

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

DATED _____ 2018

- (1) THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED
(2) ROYAL LONDON ~~FINANCIAL SERVICES~~ INSURANCE D.A.C.

SCHEME
pursuant to Part VII of, and Schedule 12 to, the
Financial Services and Markets Act 2000

CONTENTS

| | Page | |
|----|---|----|
| 1 | DEFINITIONS AND INTERPRETATION | 5 |
| 2 | INTRODUCTION | 32 |
| 3 | TRANSFER OF BUSINESS | 33 |
| 4 | CONTINUITY OF PROCEEDINGS | 35 |
| 5 | RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES AND CONTRACTS | 35 |
| 6 | RESIDUAL POLICIES | 37 |
| 7 | PREMIUMS, MANDATES AND OTHER PAYMENTS | 39 |
| 8 | DECLARATION OF TRUST BY ROYAL LONDON | 40 |
| 9 | INDEMNITIES IN FAVOUR OF ROYAL LONDON | 41 |
| 10 | NOT USED | 42 |
| 11 | ESTABLISHMENT OF THE LIVER IRELAND SUB-FUND AND GERMAN BOND SUB-FUND | 43 |
| 12 | PURPOSE OF ALLOCATIONS | 43 |
| 13 | ALLOCATION OF POLICIES | 43 |
| 14 | ALLOCATION OF ASSETS | 44 |
| 15 | ALLOCATION OF LIABILITIES | 44 |
| 16 | MAINTENANCE OF THE LIVER IRELAND SUB-FUND AND GERMAN BOND SUB-FUND | 45 |
| 17 | RL DAC PPFM GUIDES | 45 |
| 18 | RL PPFM | 47 |
| 19 | OTHER RL DAC FUNDS | 48 |
| 20 | LINKED FUNDS | 49 |
| 21 | FUTURE CHANGES TO LINKED FUNDS | 49 |
| 22 | REINSURANCE AGREEMENTS | 52 |
| 23 | DUTIES OF THE RL DAC HOAF | 53 |
| 24 | TAXATION OF THE LIVER IRELAND SUB-FUND AND GERMAN BOND SUB-FUND | 54 |
| 25 | LIVER IRELAND SUB-FUND: NEW BUSINESS | 56 |
| 26 | <u>LIVER IRELAND SUB-FUND: PRINCIPLES OF FINANCIAL MANAGEMENT</u> | 56 |

| | | |
|----|---|--------------------|
| 27 | LIVER IRELAND SUB-FUND: EXPENSES AND ALLOCATION OF COSTS AND LOSSES | 56 |
| 28 | LIVER IRELAND SUB-FUND: SERVICE STANDARDS | 57 |
| 29 | LIVER IRELAND SUB-FUND: DUTIES OF THE RL DAC HOAF | 57 |
| 30 | LIVER IRELAND SUB-FUND: MERGER AND CLOSURE OF THE LIVER IRELAND SUB-FUND | 58 |
| 31 | LIVER IRELAND SUB-FUND: ACKNOWLEDGMENT REGARDING THE RL ROYAL LIVER ESTATE | 59 |
| 32 | LIVER IRELAND SUB-FUND: PREDECESSOR SCHEMES | 62 |
| 33 | RL ROYAL LIVER SUB-FUND: CAPITAL SUPPORT | 62 |
| 34 | GERMAN BOND SUB-FUND: NEW BUSINESS | 63 |
| 35 | GERMAN BOND SUB-FUND: ALLOCATION OF COSTS AND LOSSES | 63 |
| 36 | MERGER AND CLOSURE OF THE GERMAN BOND SUB-FUND 64: MERGER AND CLOSURE | 64 |
| | 37CAPITAL 37CAPITAL SUPPORT: DEFINED TERMS | 66 |
| 38 | PROVISION OF CAPITAL SUPPORT | 68 |
| 39 | LIMITATIONS ON CAPITAL SUPPORT | 68 |
| | 40CAPITAL 40CAPITAL SUPPORT: GENERAL | 69 |
| 41 | SETTLEMENT OF CAPITAL SUPPORT | 69 |
| | 42CAPITAL 42CAPITAL SHORTFALL | 69 |
| 43 | EFFECTIVE DATE | 71 |
| 44 | MODIFICATIONS, AMENDMENTS OR ADDITIONS | 71 |
| 45 | EFFECT OF TRANSFER | 73 |
| 46 | COSTS AND EXPENSES | 73 |
| 47 | MEMBERSHIP | 74 |
| 48 | EVIDENCE OF TRANSFER | 74 |
| 49 | SUCCESSORS AND ASSIGNS | 74 |
| 50 | THIRD PARTY RIGHTS | 74 |
| 51 | GOVERNING LAW | 75 |
| | SCHEDULE 1 - TRANSFERRED CONTRACTS | 76 |
| | SCHEDULE 2 - TRANSFERRED POLICIES | 77 |
| | PART 1 - RL LIVER TRANSFERRED POLICIES | 77 |

