linked Fund(s) of the Transferor that are used to calculate unit-linked annuity payments under that Transferred Policy immediately prior to the Effective Date, where each aggregate value is calculated using the relevant unit bid prices on the Effective Date for the relevant Linked Fund(s) of the Transferee and the relevant Linked Fund(s) of the Transferor; and
- (c) subject always to the provisions of this paragraph 6, the Transferee shall become entitled to the same rights and powers and be subject to the same duties and liabilities as applied to the Transferor in relation to any benefits under Transferred Policies which are Unit-Linked Policies.

6.2 Any Transferred Policyholder affected by the operation of paragraph 6.1 shall be entitled to make one switch in respect of each Linked Fund to which each Unit-Linked Policy which they hold is linked pursuant to paragraph 6.1, even where such switch is not permitted under the terms of the relevant policy, from the Linked Fund(s) in which they are allocated units pursuant to paragraph 6.1 to such other Linked Fund(s) then offered by the Transferee as the Transferred Policyholder may determine, provided such switch is effected within 12 months following the Effective Date.

6.3 The Transferee shall waive any switching or other charge that would otherwise apply as a consequence of a switch made pursuant to paragraph 6.2.

6.4 Paragraph 6.2 shall be without prejudice to any entitlement to effect a switch which a Transferred Policyholder may have under the terms of their policy.

7. **MANDATES**

7.1 On and with effect from the Effective Date, all premiums attributable or referable to the Transferred Policies shall be payable to (and receivable by) the Transferee.

7.2 Any direct debit mandate, standing order or other instruction in force immediately prior to the Effective Date and providing for the payment by a bank or other intermediary of premiums or other amounts payable to the Transferor under or in respect of any Transferred Policy shall on the Effective Date take effect as if it had provided for and authorised such payment to the Transferee.

7.3 Any mandate or other instruction in force on the Effective Date as to the manner of payment by the Transferor of any sum payable under any Transferred Policy shall continue in force as an effective instruction or authority to the Transferee.

8. **RESIDUAL POLICIES**

8.1 Subject to paragraph 8.3, the Residual Policies shall not be transferred to the Transferee by this Scheme and all liabilities attributable to the Residual Policies shall remain liabilities of the Transferor and be fully reassured with effect from the Effective Date on the following basis:

- (a) all liabilities of the Transferor attributable to the Residual Policies shall be reassured in their entirety by the Transferee on and with effect from the Effective Date;
 - (b) the claims payable by the Transferee to the Transferor in connection with the provision of the reinsurance shall be payable on a monthly basis;
 - (c) the liability of the Transferee on the Effective Date shall be such that the rights, benefits and powers provided to holders of the Residual Policies shall to the extent possible, be the same as the rights, benefits and powers which would be provided to such holders if the Residual Policies had been Transferred Policies;
 - (d) the premiums payable by the Transferor to the Transferee in connection with the provision of the reinsurance described in this paragraph 8.1 shall be deemed to have been satisfied by the transfer to the Transferee of the appropriate proportion of the Transferred Assets, with the exception that all subsequent premiums received by the Transferor in respect of such Residual Policies at any time after the Effective Date shall be paid to the Transferee as soon as practicable after they are received;
 - (e) administration in respect of any Residual Policies will be carried out by the Transferor or its nominee to the same standard as applied in the 12 calendar months prior to the Effective Date;
 - (f) the parties may agree in writing to terminate the Residual Policies Reassurance Arrangement at any time and either party may terminate the Residual Policies Reassurance Arrangement by notice in writing to the other at any time after the date falling 12 calendar months after the Effective Date (in the event that it has not terminated before then);
 - (g) upon termination of the Residual Policies Reassurance Arrangement pursuant to paragraph (f) above, the rights and obligations of the Transferor and the Transferee pursuant to paragraphs 8.1(a) to 8.1(e) (inclusive) shall terminate with immediate effect; and
 - (h) on any termination of the Residual Policies Reassurance Arrangement, the Transferee shall pay to the Transferor an amount calculated on the basis agreed by the Transferor and the Transferee in writing prior to the Effective Date.
- 8.2 The parties may agree in writing to amend the terms of the Residual Policies Reassurance Arrangement, in which event the provisions of this paragraph 8 shall be deemed to be amended accordingly, provided always that such amendments shall not prejudice the interests of any policyholder of a Residual Policy.
- 8.3 If at any time before the Residual Policies Reassurance Arrangement is terminated in accordance with paragraph 8.1 all consents, orders, permissions or other requirements for the transfer or novation of a Residual Policy from the Transferor to the Transferee are obtained, such Residual Policy shall, by the Order and without any further act or instrument, be transferred to the Transferee, and shall thereafter be treated in all respects, as if it were a Transferred Policy and not a Residual Policy.
- 8.4 In accordance with paragraph 8.3:
- (a) Guernsey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Guernsey Effective Date and shall be

transferred to and vested in the Transferee by the Order (in addition to any order of the Royal Court of Guernsey) with effect from the Guernsey Effective Date; and

- (b) Jersey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Jersey Effective Date and shall be transferred to and vested in the Transferee by the Order (in addition to any order of the Royal Court of Jersey) with effect from the Jersey Effective Date.

