

PART VII SCHEME DOCUMENT

CR-2019-004716

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)**

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

AND

**IN THE MATTER OF
UTMOST LIFE AND PENSIONS LIMITED**

AND

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

SCHEME

**for the transfer of part of the long-term insurance business of The Equitable Life
Assurance Society to Utmost Life and Pensions Limited
pursuant to Part VII of the Financial Services and Markets Act 2000**

TABLE OF CONTENTS

Clause	Page
1. Interpretation	2
2. Introduction	17
3. Transfer of the Transferring Business to the Transferee.....	18
4. Continuity of Proceedings.....	20
5. Premiums and Mandates	20
6. Rights and Obligations under Transferring Policies	20
7. Declaration of Trust by the Transferor	21
8. Indemnities	22
9. Allocations in respect of Transferring Business	22
10. Linked Funds.....	23
11. Maintenance of Transferee sub-funds.....	24
12. Undertakings and covenants.....	24
13. Establishment of the German WP Fund.....	24
14. Maintenance of the German WP Fund.....	25
15. Internal Transfers.....	25
16. Credits to the German WP Fund	26
17. Debits from the German WP Fund	27
18. Rights and obligations in relation to Partially Transferring Contracts	27
19. Data Protection	28
20. The Implementation Date.....	28
21. Modification or Additions to this Scheme	29
22. Costs and Expenses	30
23. Continuity of the RMIS Scheme	30
24. Successor and Assigns	30
25. VAT	30
26. Evidence of Transfer.....	31
27. Third Parties	31
28. Governing Law.....	31
Schedule 1 Reinsurance Agreements	32
Schedule 2	34
Part A - Transferee Undertakings and Covenants	34
Part B – Transferor Undertakings and Covenants	36
Schedule 3 Asset Share and Inter-Fund Reinsurance Arrangement.....	40

1. Interpretation

1.1 Definitions.

In this Scheme the following expressions bear the meanings respectively set opposite them.

Actuary means the person from time to time appointed as head of the actuarial function at the relevant insurance company, such function being required pursuant to 6.1R of the Conditions Governing Business section of the PRA Rulebook;

Applicable Laws means any statute, common law, constitution, judgment, treaty, rules and regulations (including the FCA's Handbook and the PRA's Rulebook), by-law, order, decree, code of practice, circular, directive, other legislative measure, requirement or guideline made by any governmental entity or Regulatory Authority, which is binding and enforceable against any party from time to time in any jurisdiction in which the Transferor or the Transferee is established or conducts or solicits business;

Applicable Privacy Laws means all applicable data protection laws, rules and regulations, (including the General Data Protection Regulation and the Data Protection Act 2018, the Data Protection (Jersey) Law 2018, the Data Protection (Guernsey) Law 2017), and any applicable national laws, rules and regulations implementing the foregoing;

Asset Share means, in respect of each UK Style German WP Policy, the Initial Asset Share as it develops over time from the Implementation Date in accordance with the provisions of Schedule 3 and **Asset Shares** shall mean the aggregate of each such Asset Share;

Automatic Allocation Asset Mix Funds means, together, the USD Global Equity Fund, the Irish Managed Fund, the Multi-Asset Cautious Fund, the Multi-Asset Moderate Fund and the Money Market Fund;

Automatic Allocation Mechanism means the mechanism described in paragraphs 24 to 25 of Part B of Schedule 2 to the Part 26 Scheme;

Aylesbury Leases means the leases of the Second Floor and of the Third Floor, AOF2, Walton Street, Aylesbury, commencing 16 November 2016 and 21 June 2017 and registered at the Land Registry under leasehold title numbers BM406977 and BM417244, respectively;

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

Business Contracts means any contracts, arrangements, licences, deed polls, declarations of trust, deeds of appointment or variation, scheme rules and other commitments to which the Transferor is a party on the Implementation Date and which relate to the Transferring Business, including the Reinsurance Agreements and the System Business Contracts but excluding the Excluded Contracts;

Business Day means a day (other than a Saturday or Sunday or a public holiday) on which banks are generally open in the City of London for the transaction of normal banking business;

Business Records means that part of any documents, books and records in relation to the Transferring Business (in whatever form and whether physical or electronic, in whole or in part) which are in the possession of, or under the control of the Transferor or its third party service providers but excluding the Excluded Business Records;

Capitalisation Amount means such amount as the Transferor Board, having regard to appropriate actuarial advice from the Transferor Actuary, shall determine as sufficient to ensure that the Transferor is able to meet the higher of:

- (a) 125% of the MCR Floor Amount; and
- (b) 150% of its Solvency Capital Requirement immediately after the Implementation Date;

Court means the High Court of Justice of England and Wales;

Encumbrance means any mortgage, charge, pledge, 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;

Excluded Assets means all assets relating to the German Policies and Irish Policies (other than any assets falling within the definition of Residual Assets), including:

- (a) the Transferor's rights under or relating to the German Policies and Irish Policies;
- (b) the assets matching or allocated to meet the liabilities in respect of the German Policies and the Irish Policies;
- (c) the Excluded Contracts; and
- (d) the Excluded Business Records;

Excluded Business means the German Policies, the Irish Policies, the Excluded Assets and the Excluded Liabilities;

Excluded Business Records means that part of any documents, books and records in relation to the Excluded Business (in whatever form and whether physical or electronic, in whole or in part) which are in the possession of, or under the control of the Transferor or its third party service providers;

Excluded Contracts means that part of any Business Contracts to which the Transferor is a party on the Implementation Date and which relate to the Excluded Business, including the Excluded Reinsurance Agreements but excluding the System Business Contracts;

Excluded Liabilities means all the liabilities (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the German Policies and Irish Policies;

Excluded Policies means:

- (a) the German Policies;
- (b) the Irish Policies; and
- (c) any Transferring Policy under which any liability remains unsatisfied or outstanding on the Implementation Date and one or more of the following terms apply to it:
 - (i) for the purpose of Schedule 12 of FSMA:
 - (A) paragraph 1(4) of Schedule 12 to FSMA, an EEA State other than the United Kingdom is the State of the commitment; and
 - (B) the PRA has not, prior to the issue of the Order by which the Court sanctions the Scheme, delivered a Schedule 12 Certificate,

to the extent that and for so long as the transfer of such Transferring Policy is not fully effective in the United Kingdom and under the law of the EEA State (other than the United Kingdom) which is the State of commitment, and for these purposes ***EEA State*** and ***State of the commitment*** bear the meanings ascribed thereto by, or for the purposes of, Part VII of FSMA;

- (ii) Guernsey Policies (save for those Guernsey Policies which are Jersey 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;
- (iii) Jersey Policies, to the extent that and for so long only as the Jersey Scheme and Guernsey Scheme have not yet received the requisite court approval and become effective in accordance with their terms; and
- (iv) any other Transferring Policy which is not otherwise capable of being transferred pursuant to Part VII of FSMA on the Implementation Date to the extent that and for so long as it is not capable of being transferred;

Excluded Policies Reinsurance Agreement means the reinsurance agreement to be entered into between the Transferor and the Transferee in respect of any Excluded Policies other than the German Policies and the Irish Policies on terms agreed between the Transferor and the Transferee;

Excluded Reinsurance Agreements means:

- (a) contracts of reinsurance which have been arranged by the relevant reinsurer for the benefit of the Transferor or to which the Transferor is a party which relate solely to the German Policies and/or the Irish Policies; and
- (b) those parts of any contracts of reinsurance listed in Schedule 1 and marked with an asterisk which have been arranged by the relevant reinsurer for the

benefit of the Transferor or to which the Transferor is a party which relate to the German Policies and/or the Irish Policies,

in each case, together with any security arrangements or letters of credit and including those contracts of reinsurance which have expired but in respect of which claims have been brought or may be brought;

FCA means the United Kingdom's Financial Conduct Authority or its successors from time to time;

FCA Handbook means the handbook of rules and guidance issued by the FCA from time to time pursuant to FSMA;

FSMA means the Financial Services and Markets Act 2000;

General Data Protection Regulation means:

- (a) Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC; and
- (b) laws implementing Regulation 2016/679;

German Policy means any policy (including, for the avoidance of doubt, any lapsed, matured, surrendered, expired or reinstated policy) governed by German law written or assumed by the German branch of the Transferor (such policies being identified by the company code "D" on the internal records of the Transferor) and **German Policies** shall mean all such Policies;

German Style German WP Policy means a German Policy as listed in the CD marked "GSGWPP" for identification purposes by the Transferor and Transferee and **German Style German WP Policies** shall mean all such policies;

German WP Fund means the with-profits fund of the Transferor established and maintained pursuant to this Scheme;

German WP Fund Liabilities means the "with profits policy liabilities" as defined in the Glossary of the PRA Rulebook in respect of the German WP Policies and any other liabilities in respect of the business allocated to the German WP Fund including, for the avoidance of doubt, the Transferor's liability to treat customers fairly in respect of the Asset Shares;

German WP Policies means the UK Style German WP Policies and the German Style German WP Policies;

Good Industry Practice means the exercise of the degree of skill, care, diligence and timeliness and the applications of standards of quality which would at that time be expected from a reasonably prudent insurer providing services and products similar to those services and products provided by the Transferring Business or the Excluded Business (as the case may be);

Guernsey means the Bailiwick of Guernsey, a crown dependency of the United Kingdom of Great Britain and Northern Ireland;

Guernsey Implementation Date means the date on which the Guernsey Scheme will become effective in accordance with its terms in relation to the Guernsey Policies;

Guernsey Policy means a Transferring Policy which was:

- (a) effected or carried out as part of insurance business carried on in or from within Guernsey; or
- (b) written under Guernsey law; or
- (c) issued to a person resident in the Bailiwick of Guernsey,

and in respect of which any liability remains unsatisfied or outstanding on the Guernsey Implementation Date and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to the Insurance Business (Bailiwick of Guernsey) Law 2002;