| | |
|--|----|
| PART 2 - GERMAN BOND TRANSFERRED POLICIES | 77 |
| PART 3 - POST-2011 TRANSFERRED POLICIES | 77 |
| SCHEDULE 3 - CORE PRINCIPLES OF FINANCIAL MANAGEMENT | 78 |
| SCHEDULE 4 - EXPENSES AND CHARGES – LIVER IRELAND SUB-FUND | 82 |
| PART 1 - CHARGING ARRANGEMENTS | 82 |
| PART 2 - GUARANTEED RATE CARD AND CHARGES | 85 |
| PART 3 – RL DAC EXCEPTIONAL COSTS | 87 |
| PART 4 – CUSTODIAN FEES | 89 |
| SCHEDULE 5 – EXPENSES AND CHARGES – GERMAN BOND SUB-FUND | 90 |
| SCHEDULE 6 - SERVICE STANDARDS | 92 |
| SCHEDULE 7 – THIRD PARTY ACTUARY | 93 |

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

IN THE MATTER OF THE ROYAL LONDON MUTUAL
INSURANCE SOCIETY LIMITED

- and -

IN THE MATTER OF ROYAL LONDON ~~FINANCIAL SERVICES~~ INSURANCE D.A.C.

-and-

IN THE MATTER OF

PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

for the transfer to Royal London ~~Financial Services~~
Insurance D.A.C. of
certain of the long-term insurance business of
The Royal London Mutual Insurance Society Limited

PART A – DEFINITIONS AND INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme:

- "Actual Cost" has the meaning given to that term in Part 1 of Schedule 4
- "Actual GBSF ~~Cost~~ Costs" has the meaning given to that term in Schedule 5
- "Aggregate Per Policy Charge" has the meaning given to that term in Part 1 of Schedule 4
- "Amounts Recoverable" means the calculation by insurance and reinsurance undertakings of amounts recoverable from reinsurance contracts and special purpose vehicles required in accordance with article 81 of Solvency II and the relevant Solvency II Requirements
- "Asset" means any asset and property of every kind and description, wherever located, whether real, personal or mixed, tangible or intangible, that is owned, leased by or licenced to Royal London and comprised within the Transferred Business including all rights, benefits and powers of Royal London under any Transferred Contract and all rights, including any right to repayment or recovery of Tax relating to the Transferred Business or to the transfer thereof, claims and powers of Royal London against any third party relating exclusively to the Transferred Business and including (for the avoidance of doubt) any such asset or property to which legal title is held by another party, provided and to the extent that Royal London has an interest in such asset or property, including beneficial ownership of such asset or property
- "Asset Share" means:
- (a) in respect of a Liver Ireland Full WP Policy, a retrospective accumulation, at the rates of investment return earned on the assets backing such Asset Share, of the premiums paid under the Policy less the costs and charges attributable to the Policy and allowance for Taxation, enhancements and deductions as determined by the RL DAC Board consistent with the IOT CPFM or the Core Principles of Financial Management (as the context requires). Such an Asset Share may be an estimate of the Asset Share of the relevant With-Profits Policy derived from the Asset Share of one or more specimen With-Profits Policies, which have been selected to represent a group of the With-Profits Policies. References to Asset Share shall also include, where appropriate, references to an alternative measure of benefits as permitted by the provisions of paragraph 11 of the IOT CPFM or paragraph 9 of the Core Principles of Financial Management
 - (b) in respect of a German Bond Transferred Policy that is a UWP Policy, a retrospective accumulation, at the rates of investment return earned on the assets backing such Asset Share, of the premiums paid under the Policy less the costs and charges attributable to the Policy and allowance for Taxation, enhancements and deductions as determined by the RL DAC Board consistent with the