9. **DECLARATION OF TRUST BY THE TRANSFEROR**

- 9.1 The Transferor shall from the Effective Date (but save to the extent that giving effect to such a trust would require a consent or waiver which has not been obtained or that such a trust would not be recognised by any applicable law or that the parties agree in writing not to give effect to such a trust for any reason) hold any Residual Asset, together with any proceeds of sale or income or other right accrued or return arising in respect thereof, as trustee for the Transferee.
- 9.2 The Transferor shall be subject to the Transferee's reasonable directions in respect of the Residual Assets from the Effective Date until the relevant asset is transferred to or otherwise vested in the Transferee or disposed of (whereupon the Transferor shall account to the Transferee for the proceeds of the sale thereof), and the Transferee shall have authority to act as the attorney of the Transferor in respect of such property for all such purposes.
- 9.3 In the event of any payment being made to, property being received by, or right being conferred upon the Transferor on or after the Effective Date in respect of any Transferred Asset or any Residual Asset, the Transferor shall, as soon as is reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such property or right to, or in accordance with the directions of, the Transferee.

10. **INDEMNITIES IN FAVOUR OF THE TRANSFEROR**

- 10.1 With effect from the Effective Date until the relevant Subsequent Transfer Date, the Transferee shall discharge on the Transferor's behalf or, failing that, shall indemnify the Transferor against:
 - (a) charges, costs and claims arising in respect of any Residual Liabilities which are liabilities of the Transferor (other than liabilities which are the subject of paragraph 10.1(b) or paragraph 10.2) until the relevant liability is transferred to or becomes a liability of the Transferee; and
 - (b) any amount paid by the Transferor in respect of any Residual Liabilities of the Transferor which are, whether wholly or in part, the subject of a policy of indemnity insurance or a claim or right of recovery against a third party, but only to the extent that the Transferor, 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 reasonable endeavours to do so).
- 10.2 The Transferee shall indemnify the Transferor against any costs and/or expenses which it may incur in pursuing any claim under any such policy of indemnity insurance or against any such third party as is referred to in paragraph 10.1(b). Subject thereto, the Transferor shall take such steps as the Transferee shall reasonably require in order to pursue the rights it may have under any such policy of indemnity insurance or against any such third party. The Transferee shall be entitled, upon notice to the Transferee, to have conduct of

all litigation or other proceedings in respect of any such claim. In that connection, the Transferor shall give all such assistance as the Transferee may reasonably require in conducting any such proceedings.

- 10.3 The indemnities given by the Transferee under paragraphs 10.1 and 10.2 are given on the basis that the Transferor will use reasonable endeavours to mitigate its charges, costs and claims for which indemnification may be sought under paragraphs 10.1 and 10.2 and the Transferee's obligations under paragraphs 10.1 and 10.2 shall not apply in respect of any liability, charge, cost or claim covered by the Residual Policies Reassurance Arrangement.
- 10.4 For the avoidance of doubt, the Transferee shall not be required under paragraph 10.1 above to discharge or indemnify the Transferor against Excluded Liabilities, any Excluded Policies or any charges, costs, claims or other liabilities in respect of Excluded Liabilities, or any Excluded Policies and in particular, but without limitation, the Transferee shall not be required to discharge or indemnify the Transferor against any Tax liabilities of the Transferor.