Guernsey Scheme means the scheme for the transfer of insurance business under the Insurance Business (Bailiwick of Guernsey) Law 2002;

HMRC means HM Revenue & Customs or its successors from time to time;

Implementation Date means:

- (a) 0.02 on 1 January 2020, provided that before that time the conditions set out in paragraph 20.1 have been satisfied; or
- (b) if the conditions in paragraph 20.1 have not been satisfied by 0.02 on 1 January 2020 then 0.02 on the date on which the condition set out in paragraph 20.1(c) is satisfied, provided that the conditions in paragraphs 20.1(a) and 20.1(b) have been satisfied before that time and if such conditions have not been satisfied before that time then the subsequent date on which the last of the conditions in paragraph 20.1 is satisfied;

Independent Expert means Richard Baddon of Deloitte MCS Limited;

Initial Asset Share has the meaning given in paragraph 13.2(b);

Inter-Fund Reinsurance Arrangement has the meaning given in Schedule 3;

Irish Policy means any policy (including, for the avoidance of doubt, any lapsed, matured, surrendered, expired or reinstated policy) governed by Irish law written or assumed by the Republic of Ireland branch of the Transferor (such Policies being identified by the company code "I" on the internal records of the Transferor) and **Irish Policies** shall mean all such Policies;

Irish Managed Fund means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date;

IT Systems means the information, computer and communications technologies, software and hardware used by the Transferor;

Jersey means the Bailiwick of Jersey, a crown dependency of the United Kingdom of Great Britain and Northern Ireland;

Jersey Implementation Date means the date on which the Jersey Scheme will become effective in accordance with its terms in relation to the Jersey Policies;

Jersey Policy means a Guernsey Policy which was effected or carried out as part of insurance business carried on in, or from within, Jersey and in respect of which any liability remains unsatisfied or outstanding on the Jersey Implementation Date and which the Royal Court of Jersey has jurisdiction to transfer pursuant to the Insurance Business (Jersey) Law 1996;

Jersey Scheme means the scheme for the transfer of insurance business under the Insurance Business (Jersey) Law 1996;

Linked Fund means an internal linked fund maintained by:

- (a) the Transferor in respect of:
 - (i) the Transferring Policies prior to the Implementation Date; and
 - (ii) any Excluded Policies which are Linked Policies prior to or following the Implementation Date; or
- (b) the Transferee prior to or following the Implementation Date,

in each case, for the purpose of calculating the benefits payable under Linked Policies (including such a fund maintained for the purpose of calculating the benefits linked to the value of external unit trusts);

Linked Policy means (as applicable) a Transferring Policy or an Excluded Policy (other than a German WP Policy) under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the policies) or by reference to fluctuations in or an index of, the value of the property of any description (whether or not so specified);

Long-Term Insurance Business means the business of effecting or carrying out Long-Term Insurance Contracts;

Long-Term Insurance Contracts means contracts of insurance falling within classes of long-term insurance business as set out in Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

Loss means:

- (a) all direct losses (including, for the avoidance of doubt, direct loss of profits), liabilities (including any settlement payment irrespective of whether legal liability has been admitted or determined), damages, penalties, costs relating to disciplinary actions and fines, but excluding punitive, special, consequential or indirect loss (such as, for the avoidance of doubt, indirect loss of profits or loss of goodwill); and
- (b) all costs and expenses (including legal fees) properly incurred as a result of investigating, defending or settling a claim or in connection with any threatened, pending or actual proceeding;

MCR means the minimum capital requirement calculated in accordance with the Minimum Capital Requirement Part of the PRA Rulebook;

MCR Floor Amount means the absolute floor amount of MCR applicable to the Transferor as specified in rule 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook;

Mis-selling means the sale of a Transferring Policy in circumstances where a policyholder was not provided with appropriate information in relation to such Transferring Policy at the outset or during the lifetime of such policy, and/or where actions and/or omissions of the Transferor (or any other persons or entities which were involved in the sale of the policy, including any intermediary or appointed representative) otherwise induced the policyholder to buy that policy and this constituted a breach of or failure to comply with Applicable Law (to the extent in force at that time or as a result of any change in, or change of interpretation of, Applicable Law having retrospective effect), at that time, of such Applicable Laws, and references to “mis-sold” shall be construed accordingly;

Mis-selling Liabilities means any liabilities in respect of Mis-selling, including any liabilities in respect of the thematic reviews undertaken by the FCA in relation to (i) pensions, (ii) endowments, and (iii) annuities;

Money Market Fund means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

Multi-Asset Cautious Fund means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

Multi-Asset Moderate Fund means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

New Unit-linked Policy means any Linked Policy derived from the conversion of a with-profits policy to a Linked Policy pursuant to the Part 26 Scheme;

Non-Profit Fund means a non-profit fund or sub-fund;

OEIC means open ended investment company;

Order means an order made by the Court pursuant to section 111 of the FSMA sanctioning this Scheme and any order (including, without limitation, any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of the FSMA;

Part 26 Scheme means the scheme of arrangement proposed to be undertaken between the Transferor and its Scheme Policyholders and Legacy Scheme Policyholders (each as defined in the Part 26 Scheme) pursuant to Part 26 of the Companies Act 2006;

Partially Transferring Contracts means any Business Contracts (including Reinsurance Agreements) to which the Transferor is a party on the Implementation Date, that relate in part to the Transferring Business and in part to the Excluded Business but excluding any such contracts, licences and other commitments that relate to the IT Systems;

Policy Value means, in relation to a UK Style German WP Policy, the value which can be obtained from the Transferor's policy administration systems and which is described therein as "policy value" which is determined in accordance with the PPFM applicable to the UK Style German WP Policies immediately prior to the Implementation Date;

PPFM means the Principles and Practices of Financial Management of the Transferor from time to time;

Primary Uplift Amount Equivalent means, in relation to a UK Style German WP Policy, the value of the "Primary Uplift Amount" (as defined in the Part 26 Scheme) that would have applied to that UK Style German WP Policy at the Implementation Date had it been a Scheme Policy (as defined in the Part 26 Scheme);

PRA means the United Kingdom's Prudential Regulation Authority and its successors from time to time;

PRA Rulebook means the rulebook of rules issued by the PRA from time to time pursuant to FSMA;

Proceedings includes any action or other legal or administrative proceedings or step (whether direct or indirect, by way of a claim, demand, legal proceedings, execution of judgment, arbitration, complaint or otherwise howsoever) including arbitration, mediation, adjudication, any other dispute resolution procedure (whether or not it involves submission to any court), any judicial, quasi-judicial, administrative or regulatory review or process or any complaint or claim to any ombudsman, including the Financial Ombudsman Service, or other proceedings for the resolution of a dispute or claim, in each case whether current, future, pending, threatened or otherwise;

Property Fund means the Transferor's fund of that name;

Regulatory Authority means, as the context requires, the FCA, the PRA, the Department for Business, Energy and Industrial Strategy, HMRC, the Information Commissioner's Office, the Jersey Financial Services Commission, the Guernsey Financial Services Commission and such other regulatory authority which has responsibility for regulating businesses such as that relating to the Transferring Policies from time to time in the UK, Jersey and Guernsey;

Regulatory Handbook means the PRA Rulebook and the FCA Handbook taken together;

Reinsurance Agreements means any contracts of reinsurance, together with any security arrangements or letters of credit, which have been arranged by the relevant reinsurer for the benefit of the Transferor or to which the Transferor is a party, which cover any part or all of any of the Transferring Policies as at or prior to the Implementation Date, including those which have expired but in respect of which

claims have been brought or may be brought and including those agreements listed in Schedule 1 but excluding the Excluded Reinsurance Agreements;

Residual Assets means:

- (a) any Transferring Asset of the Transferor to be transferred pursuant to this Scheme and any agreement relating to any such asset (including any right, benefit or power of the Transferor under any Transferring Asset) the transfer of which to the Transferee pursuant to this Scheme, on the Implementation Date, either:
 - (i) requires the consent of any person (other than the Transferee, the Transferor or the Court); or
 - (ii) requires the waiver by any person of any right to acquire, or to 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
 - (iii) would result in a third party having a right to terminate an agreement with the Transferee or to claim compensation in damages or otherwise,and in each case which the Court either (i) does not have jurisdiction to transfer pursuant to section 112 of the FSMA, or (ii) which (despite having such jurisdiction) the Court determines, notwithstanding section 112 and 112A of the FSMA, not to so transfer but in any case only to the extent of that part of the Transferee interest in such asset in respect of which the transfer requires such consent and/or waiver or would result in such a right;
- (b) any Transferring Assets of the Transferor to be transferred pursuant to this Scheme which the Transferor and the Transferee agree in writing prior to the Implementation Date shall not be transferred on the Implementation Date;
- (c) any other interest of the Transferor in any property or any agreement relating to any property which the Transferor and the Transferee shall agree in writing prior to the Implementation Date should be transferred pursuant to this Scheme in conjunction with any property referred to in paragraphs (a) or (b) of this definition;
- (d) any 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 from time to time after the Implementation Date in respect of any property referred to in paragraphs (a) or (b) or (c) of this definition;
- (e) any Transferring Asset which cannot be transferred or vested to the Transferee pursuant to this Scheme for any other reason; and
- (f) such amount (if any) additional to the value of the assets referred to in paragraphs (a) to (e) above (if any) as is required so that the Residual Assets (in aggregate) have a value at least equal to the Capitalisation Amount on the Implementation Date;

Residual Liabilities means any liability under or in connection with the Transferring Policies and in connection with the Transferring Assets:

- (a) the transfer of which liability to the Transferee pursuant to this Scheme requires, on the Implementation Date, the consent or waiver of any person (other than the Transferee, the Transferor or the Court) and which the Court either does not have jurisdiction to transfer to the Transferee pursuant to section 112 of the FSMA or which (despite having such jurisdiction) the Court determines, notwithstanding section 112 and 112A of FSMA, not so to transfer but in any case only to the extent of that part of the Transferee interest in such liability in respect of which the transfer requires such consent and/or waiver or would result in such a right; or
- (b) 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;
- (c) which cannot be transferred to or vested to the Transferee pursuant to this Scheme for any other reason; or
- (d) which the Transferor and the Transferee shall agree in writing prior to the Implementation Date should not be transferred pursuant to this Scheme;

RMIS Order means the court order sanctioning the RMIS Scheme dated 15 March 2018 as may be amended or supplemented by further court order from time to time;

RMIS Scheme means the scheme under Part VII of FSMA pursuant to which the Transferee received a transfer of the entire business of Reliance Mutual Insurance Society Limited;

Schedule 12 Certificate means, in respect of any Transferring Policy, a certificate referred to in paragraph 4 of Part 1 of Schedule 12 to FSMA with respect to the relevant EEA State which is the State of the commitment;

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 Part VII of, and Schedule 12 to, FSMA;

Secure Cash Investment means the Linked Fund of that name maintained by the Transferor prior to and/or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

Solvency Capital Requirement means the “SCR” as defined in the PRA Rulebook;

Subsequent Transfer Date means, in relation to any Excluded Policy, Residual Asset or Residual Liability, the date after the Implementation Date on which such Excluded 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) of the definition thereof, and of any Residual Liability falling within paragraph (a) of the definition thereof, the date on which the requisite consent, waiver or order to enable the same to be transferred to the Transferee upon the terms of this Scheme 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 paragraphs (b) or (c) of the definition thereof and of any Residual Liability which falls within paragraph (b) of the definition thereof, the date on which the parties agree that the transfer of the relevant Residual Asset shall take effect;
 - (c) in the case of any Residual Asset falling within paragraph (d) of the definition thereof, the date on which such Residual Asset is received or earned by the Transferor;
 - (d) in respect of any Residual Asset falling within paragraph (f) of the definition thereof (including any amount satisfying the requirement to hold amounts in relation to regulatory capital, from time to time, immediately prior to the relevant date), the date with effect from which the Transferor's status as an authorised person is withdrawn under section 33(2) of FSMA, immediately following such withdrawal;
 - (e) in respect of any Residual Asset falling within the paragraph (e) of the definition thereof, or of any Residual Liability falling within paragraph (c) of the definition thereof, the date upon which the impediments to the transfer pursuant to the terms of this Scheme have been removed;
 - (f) in respect of any Residual Liability falling within paragraph (d) of the definition thereof, the date on which the parties agree that the transfer of the relevant Residual Liability shall take effect;
 - (g) in respect of any Excluded Policy falling within paragraphs (c)(i) or (c)(iv) of the definition thereof, the date of which the transfer of all rights, title interest in and obligations under such policy are fully effective in the United Kingdom and under the law of any other country or territory to which it is subject; and
 - (h) in respect of any Excluded Policy falling within paragraphs (c)(ii) or (c)(iii) of the definition thereof, the Guernsey Implementation Date and Jersey Implementation Date, respectively;

System Business Contracts means that part of any contracts, arrangements, licences and other commitments which relate to IT Systems in relation to the Transferring Business to which the Transferor is a party on the Implementation Date but excluding the Excluded System Business Contracts;

Tax or Taxation includes (a) taxes on gross or net income, profits and gains, and (b) all other taxes, levies, duties, imposts, charges and withholdings of any nature, including any excise, property, value added, sales, use, occupation, transfer, franchise and payroll taxes and any national insurance or social security contributions, and any payment whatsoever which the relevant person may be or become bound to make to any person as a result of the discharge by that person of any tax which the relevant person has failed to discharge, together with all penalties, charges and interest relating

to any of the foregoing or to any late or incorrect return in respect of any of them, and regardless of whether such taxes, levies, duties, imposts, charges, withholdings, penalties and interest are chargeable directly or primarily against or attributable directly or primarily to the relevant person or any other person and of whether any amount in respect of them is recoverable from any other person;

Tax Clearances means:

- (a) confirmation from HMRC that the transfer of the Transferring Business is to be treated as a transfer of all or part of the business of the Transferor as a going concern within article 5 of the Value Added Tax (Special Provisions) Order 1995, or a confirmation that the transactions contemplated by such transfer are supplies of services either outside the scope of VAT or exempt from VAT; and
- (b) any other clearances or confirmations in relation to Tax which the parties, acting reasonably, agree are necessary as a result of changes to Tax legislation and / or HMRC practice relating to transfers of insurance business made before, or take effect from before, the Implementation Date;

Transferee means Utmost Life and Pensions Limited a company incorporated in England and Wales, with registered number 10559664 and its registered address at Utmost House, 6 Vale Avenue, Tunbridge Wells, Kent, United Kingdom, TN1 1RG;

Transferee Actuary means the Actuary of the Transferee;

Transferee Board means the Board of the Transferee;

Transferee Group means the Transferee and any subsidiaries, subsidiary undertakings or associated undertakings of the Transferee, any holding companies of the Transferee and any subsidiaries, subsidiary undertakings or associated undertakings of such holding companies from time to time as each is defined in the Companies Act 2006;

Transferee Non-Profit Fund means the Non-Profit Fund maintained by the Transferee as at the Implementation Date;

Transferor means The Equitable Life Assurance Society, a company incorporated in England and Wales under registered number 00037038 whose registered office is at Walton Street, Aylesbury, England, HP21 7QW;

Transferor Actuary means the Actuary of the Transferor;

Transferor Board means the Board of the Transferor;

Transferor Brand means all rights (including any registered or unregistered intellectual property rights), title, interest and goodwill in or to the name “The Equitable Life Assurance Society” and any associated logo or device which the Transferor owns, or any similar name or mark;

Transferor Group means the Transferor and any subsidiaries, subsidiary undertakings or associated undertakings of the Transferor from time to time as each is defined in the Companies Act 2006;

Transferor's Main Fund means the main fund of the Transferor comprising all of the Excluded Business other than: (i) the German WP Policies; (ii) the assets in the German WP Fund which are to be allocated pursuant to paragraph 13; and (iii) the other assets allocated from time to time to the German WP Fund in accordance with the operation of this Scheme;

Transferring Assets means all of the assets of the Transferor as at the Implementation Date, including:

- (a) the rights, benefits and powers (whether actual or contingent) of the Transferor whatsoever under or by virtue of the Transferring Policies;
- (b) the assets matching or allocated to meet the liabilities in respect of the Transferring Policies and Excluded Policies (other than the German Policies and the Irish Policies);
- (c) the rights and benefits (subject to the burden) of the Transferor under or by virtue of the Business Contracts (including contractual, tortious and statutory rights);
- (d) the Business Records, including without limitation, all rights, title and interest of the Transferor in the Business Records;
- (e) the IT Systems;
- (f) physical assets used for the business of the Transferor, including office fittings, furniture, and fixtures;
- (g) the right to use the Transferor Brand;
- (h) the Aylesbury Leases; and
- (i) all of the Transferor's interest in Lydiard Fields Management Company Limited;

but excluding the Excluded Assets and, prior to the applicable Subsequent Transfer Date, (i) the Residual Assets and (ii) rights, benefits and powers under the Excluded Policies;

Transferring Business means the Transferring Policies, Transferring Assets, Transferring Liabilities, Residual Assets and Residual Liabilities, but excluding the Excluded Policies, Excluded Contracts, Excluded Liabilities and Excluded Assets;

Transferring Liabilities means all the liabilities (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the Transferring Business, including any and all liabilities of the Transferor arising as a result of any act or omission of any appointed representative or intermediary for which the Transferor had assumed responsibility, in each case whether before, on or after the Implementation Date, including (for the avoidance of doubt):

- (a) all legacy liabilities arising from or in connection with the Transferring Business or the Transferring Policies;
- (b) any Mis-selling Liabilities;

- (c) all liabilities of the Transferor under or by virtue of the Business Contracts;
and
- (d) all liabilities relating to the Transferring Assets,

but excluding the Excluded Liabilities and prior to the applicable Subsequent Transfer Date, (i) the Residual Liabilities and (ii) the liabilities in respect of any Excluded Policies;

Transferring Policies means all insurance and reinsurance policies of the Transferor where the Transferor is insurer or reinsurer (as applicable) (including any expired, surrendered, lapsed, matured or reinstated policies) other than Excluded Policies;

Transferring Policyholder means a policyholder in respect of a Transferring Policy;

Twelve Month Period means the period of twelve (12) months following the Implementation Date;

UK or United Kingdom means the United Kingdom of Great Britain and Northern Ireland;

UK Style German WP Policy means a German Policy as listed in the CD marked “UKSGWPP” for identification purposes by the Transferor and Transferee and **UK Style German WP Policies** shall mean all such policies;

USD Global Equity Fund means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date;

VAT means value added tax as provided in VATA 1994 and any other tax of a similar nature which is introduced in substitution for or in addition to such tax, or any value added tax, or similar sales or turnover tax imposed by any jurisdiction;

VATA 1994 means the Value Added Tax Act 1994; and

With-Profits Actuary means the person or persons appointed from time to time to perform the with-profits actuary function as defined in 8.2 of the Insurance – Senior Management Functions chapter of the PRA Rulebook.