German Bond PPFM Guide. Such an Asset Share may be an estimate of the Asset Share of the relevant With-Profits Policy derived from the Asset Share of one or more specimen With-Profits Policies, which have been selected to represent a group of the With-Profits Policies

| | |
|-------------------------------------|---|
| "Asset Value" | means in respect of any Asset, its value determined in accordance with the principles for the valuation of the Assets of insurance companies carrying on business of the type carried on by Royal London prescribed by the Solvency II Requirements |
| "Average Number of Policies" | has the meaning given to that term in Part 1 of Schedule 4 |
| "BaFin" | means the German Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>) or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to life insurance business carried on in Germany as were at the date of this Scheme allocated to BaFin |
| "Basic Service Fee" | has the meaning given to that term in Part 1 of Schedule 4 |
| "BEL Termination Amount" | has the meaning given to that term in the German Bond Reinsurance Agreement |
| "Best Estimate Liabilities" | means the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure, calculated in accordance with article 77 of Solvency II and the relevant Solvency II Requirements |
| "Brexit" | means the UK leaving the European Union |
| "Broker Contracts" | means all those Contracts entered into between Royal London and a relevant broker or intermediary which relate to the Post-2011 Transferred Policies and the RL Liver Transferred Policies |
| "Business Day" | means a day other than a Saturday or Sunday or a public holiday in England and Wales or Ireland |
| "Calculation Period" | has the meaning given to that term in paragraph 42.4 |
| "Caledonian" | means the Caledonian Insurance Company Limited, a company incorporated (as at the date of the Caledonian Scheme) in England and Wales with company number 03973048 and whose registered office was at the Royal Liver Building, Pier Head, Liverpool L3 1HT, and which was dissolved on 5 May 2010 |
| "Caledonian Scheme" | means scheme of transfer between Caledonian (as transferor) and the Liver Society (as transferee) pursuant to Schedule 2C to the Insurance Companies Act 1982, which was sanctioned on 12 December 2000 and which became effective on 31 December 2000 |
| "Calendar Month" | means a period of a calendar month and each calendar month in a year being numbered 1 (January) through to 12 (December), or where expressly specified means a part thereof |
| "Capital Deficit" | has the meaning given to that term in paragraph 42.3 |