PART D - MISCELLANEOUS PROVISIONS

11. EFFECTIVE DATE

- 11.1 Subject to paragraph 11.4, this Scheme shall become effective at 00.01 GMT on 19 February 2016 or such other time and date as the Transferor and the Transferee may agree (being a time and date after the making of the Order), provided that if such time and date for the Scheme to become operative is after 00.01 GMT on 19 February 2016, the provisions of paragraph 11.2 shall apply.
- 11.2 If the Transferor and the Transferee agree that the transfer of the Transferred Business to the Transferee should become effective after 00.01 GMT on 19 February 2016, the Transferor and the Transferee must apply to the Court for a further order specifying such time and date after 00.01 GMT on 19 February 2016 upon which, subject to the consent of the Court, this Scheme shall become operative, provided that in any such case:
- (a) the Insurance Regulators shall be notified in advance and as soon as reasonably practicable of, and shall have the right to be heard at, any hearing of the Court at which such application is considered;
 - (b) such application shall be accompanied by a supplementary report from Mr Nick Dumbreck of Milliman or any other independent expert approved pursuant to section 109(2)(b) of the FSMA to the effect that in his opinion the proposed amendment will not materially adversely affect the holders of Transferred Policies or Residual Policies or Excluded Policies or policies of the Transferee (including the security or reasonable expectations of such policyholders); and
 - (c) a notice of the making of such order is published on the websites of the Transferor and the Transferee within 5 days of the making of such further order.
- 11.3 Unless this Scheme shall become effective in its entirety on the date determined in accordance with paragraph 11.1, it shall lapse.
- 11.4 This Scheme shall not become effective on the Effective Date unless on or prior thereto the Tax Clearances satisfactory in form and content to both parties, acting reasonably, have been obtained or unless the parties otherwise agree.

12. MODIFICATIONS OR ADDITIONS

- 12.1 The Transferee and the Transferor may consent for and on behalf of themselves and all other persons concerned to any modification of or addition to 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, provided that any such modification, addition, condition or provision which is material to the Scheme may only be made with the consent of the Insurance Regulators.
- 12.2 Subject to paragraphs 12.3 and 12.4, at any time after the sanction of this Scheme, the Transferee and the Transferor shall be at liberty to apply jointly to the Court for consent to amend its terms, provided that in any such case:
- (a) the Insurance Regulators shall be notified of, and have the right to be heard at, any hearing of the Court at which such application is considered; and
 - (b) such application shall be accompanied by a certificate from an independent actuary to the effect that in his opinion the proposed amendment will not adversely affect the security or adversely affect the reasonable expectations of the holders

of Transferred Policies or Residual Policies or Excluded Policies or policies of the Transferee, in each case as they stood before the implementation of the proposed amendment.

If such consent is granted, the Transferee and the Transferor may amend the terms of this Scheme in accordance with such consent.

12.3 The consent of the Court shall not be required in relation to:

- (a) minor and/or technical amendments to the terms of this Scheme (including amendments to correct manifest errors) that may be agreed by the Transferor and the Transferee in writing, provided that the Insurance Regulators have been notified of the same at least 28 days in advance of the amendment being made and have not objected (unless the Insurance Regulators have confirmed non-objection prior to that date); or
- (b) amendments to the terms of the Scheme which are reasonably considered by the Transferor Board (in the case of the application of this Scheme to the Transferor) or the Transferee Board (in the case of the application of this Scheme to the Transferee) to be necessary to ensure the provisions of this Scheme operate in the intended manner in circumstances where the provision to which the proposed variation applies will be materially affected by a variation to Regulatory Requirements (including the introduction of Solvency II) (in this paragraph a "**Regulatory Change**"), provided that:
 - (i) each of the Insurance Regulators has been notified of the proposed amendments by the Transferor or the Transferee (as the case may be) and has not objected thereto within 60 days of such notification; and
 - (ii) an independent actuary has provided the Transferor (in the case of the application of this Scheme to the Transferor) or the Transferee (in the case of the application of this Scheme to the Transferee) with a certificate to the effect that in his opinion the implementation of the proposed amendments will not have an adverse effect on the security or reasonable expectations of holders of Transferred Policies or Residual Policies or Excluded Policies or policies of the Transferee, in each case as they stood before the implementation of the Regulatory Change.

12.4 The consent of the Court or the Insurance Regulators shall not be required in relation to the amendment or termination of the Residual Policies Reassurance Arrangement provided that such amendment or termination shall be in accordance with the provisions of paragraph 8.

13. **COSTS AND EXPENSES**

Except as otherwise agreed in writing, the Transferor and the Transferee shall bear their own costs and expenses in relation to the preparation and carrying into effect of this Scheme, whether before or after the Effective Date.

14. **THIRD PARTY RIGHTS**

A person who is not a party to this Scheme may not enforce any term of this Scheme pursuant to the Contracts (Rights of Third Parties) Act 1999.

15. **GOVERNING LAW**

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

Dated [•] 2016

IN THE HIGH COURT OF JUSTICE No.6682 OF 2015
CHANCERY DIVISION
COMPANIES COURT

**IN THE MATTER OF THE EQUITABLE LIFE
ASSURANCE SOCIETY**

- and -

IN THE MATTER OF CANADA LIFE LIMITED

- and -

**IN THE MATTER OF THE FINANCIAL SERVICES AND
MARKETS ACT 2000**

SCHEME

(pursuant to Part VII of the Financial
Services and Markets Act 2000)

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

Ref: C1CSR
Tel: +44 20 7296 2000