1.2 In this Scheme:

- (a) “assets” includes property, rights and powers of any description;
- (b) “liabilities” means all liabilities, duties and obligations of every description, whether deriving from contract, common law, statute or otherwise, whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly or as principal or surety and “liability” means any one of them;
- (c) “property” includes property, assets, rights (including contingent rights as to the repayment of Tax), benefits and powers of every description (whether present or future, actual or contingent) and, for the avoidance of doubt, includes investment management agreements, distribution agreements, service agreements and external and internal reinsurance agreements (where

relevant) and includes property held on trust and any interest whatsoever in any of the foregoing;

- (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 Transferring Policy shall mean rights or liabilities howsoever arising whether contractually or otherwise in respect of the Transferring Policy;
- (f) 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 2001;
- (g) any reference to the singular shall (where appropriate) 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 (unless the context otherwise requires);
- (h) save as expressly provided otherwise, any reference in this Scheme 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 (including for the avoidance of doubt provisions of the Regulatory Handbook) as amended, replaced or re-enacted from time to time after the date of this Scheme and to any instrument or order made from time to time after the date of this Scheme under such enactment, statutory provision or subordinate legislation;
- (i) any reference to any rules or regulations issued by the FCA or PRA shall be deemed to include a reference to such rules or regulations as amended or replaced from time to time;
- (j) expressions used in this Scheme which have meanings under the Act shall bear those meanings (unless the context otherwise requires);
- (k) any references to paragraphs or Parts are to paragraphs or Parts of this Scheme (unless the context otherwise requires);
- (l) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (m) any reference to a person shall include a reference to any individual, company, firm, partnership, joint venture, association, organisation, trust or agency, whether or not having a separate legal personality;
- (n) 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;
- (o) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (p) any reference to a document in the form agreed is to the form of the relevant document agreed between the parties in accordance with this Scheme and for

the purpose of identification initialled by or on behalf of the parties prior to the date on which the Court sanctions this Scheme;

- (q) the expression “variation” or “varied” shall include any variation, supplement, deletion, replacement or termination, however effected; and
- (r) any reference to “includes” or “including” shall mean “includes without limitation” or “including without limitation”.

2. Introduction

2.1 At the date of this Scheme:

- (a) each of the Transferor and the Transferee has permission under Part IV of FSMA to effect and carry on Long-Term Insurance Business of the same classes as the Transferring Policies; and
- (b) the Transferee maintains one Non-Profit Fund (being the Transferee Non-Profit Fund) and four with-profits funds.

2.2 The Transferor is permitted to carry out contracts of long-term insurance from the UK on a freedom of services basis into the following countries, in the classes of business indicated, as set out in Part I of Schedule 1 to the RAO: Germany (classes I, III and IV), Greece (classes I and III) and the Republic of Ireland (classes I and III).

2.3 The Transferee is permitted to carry out contracts of long-term insurance from the UK on a freedom of services basis into the following countries, in the classes of business indicated, as set out in Part I of Schedule 1 to the RAO: Finland (class IV) and the Netherlands (class I).

2.4 Between 1993 and 2000, the Transferor wrote long term insurance contracts for Policyholders having their permanent residence in Germany and the Republic of Ireland. This business was written on a freedom of establishment basis from a distribution office in Cologne and Dublin respectively. In 2002, the Cologne and Dublin distribution offices were closed. The German and Irish business (which is governed by German and Irish law respectively) is excluded from the Scheme and will remain with the Transferor.

2.5 A new with-profits fund, being the German WP Fund, will be established in the Transferor to which the German WP Policies and related liabilities and assets, including the Initial Asset Share in respect of each UK Style German WP Policy, shall be allocated in accordance with this Scheme. All other Excluded Business shall be maintained in the Transferor’s Main Fund.

2.6 It is proposed that:

- (a) all of the Transferring Policies, Transferring Assets, Transferring Liabilities, Residual Assets and Residual Liabilities shall, in accordance with this Scheme, be transferred to the Transferee and that the Order be made accordingly for the sanction of this Scheme under section 111(1) of the FSMA;

- (b) by the Order referred to in paragraph 2.6(a) provision be made for, among other matters, the transfers of the Transferring Policies, Transferring Assets, Transferring Liabilities, Residual Assets and Residual Liabilities from the Transferor to the Transferee pursuant to section 112(1) of the FSMA; and
- (c) Excluded Policies will not transfer to the Transferee under this Scheme but instead will remain with the Transferor (save as provided for in this Scheme) and any Excluded Policies other than the German Policies and Irish Policies shall be reinsured by the Transferee pursuant to the Excluded Policies Reinsurance Agreement.

2.7 It is further proposed that:

- (a) the transfer of the Guernsey Policies (save for the Jersey Policies which shall be transferred pursuant to paragraph (b) below) to the Transferee shall only take place to the extent that the transfer of such policies to the Transferee has been approved by the Royal Court of Guernsey and has become effective in accordance with the terms of the Guernsey Scheme; 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:
 - (i) has been approved by the Royal Court of Guernsey and has become effective in accordance with the terms of the Guernsey Scheme; and
 - (ii) has been approved by the Royal Court of Jersey and has become effective in accordance with the terms of the Jersey Scheme.

3. Transfer of the Transferring Business to the Transferee

- 3.1 On the Implementation Date, the Transferring Policies and Transferring Assets, will transfer and vest in full to the Transferee according to the terms of the Order without any further act or instrument.
- 3.2 On 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.
- 3.3 On the Implementation Date, each Transferring 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.
- 3.4 On each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies will, 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.
- 3.5 On and from the relevant Subsequent Transfer Date in respect of an Excluded Policy (other than a German Policy or an Irish Policy), such policy shall be transferred to the Transferee and shall thereafter be treated in all respects as if it were a Transferring Policy and any liability attributable to such Excluded Policy shall be transferred to the Transferee and shall thereafter be treated in all respects as if it were a Transferring Liability.

- 3.6 On and with effect from the Implementation Date or Subsequent Transfer Date, as the case may be, and without prejudice to any other provision of this Scheme, all references to the Transferor or Transferor Group in any contract between the Transferor and any other party, or in any document or instrument, to the extent evidencing title to or the benefit or burden of the Transferring Policies, the Transferring Assets, the Residual Assets, the Transferring Liabilities and the Residual Liabilities shall, in so far as they are transferred to the Transferee, be read and construed as if the same were references to the Transferee so that such contract, document or instrument shall operate as if such references had always been to the Transferee or Transferee Group (as applicable) rather than the Transferor or Transferor Group.
- 3.7 Neither the transfer of the Transferring Policies nor this Scheme nor anything done or omitted to be done in connection with the transfer of the Transferring Policies or this Scheme shall, in relation to the Transferring Policies or any Transferring Assets, the Residual Assets, the Transferring Liabilities and the Residual Liabilities or any other asset, property, liability or business of any member of the Transferee whether before or after the Implementation Date:
- (a) invalidate, discharge or result in the termination of any Transferring Policy, agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title; or
 - (b) constitute a breach of or default, event of default, potential event of default, termination event, mandatory prepayment event, enforcement event, perfection event or other similar event or condition (however described) under, or allow any person to terminate, any Transferring Policy, agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title; or
 - (c) require any registration, re-registration or filing of any amendment to any existing registration or filing in respect of any Transferring Policy agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title; or
 - (d) require any person to perform any new or additional obligation or take any new or additional step or action, including the giving of any notice, the obtaining of any consent, approval or determination, the accession to any agreement, the payment of any fee, cost, expense, interest or other amount, the granting of any new or additional Encumbrance or the transfer of any asset or property; or
 - (e) entitle or require any person to exercise any right or remedy, to reduce, suspend, delay, alter or discharge its rights or obligations, to accelerate, terminate, suspend, delay, alter or discharge the performance of any rights or obligations or otherwise to vary, amend, disclaim, repudiate or terminate any Transferring Policy, agreement, instrument or Encumbrance; or
 - (f) affect the enforceability, priority or ranking of any Encumbrance.

4. Continuity of Proceedings

- 4.1 On and with effect from the Implementation Date, any Proceedings arising from or in connection with the Transferring Policies, the Transferring Assets or the Transferring Liabilities relating to the Transferor, shall be commenced by or against, or continued by or against the Transferee (as appropriate) and the Transferee shall be entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set-off that were or would have been available to the Transferor in relation to those Proceedings and the Transferor shall have no liability under those Proceedings.
- 4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any Proceedings arising from or in connection with the relevant Excluded Policy, Residual Asset or the relevant Residual Liability which relate to a Transferring Asset or a Residual Asset which is to be transferred on such Subsequent Transfer Date relating to the Transferor, shall be commenced by or against, or continued by or against the Transferee (as appropriate) and the Transferee shall be entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set-off that were or would have been available to the Transferor in relation to those Proceedings, and the Transferor shall have no liability under those Proceedings. Until such Subsequent Transfer Date, the relevant Proceedings shall be continued by the Transferor.

5. Premiums and Mandates

- 5.1 All premiums attributable or referable to the Transferring Policies, if any, shall on and after the Implementation Date be payable to the Transferee.
- 5.2 Any direct debit mandate, standing order or other instruction or authority in force on the Implementation Date (including, without limitation, any instructions given to a bank by its customer in the form of direct debit or standing order) and providing for the payment by a bank or other intermediary of premiums or other amounts payable to the Transferor under any Transferring Policy or Transferring Asset shall thereafter take effect as if it had provided for and authorised such payment to the Transferee.
- 5.3 Any mandate or other instruction or authority in force on the Implementation Date as to the manner of payment by the Transferor of any sum payable under any Transferring Policy shall continue in force as an effective mandate, instruction or authority to the Transferee.