| | |
|--|---|
| "Capital Support" | has the meaning given to that term in paragraph 37.1 |
| "Capital Support Value" | has the meaning given to that term in paragraph 37.1 |
| "Cash" | means any cash or any cash deposit |
| "CBI" | means the Central Bank of Ireland, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to Long-Term Business carried on in Ireland as were at the date of this Scheme allocated to the Central Bank of Ireland |
| "Cessation Date" | means the Liver Ireland Cessation Date or the German Bond Cessation Date, as the context requires |
| "Charge" | has the meaning given to that term in paragraph 42.4 |
| "Charge Year" | has the meaning given to that term in Part 1 of Schedule 4 |
| "Class of Business" | has the meaning given to that term in Part 1 of Schedule 4 |
| "COBS" | means the Conduct of Business Sourcebook issued by the FCA |
| "Companies Act 2014" | means the Companies Act 2014 in Ireland |
| "Consent" | has the meaning given to the term "consent" in the GDPR |
| "Contingent Bonus Policy" | <p>means an industrial branch policy originally written by the Liver Society under the following table codes that is not a reduced amount free policy and in respect of which a discretionary terminal bonus may be applied:</p> <p>Table 1, Table 1A, Table 2, Table 3, Table 4, Table 5, Table 6, Table 6A, Table 7, Table 8, Table 9, Table 10, Table 11, Table 12, Table 13, Table 13A, Table 14, Table 14A, Table 15, Table 16, Table 17, Table 18, Table 19, Table 20, Table 21, Table 22, Table 23, Table 24, Table 57, Table 58, Table 59, Table 60, Table 63, Table 65, Table 66, Table 67, Table 68, Table 69, Table 70, Table 71, Table 72, Table 73, Table 74, Table 75, Table 76, Table 77, Table 78, Table 79 and Table A</p> |
| "Contract" | means any written contract, terms of business, commitment, agreement (including a facility agreement), deed, indenture, note, bond, mortgage, loan, instrument, lease or licence, each as amended, supplemented, varied or substituted from time to time and including, without limitation, the Transferred Contracts |
| "Controller" | has the meaning given to the term "controller" in the GDPR |
| "Core Principles of Financial Management" | of means in respect of any period following the Liver Reinsurance Termination Date, the principles of financial management set out in Schedule 3 |
| "Cost of Capital" | means the cost of capital determined by RL DAC, acting reasonably, based on its cost of borrowing the relevant amount and acknowledging that the capital may be invested at a risk-free return whilst it supports capital requirements |
| "Court" | means the High Court of Justice in England and Wales |

| | |
|--------------------------------------|--|
| "Custodian Fees" | has the meaning given to that term in Part 4 of Schedule 4 |
| "Data Protection Laws" | means any law, statute, declaration, decree, directive, legislative enactment, order, ordinance, regulation, rule or other binding restriction (as amended, consolidated or re-enacted from time to time) which relates to the protection of individuals with regards to the processing of Personal Data to which a party is subject, including the Data Protection Act 1998 (up to and including 24 May 2018), Directive 2002/58/EC, the Privacy and Electronic Communications (EC Directive) Regulations 2003, and (on and from 25 May 2018) the GDPR (or, if the UK leaves the European Union, all legislation enacted in the United Kingdom in respect of the protection of Personal Data) |
| "Data Subject" | has the meaning given to the term "data subject" in the GDPR |
| "Demutualisation" | means any demutualisation of Royal London in respect of which members of Royal London are offered any form of compensation in respect of the loss of their membership rights in respect of Royal London |
| "Demutualisation Date" | means: <ul style="list-style-type: none"> (a) the date on which any Demutualisation occurs; or (b) if earlier, the date on which relevant members of Royal London are deemed to have qualified for the payment of any form of compensation in respect of any Demutualisation, <p>in each case, following the Effective Date</p> |
| "DISP" | means the Dispute Resolution: Complaints rules issued by the FCA |
| "Effective Date" | means the time and date on which this Scheme shall take effect in accordance with paragraph 43 |
| "Encumbrance" | means any mortgage, charge, pledge, security assignment, 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, without limitation, title transfer and retention agreements) having a similar effect |
| "Equivalent Members" | means those members of Royal London who, as at the Demutualisation Date, hold With-Profits Policies allocated to the RL Main Fund |
| "Estimated Per Policy Charge" | has the meaning given to that term in Part 1 of Schedule 4 |
| "Excluded Assets" | means: <ul style="list-style-type: none"> (a) the Excluded IP; and (b) without prejudice to paragraph (a) of this definition, all those assets of Royal London that are not Transferred Assets (including, for the avoidance of doubt, all rights, |

