



I became Chairman of the board of directors and President of the Society on 1 March 2001. I see my primary role as seeking to achieve a secure future for the Society's with-profits fund and for you, the policyholders. The job has already turned out to be at least as difficult as I expected and to do it as well as I can, I will need your support.

The purpose of the Annual Report is to inform members about the Society's activities during 2000. As I and our Chief Executive, Charles Thomson, were not appointed until 2001, we cannot report to you at first hand. However, I have asked Charles Thomson and his senior management colleagues to prepare the Management Report which appears in the accompanying Annual Report and Accounts and which gives a summary of the main events of the past year.

Of course, foremost among these were the legal proceedings in connection with Guaranteed Annuity Rates (GARs) and the action taken following the House of Lords' judgement on 20 July 2000.

As you will already know, following the failure to find a purchaser for the Society as a whole the board decided to stop writing new business from 8 December 2000. Alan Nash, the Managing Director, resigned and Chris Headdon was appointed as Chief Executive to succeed him. Shortly afterwards, all the non-executive directors announced that they would resign once new directors had been appointed. My appointment as a director and as Chairman is a direct result of that announcement. Charles Thomson was appointed as the Society's Chief Executive, also on 1 March 2001, in succession to Chris Headdon.

One of my major priorities since my appointment has been to identify suitable new non-executive directors and six new appointments were announced on 12 April 2001. Each of them has a great deal of relevant personal or professional experience, common sense, the ability to tackle complex issues, and commitment.

Each of them has undertaken to represent all policyholders equally, without being tied to any partisan interest. All the appointments have been made by reference exclusively to these criteria.

The non-executive directors serving in December 2000 have now all resigned. The new directors will seek re-election at the Annual General Meeting on 23 May 2001, and I am asking you to vote for their reappointment. Some of the new directors were not members of the Society before their appointment. If so, in order to comply with the Society's Articles of Association, each has taken out a small with-profits policy with the Society, but has undertaken to surrender their policy when they cease to be a director and to donate any gain arising to charity. Details of my recommendations, and of other members who have been nominated to stand as candidates for election as directors, are given in the letter accompanying the Notice of the AGM (for members entitled to vote at the meeting). A proxy form is also enclosed to enable you to vote if you are unable to attend the meeting. I hope that you will show me your trust in voting at the AGM in favour of the candidates I am recommending for election.

On the day I became Chairman, I published an open letter to policyholders in a number of newspapers. In that, I set out my immediate intentions. First among these is my desire to communicate openly with members. Since then, I have received many letters from policyholders and have held policyholders' meetings in a number of cities. The questions most frequently asked at these meetings, and my replies to them, have also been published in an open letter in the



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newspapers. They have been posted on the Equitable website in fuller form. Also, I have had meetings with various policyholder action groups. These letters and meetings have helped me to understand some of the concerns of policyholders, so that we can seek to address them. In addition, we have asked MORI to conduct market research on our behalf and they have contacted a cross-section of policyholders. These initiatives will enable the Society to communicate more effectively with you in the future.

Some questions have been asked by members with particular frequency:

- *Is the Society solvent?* To which we have said that it certainly is and we fully expect to be able to meet all our obligations in the future.

- *Why do we need a compromise and what if there isn't one?* Some of the answer is to be found below.

- *What action are you taking to recover damages from any former directors or advisers?* We are instructing independent solicitors to investigate whether there are any reasonable grounds for pursuing such claims, having regard to the likely costs and the probability of success.

On 1 March 2001, the Halifax Group plc acquired the Society's operating assets and most of its staff. There is now only a small core of staff directly employed by the Society. There are agreements with the Halifax Group for it to provide most of our services to you, our policyholders. One of the most important tasks of the new board will be to ensure that the levels of service, advice and investment expertise you receive are maintained.

An overriding challenge in the immediate future is to seek a compromise between policyholders with GARs and those without them. Many members (GAR and

non-GAR) have told us that they have lost their trust in their pensions policies or other investments. To strike a compromise will enable us to stabilise the GAR costs and restore that confidence in the reliability of the Society's policies, which is so important to us all. A further benefit will be the restoration of greater investment freedom, allowing our fund managers, when appropriate, to take advantage of the historically superior returns to be gained from investment in equities rather than fixed-interest securities.

We shall be writing to all with-profits policyholders later this year giving details of the compromise being proposed. The more formal papers regarding the compromise, including the voting forms and an independent report on the fairness of the proposals, will be issued a few weeks later with the intention of holding the vote in the autumn. Implementation of the scheme will require approval by a 75 per cent majority by value and a 50 per cent majority by number of each class of policyholder voting. Subsequent approval by the High Court will also be required. I firmly believe that a compromise is essential and that this will help us ensure the secure and successful future of the Society. I will do all I can to achieve a compromise which is fair to all. Unless the necessary majorities of policyholders find it fair, it will not happen.

I assure you of my overwhelming desire to make this a Society with which you can feel secure and which will provide you with superior service and good investment returns. I will give this all my effort.



Vanni Treves
Chairman
27 April 2001