6. Rights and Obligations under Transferring Policies

- 6.1 On and with effect from the Implementation Date, the Transferee shall become entitled to all the rights, benefits and powers of the Transferor whatsoever subsisting on the Implementation Date under or by virtue of the Transferring Policies.
- 6.2 A policyholder in respect of a Transferring Policy shall, on and with effect from the Implementation Date, become entitled, in succession to, and to the exclusion of, any rights which he may have had against the Transferor under such Transferring Policy, to the same rights and options against the Transferee as were available to him against the Transferor under such Transferring Policy and (as regards a Transferring Policy under which premiums or other sums attributable or referable thereto continue to be payable by him) shall on and with effect from the Implementation 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.

- 6.3 If any person entitled to do so with respect to a Transferring Policy exercises any right or option granted under the terms of that Transferring 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 Transferring 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 Transferring 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.

- 6.4 All references in any Transferring Policy to the Transferor, the Transferor Board, the Transferor Actuary, the Transferor auditor or any other officers, employees or agents of the Transferor shall, with effect on and from the Implementation Date, be read as references to the Transferee, the Transferee Board, the Transferee Actuary, the Transferee auditor or any other officers, employees or agents of the Transferee respectively or, where appropriate, agents of the Transferee to which the administration or investment management of the relevant part of the business carried on by the Transferee has been delegated. In particular, and subject to the other provisions of this Scheme, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by the Transferor, the Transferor Board, the Transferor Actuary, the Transferor auditor or any other officers, employees or agents of the Transferor in relation to any of the Transferring Policies shall, with effect on and from the Implementation Date, be exercisable or required to be performed by the Transferee, the Transferee Board, the Transferee Actuary, the Transferee auditor or any other officers, employees or agents of the Transferee respectively, and accordingly all obligations of the Transferor or any officers, employees or agents of the Transferor in relation to any of the Transferring Policies shall, with effect on and from the Implementation Date, cease. All references in a Transferring Policy to the Transferor Group shall, where the context requires, be read and construed with effect from the Implementation Date as references to the Transferee Group.

7. Declaration of Trust by the Transferor

- 7.1 If any Residual Assets, or other property of the Transferor that is intended to transfer under this Scheme, do not transfer to the Transferee under this Scheme on the Implementation Date, the Transferor will, from the Implementation Date, subject to

receiving all necessary consents or waivers (if any), hold such property and any associated proceeds of sale, income, or other accrued rights or returns as trustee for the Transferee.

- 7.2 The Transferee shall indemnify the Transferor on demand against any Losses incurred in connection with its trusteeship under this Scheme.

8. Indemnities

- 8.1 From the Implementation Date until the relevant Subsequent Transfer Date, the Transferee shall discharge on the Transferor's behalf or, failing that, shall indemnify the Transferor against each Residual Liability and any Losses incurred by the Transferor in connection therewith.

- 8.2 Where the Transferor is entitled to receive an amount pursuant to paragraph 8.1, it shall be entitled to receive such amount as, after payment of any liability to Tax in respect of the amount receivable and/or any deduction or withholding required to be made from any payment under paragraph 8.1 will result in the receipt of an amount equal to the liability indemnified against.

9. Allocations in respect of Transferring Business

- 9.1 Any allocation of property or attribution of liabilities to the Non-Profit Fund of the Transferee is for the purpose of establishing policyholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of the Transferee to meet the liabilities which it is obliged by law to meet.

- 9.2 With effect from:

- (a) the Implementation Date, the Transferring Policies shall be allocated to the Transferee Non-Profit Fund;
- (b) the Guernsey Implementation Date, the Guernsey Policies shall be allocated to the Transferee Non-Profit Fund; and
- (c) the Jersey Implementation Date, the Jersey Policies shall be allocated to the Transferee Non-Profit Fund.

- 9.3 With effect from:

- (a) the Implementation Date, all Transferring Assets shall be allocated to the Transferee Non-Profit Fund;
- (b) each applicable Subsequent Transfer Date, each Residual Asset shall be allocated to the Transferee Non-Profit Fund.

- 9.4 With effect from:

- (a) the Implementation Date, the following shall be allocated to the Transferee Non-Profit Fund:
 - (i) all Transferring Liabilities;
 - (ii) the liability to indemnify the Transferor pursuant to paragraph 7 of this Scheme; and

- (iii) the liability to discharge liabilities on the Transferor's behalf or failing that to indemnify the Transferor pursuant to paragraph 8.

9.5 With effect from the applicable Subsequent Transfer Date, each Residual Liability shall be allocated to the Transferee Non-Profit Fund.

9.6 If any doubt or difference shall arise as to the allocation or attribution of any Transferring Asset, Transferring Liability, Residual Asset or Residual Liability in accordance with this Scheme, such doubt or difference shall be determined by the Transferee Board, having obtained appropriate actuarial advice.

10. Linked Funds

10.1 With effect from the Implementation Date:

- (a) the property and any associated liabilities in each Linked Fund of the Transferor, to the extent that they are Transferring Assets and Transferring Liabilities, respectively, shall be allocated to and become comprised in a corresponding Linked Fund of the Transferee within the Transferee Non-Profit Fund, comprising immediately following the Implementation Date the same number and value of units as were comprised within the relevant Linked Fund of the Transferor immediately prior to the Implementation Date;
- (b) subject always to the provisions of this paragraph 10, in relation to any benefits under the Transferring Policies which are linked to a Linked Fund of the Transferor pursuant to paragraph 10.1(a), 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 the corresponding Linked Fund of the Transferor;
- (c) benefits under any Transferring Policy which, immediately prior to the Implementation Date were linked to any one or more Linked Fund or Linked Funds of the Transferor shall become linked to the corresponding Linked Fund or Linked Funds of the Transferee, and the Transferee shall allocate to each such Transferring Policy the same number and classes of units in the corresponding Linked Fund or Linked Funds of the Transferee as the number and classes of units in the relevant Linked Fund or Linked Funds of the Transferor which were allocated to the Transferring Policy immediately prior to the Implementation Date; and
- (d) the Transferee shall from time to time allocate (and re-allocate) Transferring Assets in respect of the Transferred Policies to which the Automatic Allocation Mechanism applies in accordance with the Automatic Allocation Mechanism.

10.2 If any property comprised in a Linked Fund of the Transferor falls within the provisions of paragraph 7.1, all interests and rights in relation to such property shall be allocated to the relevant Linked Fund of the Transferee to which such property would, had it been a Transferring Asset, been allocated.

10.3 On and with effect from the relevant Subsequent Transfer Date, each Residual Asset that is comprised in a Linked Fund of the Transferor shall be allocated to that Linked Fund of the Transferee to which it would have been allocated pursuant to this paragraph 10 had it been a Transferring Asset.

11. Maintenance of Transferee sub-funds

- 11.1 Nothing in this Scheme shall at any time prevent the Transferee from establishing and maintaining other funds or sub-funds or Linked Funds in respect of any of its business or policies from time to time.

12. Undertakings and covenants

- 12.1 With effect from the Implementation Date:

- (a) the Transferee shall comply with the provisions set out in Part A of Schedule 2; and
- (b) the Transferor shall comply with the provisions set out in Part B of Schedule 2.

13. Establishment of the German WP Fund

- 13.1 On and from the Implementation Date the German WP Fund shall be established and maintained as a separate sub-fund within the Transferor.

- 13.2 On and with effect from the Implementation Date:

- (a) the German WP Policies shall be allocated to the German WP Fund;
- (b) the Transferor shall, in respect of each UK Style German WP Policy, allocate to such policy an amount equal to the sum of:
 - (i) the Policy Value of such UK Style German WP Policy as at the Implementation Date; and
 - (ii) the Primary Uplift Amount Equivalent attributable to such UK Style German WP Policy,

(together the *Initial Asset Share*)

and shall allocate Excluded Assets in an amount backing the Initial Asset Share in respect of each UK Style German WP Policy to the German WP Fund;

- (c) in addition to the assets allocated in accordance with sub-paragraph (b) above, the Transferor shall allocate to the German WP Fund such additional Excluded Assets as are required so that the total assets allocated to the German WP Fund at the Implementation Date are equal to the German WP Fund Liabilities as at the Implementation Date;
- (d) upon allocation to the German WP Fund, the entitlement of the UK Style German WP Policies to participate in the profits and assets (and losses and liabilities) of the Transferor shall be ring-fenced for their benefit as the Asset Share in the German WP Fund and holders of German WP Policies shall have no right to participate in assets outside the German WP Fund, including in the Transferor's Main Fund; and
- (e) all the liabilities (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the German WP Policies, shall be allocated to the German WP Fund other than any liabilities which are required, pursuant to the

relevant rules in the Conduct of Business Sourcebook of the FCA Handbook, to be allocated to the Transferor's Main Fund.

13.3 The only new business undertaken by the Transferor which shall be allocated to the German WP Fund shall be:

- (a) premiums in respect of German WP Policies;
- (b) such business as the Transferor Actuary and the Transferor With-Profits Actuary decide is required to be written into the German WP Fund in order to avoid:
 - (i) a liability, or an increase in a liability, to Tax of the holder of a policy allocated to the German WP Fund in his capacity as the holder of such policy; or
 - (ii) a failure to satisfy the reasonable expectations (including taking account of appropriate obligations to treat customers fairly) of, or to satisfy an obligation to, the holder of a policy allocated to the German WP Fund.

14. Maintenance of the German WP Fund

14.1 Subject to the provisions of this Scheme, at all times after the Implementation Date, the Transferor shall procure that:

- (a) the German WP Fund is separately maintained as a separate sub-fund within the Transferor; and
- (b) separate accounting records for the German WP Fund and any other fund of the Transferor are at all times maintained which are sufficient to enable the separate identification of the property, assets and liabilities allocated to the German WP Fund.

14.2 The German WP Fund and the UK Style German WP Policies will be administered in accordance with the Transferor's PPFM from time to time.