benefits and powers of Royal London under the Excluded Contracts)

| | |
|--|---|
| "Excluded Contracts" | means: <ul style="list-style-type: none">(a) the Pension Schemes;(b) the Reinsurance Agreements;(c) the IMAs;(d) the Third Party Reinsurance Agreements; and(e) without prejudice to paragraphs (a), (b) and (c to (d)) of this definition all those Contracts to which Royal London is a party which are not Transferred Contracts |
| "Excluded IP" | means any Intellectual Property, other than the Transferred IP |
| "Excluded Liabilities" | means: <ul style="list-style-type: none">(a) the Pensions Liabilities; and(b) without prejudice to paragraph (a) of this definition, all those other Liabilities of Royal London that are not Transferred Liabilities (including, for the avoidance of doubt, all liabilities under or by virtue of the Excluded Contracts) |
| "Excluded Policies" | means any Policies of Royal London which are not Transferred Policies |
| "FCA" | means the Financial Conduct Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to Long-Term Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority under FSMA |
| "FCA Rules" | means the rules and guidance contained in the FCA Handbook of Rules and Guidance |
| "Financial Ombudsman Service" | means the United Kingdom's Financial Ombudsman Service Limited (or any successor thereto or replacement thereof) |
| "First Charge Period" | has the meaning given to that term in Part 1 of Schedule 4 |
| "Fitness and Probity Standards" | means the fitness and probity regime introduced by the Central Bank Reform Act 2010 |
| "FPLM" | means Friends Life FPLMA Limited, a company incorporated in England and Wales with registered number 00004599, whose registered office is at Pixham End, Dorking, Surrey, RH4 1QA |
| "FPLM Scheme" | means the scheme which effected the transfer of business from FPLM to Friends' Provident Life Office Life under Part I of Schedule 2C of the Insurance Companies Act 1982, effective on 4 January 2000 |
| "FPLO" | means Friends' Provident Life Office, a mutual insurer incorporated by the Friends' Provident Institution Act 1915, subsequently |

| | | |
|--|--|---|
| | | repealed and replaced by the Friends' Provident Life Office Act 1975, whose registered office, as at the date of the FPLO Scheme, was Pixham End, Dorking, Surrey, RH4 1QA |
| "FPLO Scheme" | | means the scheme which effected the transfer of business from FPLO to the Liver Society under Part I of Schedule 2C of the Insurance Companies Act 1982, effective on 31 March 2001 |
| "FSA" | | means the authority that, immediately prior to 1 April 2013, carried out such functions in relation to Long-Term Business carried on in the United Kingdom pursuant to FSMA that, as at the date of this Scheme, are carried on by the PRA and the FCA, and was known as the Financial Services Authority |
| "FSMA" | | means the Financial Services and Markets Act 2000 |
| "FSPO" | | means the Republic of Ireland's Financial Services and Pensions Ombudsman (or any successor thereto or replacement thereof) |
| "Fund Split Amount" | | has the meaning given to that term in paragraph 31.5 |
| "GBSF Collapse Amount" | | means such amount (if any) as would be required, as at the German Bond Cessation Date, to be held by RL DAC in respect of: <ul style="list-style-type: none"> (a) the Best Estimate Liabilities; (b) Risk Margin; and (c) subject to paragraph 36.3.2, the capital requirement under the RL DAC Capital Management Framework, in each case arising under or in respect of Policies that are to be transferred from the German Bond Sub-Fund to the RL DAC Open Fund pursuant to paragraph 36.6, calculated taking into account the BEL Termination Amount and the ProfitShare Amount (if any) due to be paid under the German Bond Reinsurance Agreement and determined as at the German Bond Cessation Date |
| "GBSF Exceptional Costs" | | has the meaning given to that term in Schedule 5 |
| "GBSF Investment Services" | | has the meaning given to that term in Schedule 5 |
| "GBSF Services" | | has the meaning given to that term in Schedule 5 |
| "GBSF Transfer Amount" | | has the meaning given to that term in paragraph 36.4 |
| "GDPR" | | means Regulation (EU) 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 repealing Directive 95/46/EC (General Data Protection Regulation) OJ L 119/1, 4.5.2016 |
| "German Bond Additional Amount" | | means the aggregate of: <ul style="list-style-type: none"> (a) the RL DAC German Bond Capital Target multiplied by the RL DAC German Bond Internal Capital Requirement in respect of the German Bond Transferred Policies; and (b) the Risk Margin in respect of the German Bond Transferred |

Policies

in each case immediately prior to the Effective Date determined on a mutually agreed basis between Royal London and RL DAC with no allowance for the impact of any reinsurance contracts in respect of the German Bond Transferred Policies

| | |
|---|--|
| "German Bond BEL" | means the Best Estimate Liabilities arising under the German Bond Transferred Policies immediately prior to the Effective Date, determined on a mutually agreed basis between Royal London and RL DAC and gross of the value of any Amounts Recoverable |
| "German Bond Cessation Date" | means the date from which RL DAC is required under paragraph 36.1 to cease to maintain the German Bond Sub-Fund as a separate sub-fund |
| "German Bond Collateral Agreements" | has the meaning given to the term "Collateral Agreements" in the German Bond Reinsurance Agreement |
| "German Bond Members" | means those holders of German Bond Transferred Policies who, by virtue of holding such Policies, are members of Royal London immediately prior to the Effective Date and who shall cease to be members of Royal London on and from the Effective Date in accordance with paragraph 47.1 |
| "German Bond PPFM Guide" | means the document to be maintained by RL DAC in accordance with paragraph 17.1.2 or the PPFM Equivalent Document relating to the German Bond Sub-Fund (as the context requires) |
| "German Bond Reinsurance Agreement" | means the reinsurance agreement, to be entered into between Royal London (as reinsurer) and RL DAC (as cedant) in relation to the reinsurance by Royal London of the German Bond Transferred Policies with effect from the Effective Date, and shall, unless Royal London and RL DAC agree otherwise, be deemed to refer to any reinsurance agreement between the parties in relation to those Policies that may replace or otherwise supersede the aforementioned agreement |
| "German Bond Reinsurance Termination Date" | means the date on which the German Bond Reinsurance Agreement terminates in accordance with its terms, except if that agreement is replaced upon termination with another reinsurance agreement between Royal London (as reinsurer) and RL DAC (as cedant) in respect of all or substantially all of the German Bond Transferred Business (subject to the expiry or cancellation of the German Bond Transferred Policies), the German Bond Reinsurance Termination Date shall, unless Royal London and RL DAC agree otherwise, be the date that the replacement agreement (or any replacement thereof) terminates in accordance with its terms |
| "German Bond Sub-Fund" | means the new Long-Term Business sub-fund of RL DAC established pursuant to paragraph 11.1.2 |
| "German Bond Transferred Assets" | means Assets selected by Royal London from amongst those allocated to the RL Main Fund immediately prior to the Effective Date with an Asset Value at the Effective Date equal to the value of the German Bond Transferred Assets Amount |
| "German Bond Transferred" | means the aggregate of (i) the German Bond BEL and (ii) the |