14.3 Any future changes to the principles or practices outlined in the Transferor's PPFM shall:

- (a) be made in accordance with the Transferee's governance process for its with-profits business as applied from time to time; and
- (b) be made in accordance with the relevant FCA rules in the Conduct of Business Sourcebook in the FCA's Handbook.

15. Internal Transfers

15.1 Subject to paragraph 15.2, and save as otherwise expressly provided for by this Scheme and subject to Applicable Laws, there shall not at any time on or after the Implementation Date be any transfer, exchange or re-allocation of property or liabilities from the German WP Fund to any other Transferor fund except for a transfer, exchange or re-allocation of property or liabilities on arm's length terms (including terms reflecting an appropriate allowance, if any, for Tax or deferred Tax) and which has been certified as being on arm's length terms by the Transferor Actuary and the Transferor With-Profits Actuary (and the Transferor Actuary and Transferor With-Profits Actuary having reviewed the contemplated transaction), provided that

any such transfer, exchange or re-allocation shall not have any adverse implications for the reasonable expectations (including taking account of appropriate obligations to treat customers fairly) or security of the holders of policies which are allocated from time to time to the German WP Fund.

- 15.2 If any policy which has been allocated to the German WP Fund were, at any time and for any reason, to cease to confer a right on the policyholder to participate in profits, that policy and any assets in the German WP Fund relating to that policy shall be transferred and re-allocated from the German WP Fund to the Transferor's Main Fund.

16. Credits to the German WP Fund

- 16.1 With effect from the Implementation Date, there shall be credited to the German WP Fund all of the following:
- (a) all property allocated to the German WP Fund in accordance with paragraph 13 of this Scheme;
 - (b) all payments from third parties arising from any Proceedings continued by or against the Transferor to the extent that such Proceedings relate to policies, property or liabilities allocated to the German WP Fund, pursuant to paragraph 13 of this Scheme;
 - (c) all investment gains, earnings, income and profits arising from the property and business allocated to the German WP Fund;
 - (d) all amounts resulting from the sale of any property allocated to the German WP Fund;
 - (e) all premiums and other amounts received by the Transferor pursuant to policies allocated from time to time to the German WP Fund;
 - (f) all amounts received under reinsurance arrangements in respect of liabilities from time to time allocated to the German WP Fund which are reinsured;
 - (g) all amounts in respect of taxation which are to be credited to the German WP Fund;
 - (h) all property transferred to the German WP Fund in respect of any transfer, exchange or reallocation of property or other transaction pursuant to paragraph 15;
 - (i) any amounts to be credited to the German WP Fund in accordance with the Inter-Fund Reinsurance Arrangement as described in Schedule 3; and
 - (j) any other amounts which are required by this Scheme to be credited to or received by the German WP Fund or which are determined by the Transferor Actuary and the Transferor With-Profits Actuary, in accordance with the PPFM applicable to the UK Style German WP Policies and the Transferor's usual practice, to be properly attributable to the German WP Fund.

17. Debits from the German WP Fund

17.1 With effect from the Implementation Date, there shall be debited from, and charged to, German WP Fund all of the following:

- (a) all amounts paid by the Transferor in respect of those liabilities which are allocated to the German WP Fund in accordance with paragraph 13 of this Scheme (including all amounts payable in respect of policies allocated from time to time to the German WP Fund, arising by reason of surrender, death, annuity vesting or payment, disability or maturity or other event giving rise to a claim);
- (b) all payments to third parties arising from any Proceedings continued by or against the Transferor, to the extent that such Proceedings relate to policies, property or liabilities allocated to the German WP Fund, pursuant to paragraph 13 of this Scheme;
- (c) all charges (if any) for guarantees as provided for in paragraph 8 of Part B of Schedule 2;
- (d) all annual management charges relating to the German WP Policies;
- (e) any per Policy expense charges as agreed by the Transferor Board, having consulted with the With-Profits Actuary of the Transferor;
- (f) all premiums and other amounts paid under reinsurance arrangements in respect of Policies from time to time allocated or reinsured to the German WP Fund which are reinsured;
- (g) all liabilities, costs, expenditure, losses and declines in value arising from the property or business allocated to the German WP Fund;
- (h) all amounts in respect of taxation which are debited or charged to the German WP Fund;
- (i) any amounts to be debited from the German WP Fund in accordance with the Inter-Fund Reinsurance Arrangement as described in Schedule 3;
- (j) such property as is transferred from the German WP Fund in respect of any transfer, exchange or reallocation of property or other transaction pursuant to paragraph 15;
- (k) the amount of any payments for property purchased for the German WP Fund; and
- (l) any other amounts which are required by this Scheme to be debited or charged to the German WP Fund which are determined by the Transferor Actuary and the Transferor With-Profits Actuary, in accordance with the PPFM applicable to the UK Style German WP Policies and the Transferor's usual practice, to be properly charged to the German WP Fund.

18. Rights and obligations in relation to Partially Transferring Contracts

18.1 From the Implementation Date, in respect of any Partially Transferring Contract:

- (a) that part of the Partially Transferring Contract that relates to the Transferring Business, subject to paragraph 18.1(c), shall transfer to the Transferee in accordance with paragraph 3;

- (b) that part of the Partially Transferring Contract that relates to the Excluded Business, subject to paragraph 18.1(c), shall continue in force with the Transferor on its original terms; and
- (c) both the transferred part of the Partially Transferring Contract and the retained part of the Partially Transferring Contract shall be deemed to be amended to the extent necessary to ensure that each of the transferred part and the retained part shall behave as a single contract and any references to the contracting party shall be construed as referring to both the Transferor and the Transferee taken together, and as between the Transferor and the Transferee the benefit and/or burden of such Partially Transferring Contract (including, where applicable, any limits or sub-limits, deductions or retentions and any other policy provisions of similar effect) shall be apportioned in aggregate across both the Transferor and the Transferee so that no party (including the contractual counterparty) is better or worse off in respect of such contract as a result of this Scheme.

19. Data Protection

- 19.1 On and with effect from the Implementation Date, the Business Records, which may include personal data protected under Applicable Privacy Laws, shall be transferred to the Transferee and may be used by the Transferee for, and disclosed by the Transferee to, and used by, any agent or contractor of the Transferee to the same extent that they were used by the Transferor and its agents or contractors prior to the Implementation Date for all purposes in connection with the Transferring Policies including, in particular, administration thereof and all matters relevant or incidental thereto, and no consent from the individual policyholders in respect of such disclosure, transfer of records and use shall be required.
- 19.2 To the extent that an authority has been given to the Transferor in connection with a Transferring Policy by the policyholder thereof or by any other relevant person, whether pursuant to Applicable Privacy Laws or otherwise, such authority shall, on and after the Implementation Date, be deemed to have been given to the Transferee.

20. The Implementation Date

- 20.1 This Scheme will not become effective on the Implementation Date unless:
 - (a) the Court has made an Order under section 111 of FSMA sanctioning this Scheme;
 - (b) all Tax Clearances have been obtained in form and content satisfactory to both parties (unless the parties otherwise agree in writing); and
 - (c) the Part 26 Scheme has been implemented in accordance with paragraph 1.5 of the Part 26 Scheme,on or before the Implementation Date.
- 20.2 Subject to paragraph 20.1, this Scheme shall become effective on the Implementation Date immediately after the Part 26 Scheme has been implemented in accordance with paragraph 1.5 of the Part 26 Scheme.

21. Modification or Additions to this Scheme

21.1 The Transferor and the Transferee may at any time before the Implementation Date consent for and on behalf of the persons bound by this Scheme and all other persons concerned (other than the PRA and the FCA) to any modification or addition to this Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose, provided that where such amendment results in a significant change to the Scheme:

- (a) the PRA and FCA shall be notified in advance and as soon as reasonably practicable, and shall each have the right to request further information and comment on the proposed amendment; and
- (b) such amendment shall be accompanied by a certificate from the Independent Expert to the effect that the proposed amendment will not materially adversely affect the benefit expectations of holders of the Transferring Policies or existing policyholders of the Transferee.

21.2 Subject to paragraph 21.3, any amendment to this Scheme after the Implementation Date must be:

- (a) approved, if applicable, by the Court;
- (b) notified in advance, and not less than six weeks prior to the proposed Court hearing, to the PRA and FCA, who shall each have the right to attend and be heard at any hearing of the Court (if applicable) at which such application is considered; and
- (c) accompanied by a certificate from an independent expert, approved for the purpose by the PRA, having consulted with the FCA, to the effect that in his opinion (having considered the proposed amendments in the round), the proposed amendments to the Scheme will not have a material adverse effect on the policyholders in the Transferee, including by reference to:
 - (i) the effect of the proposed amendments to the Scheme on the security of those policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the Transferee; and
 - (ii) the cost and tax effects of the proposed amendments to the Scheme, including in so far as they may affect the security of those policyholders' contractual rights or their reasonable benefit expectations.

21.3 Any amendment to this Scheme will not require Court approval where:

- (a) such amendment is:
 - (i) considered by the Transferee to be minor and/or technical; or
 - (ii) to correct manifest errors; or
 - (iii) required to reflect any change in Applicable Law or in the interpretation or application of Applicable Law which has or will have any implications for the Transferor or Transferee; or

- (iv) necessary to reflect any changes in the actuarial practices relating to, or techniques for the management of, the Transferring Policies; or
 - (v) required to protect the rights and reasonable expectations of the policyholders of the Transferring Policies; and
- (b) the relevant department of each of the PRA and the FCA has been notified of such amendment and either:
- (i) the PRA and the FCA have respectively indicated that they do not object to such amendment; or
 - (ii) in respect of the PRA and the FCA, a period of 28 days has passed commencing on the date of receipt of the relevant notification by both regulators without either regulator indicating any objections thereto.

22. Costs and Expenses

- 22.1 The Transferor and Transferee will bear their own costs and expenses in relation to preparing and carrying out this Scheme.
- 22.2 Notwithstanding paragraph 22.1, the Transferee will bear all stamp duty, stamp duty reserve tax, notarisation fees or other documentary transfer or transaction duties including in each case any related penalties arising as a result of this Scheme.

23. Continuity of the RMIS Scheme

The RMIS Scheme shall, notwithstanding the terms of this Scheme, continue in full force and effect in accordance with its terms and the terms of the RMIS Order, including any rights, powers, options or liabilities which the Transferee has under or pursuant to the RMIS Scheme and/or the RMIS Order. If there is any conflict between the terms of this Scheme and the RMIS Scheme, this Scheme shall prevail in relation to the Transferring Policies (and as between the Transferor and the Transferee and as between any Transferor Group company and any Transferee Group company).

24. Successor and Assigns

This Scheme will bind and enure to the benefit of the successors and assigns of the Transferor and the Transferee.

25. VAT

- 25.1 All sums payable under or pursuant to this Scheme are exclusive of any applicable VAT.
- 25.2 Where, under or pursuant to this Scheme, any party (the **Supplier**) makes a supply to any other party (the **Recipient**) for VAT purposes and VAT is or becomes chargeable on that supply, subject to paragraph 25.4 the Recipient shall, subject to the receipt of a valid VAT invoice, pay to the Supplier (in addition to, and at the same time as, any other consideration for that supply) an amount equal to such VAT.
- 25.3 The Transferor and the Transferee each consider that the transfer of the Transferring Business will constitute the transfer of a going concern and each intend that the transfer of the Transferring Business should therefore accordingly fall within article 5

of the Value Added Tax (Special Provisions) Order 1995 so as to be treated as neither a supply of goods nor a supply of services for the purposes of VAT.

- 25.4 If HMRC determines that the transfer of the Transferring Business is a supply on which VAT is chargeable, the Transferee shall pay to the Transferor on the Implementation Date or, if later, five (5) Business Days after receipt of notice from the Transferor and against delivery of a valid VAT invoice, the amount of any VAT which is chargeable in respect of the relevant supply.
- 25.5 This paragraph 25 is without prejudice to any other provision in relation to VAT that may be agreed between the Transferor and Transferee.
- 25.6 In this paragraph 25, references to the Transferor and the Transferee include, where applicable, references to the representative member of any group of which such entity is a member for VAT purposes.

26. Evidence of Transfer

The production of a copy of the Order (and, where applicable, the order of the Royal Court of Jersey in respect of the sanctioning of the Jersey Scheme and the Royal Court of Guernsey in respect of the sanctioning of the Guernsey Scheme) with any modifications, amendments and/or additions made under paragraph 21 (and the equivalent provisions of the Jersey Scheme and the Guernsey Scheme), shall for all purposes be evidence of the transfer to and vesting in the Transferee of (i) the Transferring Business, the Transferring Assets, the Transferring Liabilities and the Transferring Policies, on and from the Implementation Date; and (ii) the Residual Assets, Residual Liabilities and Excluded Policies, on and from the relevant Subsequent Transfer Date.

27. Third Parties

Third parties may not enforce any term of this Scheme pursuant to the Contracts (Rights of Third Parties) Act 1999.

28. Governing Law

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

SCHEDULE 1

REINSURANCE AGREEMENTS

No.	Contract	Split
1.	Reinsurance Agreement commencing on 1 August 1993 covering critical illness risks entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 1 January 1996). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	
2.	Reinsurance Agreement commencing on 31 December 1995 covering critical illness risks entered into between The Equitable Life Assurance Society and Permanent Insurance Company Ltd.	
3.	Reinsurance Agreement commencing on 1 December 1993 covering medical expenses risks entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 1 January 1996). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*
4.	Reinsurance Agreement commencing on 31 December 1995 covering medical expenses risks entered into between The Equitable Life Assurance Society and Permanent Insurance Company Ltd.	*
5.	Reinsurance Agreement commencing on 1 November 2016 covering mortality risks entered into between The Equitable Life Assurance Society and Swiss Re Europe SA.	*
6.	Reinsurance Agreement commencing on 1 May 1982 covering mortality risks entered into between The Equitable Life Assurance Society and the Victory Reinsurance Company Limited.	
7.	Reinsurance Agreement commencing on 23 March 2001 covering investment links to unitised funds (unitised with-profit investments) entered into between The Equitable Life Assurance Society and Clerical Medical Investment Group Limited (as amended and restated on 24 January 2011).	
8.	Reinsurance Agreement commencing on 1 March 2001 covering mortality and longevity risks (all business other than unitised with-profit investments) entered into between The Equitable Life Assurance Society and Halifax Life Limited (as amended and restated on 24 January 2011).	*
9.	Reinsurance Agreement commencing on 16 February 1993 covering mortality risks for the Flexible Protection Plans entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended	*

	and restated on 2 February 1998). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	
10.	Reinsurance Agreement commencing on 1 January 1996 covering mortality risks for the Equitable Life Assurance Society staff pension scheme life cover entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc. Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998. Note: this cover is no longer offered but the treaty has not been cancelled.	
11.	Reinsurance Agreement commencing on 1 January 1981 covering mortality risks for the group scheme life cover entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 1 April 1996). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*
12.	Reinsurance Agreement commencing on 6 June 1988 covering mortality risks for individual assurances entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc. Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*

SCHEDULE 2

PART A- TRANSFEREE UNDERTAKINGS AND COVENANTS

Administration of Transferring Business

1. In the Twelve Month Period, the Transferee:
 - (a) shall use all reasonable endeavours to administer, or procure the administration of, the Transferring Business such that the Transferring Policies are administered in accordance with: (i) Applicable Law; and (ii) to an equivalent standard as was applied to unit linked and annuity policies during the 12 months immediately prior to the Implementation Date (including in respect of the fair treatment of customers); and
 - (b) undertakes not to make any material amendments to the terms and conditions of the Transferring Policies (as a whole), other than those required by changes in Applicable Law, or take any action that would adversely impact the reasonable expectations of the policyholder in respect of a Transferring Policy.
2. Following the expiry of the Twelve Month Period, the Transferee shall use its reasonable endeavours to administer, or procure the administration of, the Transferring Business such that the Transferring Policies are administered in accordance with Good Industry Practice and Applicable Law and to a standard that is at least equivalent to the level of administration provided by the Transferee in its business generally (including in respect of the fair treatment of customers).

Annual management charges

3. The Transferee agrees that for the Twelve Month Period:
 - (a) the annual management charge to be paid by the Transferee's policyholders who hold their assets in respect of their investments in the Secure Cash Investment shall not exceed 50 basis points; and
 - (b) regardless of the level of the annual management charge in respect of the Secure Cash Investment, the unit price of the Secure Cash Investment for such policyholder shall not fall below its level at the Implementation Date,

provided that the Transferee shall work in good faith to procure that the discharge of the provisions in this paragraph 3 of Part A do not adversely affect the tax position of the Transferee's policyholders.
4. Without prejudice to paragraph 3 above of this Part A, the Transferee agrees that the annual management charges to be paid by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested following the Implementation Date shall not exceed 75 basis points, except in circumstances where either:
 - (a) the annual management charges paid by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested

prior to the Implementation Date exceed 75 basis points at the Implementation Date; or

- (b) there has been a material increase in the Transferee's costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
- (c) there has been an increase in third party investment management, custody, trading or unit-pricing costs where such costs are higher than the costs in respect of the unit-linked business of the Transferor and related funds as at 14 June 2018,

and that in no circumstances will the annual management charges paid by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested after the Implementation Date, exceed 100 basis points.

- 5. The Transferee agrees that the only charges applied by the Transferee that will be borne by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested following the Implementation Date are:
 - (a) the annual management charges set out in paragraphs 3 and 4 of this Part A;
 - (b) explicit deductions from units as set out in Schedule 4 of the Part 26 Scheme or policy terms, to cover additional insurance benefits on some policies; and
 - (c) any other charges allowed for in the terms and conditions of such Transferring Policy.
- 6. For the avoidance of doubt:
 - (a) no charges other than the annual management charges set out in paragraphs 3, 4 and 5 of this Part A will be applied by the Transferee in respect of investment management, administration or asset management costs, including fund management charges and custody charges; however for the Property Fund only, a portion of the property asset management related expenses will also be reflected in the price of units of the relevant Transferring Policy;
 - (b) costs incurred in buying, selling, lending or borrowing assets, for example broker fees, stamp duty and taxes will be reflected in the price of units of the Transferring Policy; and
 - (c) ongoing charges incurred by the underlying OEIC shall be rebated by the Transferee so that the Transferring Policyholder is exposed to annual management charges and not additional ongoing charges.

Default Allocation Mechanism

- 7. The Transferee shall:
 - (a) comply with paragraphs 24 to 25 of Schedule 2 of the Part 26 Scheme in respect of the Automatic Allocation Mechanism in relation to the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds maintained by the Transferee following the Implementation Date; and

- (b) communicate with those Transferee policyholders whose assets in respect of their New Unit-linked Policy are held in the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds at least two (2) times in aggregate during the Twelve Month Period (which shall include any communication included in the annual statement), to ensure that such policyholders are provided with sufficient information in respect of alternative funds to allow them to elect an alternative fund at any time.

PART B– TRANSFEROR UNDERTAKINGS AND COVENANTS

Administration of Excluded Policies

1. In the Twelve Month Period, the Transferor shall:
 - (a) use all reasonable endeavours to administer, or procure the administration of, the Excluded Policies in accordance with: (i) Applicable Law; and (ii) to an equivalent standard as was applied during the 12 months immediately prior to the Implementation Date (including in respect of the fair treatment of customers); and
 - (b) undertake not to make any material amendments to the terms and conditions of the Excluded Policies (as a whole), other than those required by changes in Applicable Law, or take any action that would adversely impact the reasonable expectations of the policyholder in respect of an Excluded Policy.
2. Following the expiry of the Twelve Month Period, the Transferor shall use its reasonable endeavours to administer, or procure the administration of the Excluded Policies in accordance with Good Industry Practice and Applicable Law and to a standard that is at least equivalent to the level of administration provided by the Transferee in its business generally (including in respect of the fair treatment of customers).

Annual management charges on Linked Policies

3. The Transferor agrees that for the Twelve Month Period:
 - (a) the annual management charge to be paid by the Transferor's policyholders who hold their assets in respect of their investments in the Secure Cash Investment shall not exceed 50 basis points; and
 - (b) regardless of the level of the annual management charge in respect of the Secure Cash Investment, the unit price of the Secure Cash Investment for such policyholder shall not fall below its level at the Implementation Date,

provided that the Transferor shall work in good faith to procure that the discharge of the provisions in this paragraph 3 of Part B do not adversely affect the tax position of the Transferor's policyholders.
4. Without prejudice to paragraph 3 of this Part B, the Transferor agrees that the annual management charges to be paid by a Transferor policyholder under its Excluded Policy that is a Linked Policy, in respect of the Transferor Linked Fund in which they

are invested following the Implementation Date shall not exceed 75 basis points, except in circumstances where either:

- (a) the annual management charges paid by a Transferor policyholder under its Excluded Policy that is a Linked Policy, in respect of the Transferor Linked Fund in which they are invested prior to the Implementation Date exceed 75 basis points at the Implementation Date; or
- (b) there has been a material increase in the Transferor's costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
- (c) there has been an increase in third party investment management, custody, trading or unit-pricing costs where such costs are higher than the costs in respect of the unit-linked business of the Transferor and related funds as at 14 June 2018,

and that in no circumstances will the annual management charges paid by a Transferor policyholder under its Excluded Policy that is a Linked Policy, in respect of the Transferor Linked Fund in which they are invested after the Implementation Date, exceed 100 basis points.

5. The Transferor agrees that the only charges applied by the Transferor that will be borne by a policyholder under its Excluded Policy that is a Linked Policy, in respect of the Linked Funds in which they are invested following the Implementation Date are:

- (a) the annual management charge set out in paragraphs 3 and 4 above of this Part B;
- (b) explicit deductions from units as set out in Schedule 4 of the Part 26 Scheme or policy terms, to cover additional insurance benefits on some policies; and
- (c) any other charges allowed for in the terms and conditions of such Excluded Policy.

6. For the avoidance of doubt:

- (a) no charges other than the annual management charges set out in paragraphs 3, 4 and 5 above of this Part B will be applied by the Transferor in respect of investment management, administration or asset management costs, including fund management charges and custody charges; however for the Property Fund only, a portion of the property asset management related expenses will also be reflected in the price of units of the relevant Excluded Policy;
- (b) costs incurred in buying, selling, lending or borrowing assets, for example broker fees, stamp duty and taxes will be reflected in the price of units of the Excluded Policy; and
- (c) ongoing charges incurred by the underlying OEIC shall be rebated by the Transferor so that the policyholder of an Excluded Policy is exposed to annual management charges and not additional ongoing charges.

Annual management charges and guarantee charges on UK Style German WP Policies

7. The Transferor agrees that the annual management charges to be paid by a policyholder through deductions to the Asset Share allocated to its UK Style German WP Policy, shall not exceed 75 basis points, except in circumstances where either:
 - (a) there has been a material increase in the Transferor's costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
 - (b) there has been an increase in third party investment management, custody or trading costs where such costs are higher than the costs in respect of the Linked Funds as at 14 June 2018,and that in no circumstances will the annual management charges paid by a policyholder under its UK Style German WP Policy exceed 100 basis points.
8. The Transferor agrees that the guarantee charges to be paid by a policyholder through deductions to the Asset Share under its UK Style German WP Policy shall be determined by the Transferor Actuary and With-Profits Actuary in accordance with the Transferor's PPFM, and that in no circumstances will such charges exceed 50 basis points.
9. The Transferor agrees that the only charges applied by the Transferor that will be borne by a holder of a UK Style German WP Policy and applied to its Asset Share are:
 - (a) the annual management charge set out in paragraphs 7 and 8 of this Part B;
 - (b) explicit deductions from the Asset Share as set out in their policy terms, to cover additional insurance benefits on some policies; and
 - (c) any other charges allowed for in the terms and conditions of such UK Style German WP Policy.
10. For the avoidance of doubt:
 - (a) no charges other than the annual management charges set out in paragraphs 7, 8 and 9 above of this Part B will be applied to a UK Style German WP Policy by the Transferor in respect of investment, administration or asset management costs, including fund management charges and custody charges;
 - (b) however, costs incurred in buying, selling, lending or borrowing assets, for example broker fees, stamp duty and taxes will be reflected in the value of the assets backing the Asset Share of a UK Style German WP Policy; and
 - (c) ongoing charges incurred by the underlying OEIC shall be rebated by the Transferor so that the holder of a UK Style German WP Policy is exposed to annual management charges and not additional ongoing charges.
11. For the avoidance of doubt, no charge will be applied by the Transferor in respect of the Inter-Fund Reinsurance Arrangement to the German WP Fund or the Asset Shares allocated to the UK Style German WP Policies.

Automatic Allocation Mechanism

12. The Transferor shall:

- (a) comply with paragraphs 24 to 25 of Schedule 2 of the Part 26 Scheme in respect of the Automatic Allocation Mechanism in relation to the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds maintained by the Transferor following the Implementation Date; and
- (b) communicate with those policyholders of Excluded Policies (other than the German WP Policies) whose assets in respect of their New Unit-linked Policy are held in the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds at least two (2) times in aggregate during the Twelve Month Period (which shall include any communication included in the annual statement), to ensure that such policyholders are provided with sufficient information in respect of alternative funds to allow them to elect an alternative fund at any time.

SCHEDULE 3 ASSET SHARE AND INTER-FUND REINSURANCE ARRANGEMENT

Maintenance of Asset Share

1. An Asset Share shall be maintained at all times in respect of each UK Style German WP Policy in the German WP Fund.
2. At the Implementation Date, the Asset Share for each UK Style German WP Policy shall be equal to the Initial Asset Share for such policy.
3. From the Implementation Date:
 - (a) immediately with effect from a withdrawal being made in relation to a UK Style German WP Policy (a **Withdrawal Event**), the Asset Share for such policy shall be equal to the Asset Share immediately prior to the Withdrawal Event multiplied by the proportion of the UK style German WP Policy that has not been withdrawn under the Withdrawal Event; and
 - (b) immediately with effect from a payment of a premium by a holder of a UK Style German WP Policy (a **Premium Payment Event**), the Asset Share for such policy shall be equal to the Asset Share immediately prior to the Premium Payment Event, *plus* the premium received under the Premium Payment Event *less* any charges applied in line with the terms of the policy and this Scheme.
4. The Transferor shall calculate the Asset Share in respect of a UK Style German WP Policy:
 - (a) as soon as reasonably practicable after the occurrence of a Withdrawal Event or a Premium Payment Event;
 - (b) each time the German WP Fund Liabilities are calculated in accordance with paragraph 5 below; and
 - (c) otherwise as required from time to time,

(each such date being an **Asset Share Calculation Date**),

in accordance with the following provisions:

- (i) at any given time an Asset Share in respect of a UK Style German WP Policy shall be equal to:
 - (A) the Asset Share for such policy calculated by the Transferor at the previous Asset Share Calculation Date,

Plus a share of the investment return earned on the assets backing the Asset Shares in respect of all UK Style German WP Policies, shared across all Asset Shares in proportion to the total Asset Shares on all UK Style German WP Policies;

Less charges applied to the UK Style German WP Policies in accordance with Part B of Schedule 2 and the terms of the UK Style German WP Policy;

Plus or Less (as applicable) any amount of smoothing to be attributed to the Asset Share in accordance with the PPFM,

or otherwise in accordance with such other approach as may be agreed from time to time by the Transferor Board having consulted with the With-Profits Actuary of the Transferor.

Inter-Fund Reinsurance Arrangement

5. The arrangement referred to in paragraphs 7 and 8 below shall be the ***Inter-Fund Reinsurance Arrangement***. The Inter-Fund Reinsurance Arrangement is intended to put into effect the position as agreed between the Transferor and Transferee so that the funds other than the German WP Fund within the Transferor bear the risk of a shortfall of assets in the German WP Fund, including in relation to the cost of guarantees relating to German WP Policies (and vice-versa, the benefit, if there is an excess of assets within the German WP Fund).
6. The Transferor shall monitor and calculate the value of the assets in the German WP Fund and the German WP Fund Liabilities in accordance with Applicable Law.
7. From the Implementation Date:
 - (a) the amount by which the total German WP Fund Liabilities exceeds the total value of the assets in the German WP Fund (including the Asset Shares) (the ***Excess Liability Amount***) shall, at all times, be a liability of the Transferor's Main Fund; and
 - (b) the amount by which the total value of the assets in the German WP Fund (including the Asset Shares) exceeds the total German WP Fund Liabilities (the ***Excess Assets Amount***) shall, at all times, be a liability to the Transferor's Main Fund.
8. The Transferor shall, from time to time and in any event within the 2 month period following the date of each re-calculation by the Transferor of the German WP Fund Liabilities in accordance with paragraph 5, transfer assets in an amount equal to (as at such re-calculation date):
 - (a) the Excess Liability Amount (if any) from the Transferor's Main Fund to the German WP Fund; or
 - (b) the Excess Assets Amount (if any) from the German WP Fund to the Transferor's Main Fund.