| | |
|---|--|
| Assets Amount" | German Bond Additional Amount |
| "German Bond Transferred Business" | means the whole of Royal London's Long-Term Business carried on in relation to the German Bond Transferred Policies immediately prior to the Effective Date |
| "German Bond Transferred Policies" | means all those Policies of Royal London falling within the categories referred to in Part 2 of Schedule 2 |
| "GRELI" | means GRE Part 7 Limited, a company incorporated (as at the date of the GRELI Scheme) in the Republic of Ireland on 19 September 1989 with certificate number 149547 and whose registered office was at 49 St Stephen's Green, Dublin 2, Ireland, and which was dissolved on 21 October 2017 |
| "GRELI Scheme" | means the scheme of transfer between GRELI (as transferor) and Royal London (as transferee) pursuant to section 13 of the Irish Assurance Companies Act 1909, section 36 of the Irish Insurance Act 1989 and Article 35 of the European Communities (Life Assurance) Framework Regulations 1994 as amended by the Irish European Communities Non-Life Insurance and Life Assurance (Amendment) Regulations 1997 in Ireland and which became effective on 1 July 2012 |
| "Guaranteed Rate Card" | has the meaning given to that term in Part 1 of Schedule 4 |
| "HMRC" | means HM Revenue & Customs (or any successor thereto or replacement thereof) |
| "IMAs" | means the Linked Fund IMA and the Non-Linked Fund IMA |
| "Independent Expert" | means Tim Roff, the expert appointed to report on the provisions of this Scheme pursuant to section 109 of FSMA, or any successor appointed to act as Independent Expert and whose appointment has been approved by the PRA in consultation with the FCA |
| "Initial Period" | has the meaning given to that term in Part 1 of Schedule 4 |
| "Insolvency" | means, in relation to Royal London: <ul style="list-style-type: none"> (a) it is unable or admits its inability to pay its debts as they fall due, suspends or threatens to suspend making payments on any of its debts; (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities); (c) a moratorium is declared in respect of any of its indebtedness |
| "Insolvency Event" | means the occurrence of Insolvency or Insolvency Proceedings |
| "Insolvency Charge" | Floating means the deed of floating charge to be entered into by Royal London and RL DAC on or about the Effective Date with regard to the Liver Reinsurance Agreement and the German Bond Reinsurance Agreement |
| "Insolvency Proceedings" | means, in relation to Royal London, any corporate action, legal proceedings or other procedure or step is taken (other than any solvent scheme of arrangement, solvent restructure or |

reorganisation, or compromise with creditors undertaken in the ordinary course of business) in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding up, dissolution, administration or insolvent reorganisation (by way of voluntary arrangement or otherwise) of Royal London;
- (b) a general composition, compromise, assignment or arrangement with or for the benefit of all or substantially all of the creditors of Royal London (but not, for the avoidance of doubt, with or for the benefit of a single creditor);
- (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of Royal London or any of its assets; or
- (d) enforcement of any security interest over any substantial part of the assets of Royal London,

or any analogous procedure or step is taken in any jurisdiction

"Instrument of Transfer"

means the instrument of transfer under the Friendly Societies Act 1992 between the Liver Society and Royal London, pursuant to which all of the engagements of the Liver Society (including its Long-Term Business) were transferred to Royal London, with effect from 00:01 on 1 July 2011, as amended and restated with effect from the Effective Date

"Intellectual Property"

means each of the following:

- (a) goodwill;
- (b) trade or business names, service marks and trade marks (whether registered or not), registered and unregistered designs, design rights, copyrights and know-how and the goodwill therein and applications for any of the same and any other forms of protection of a similar nature and having equivalent or similar effect to any of them which may subsist anywhere in the world;
- (c) all rights to, and the exclusive ownership of, all client lists and customer databases relating to the Transferred Business;
- (d) all design rights, database rights, software and systems developed by Royal London and any other intellectual property rights (whether registrable or not in any country)

"Investment Administration and Asset Management Services"

has the meaning given to that term in Part 1 of Schedule 4

"IOT CPFM"

means, in respect of any period prior to the Liver Reinsurance Termination Date, the "Core Principles of Financial Management" set out in Schedule 2 of the Instrument of Transfer and to which RL DAC is required to have regard to on the basis described in

paragraph 26.1

| | |
|--------------------------------------|--|
| "Irish Consumer Price Index" | means the index maintained and published by the Central Statistics Office of Ireland (or, if such index ceases to exist, such other substantially equivalent index as the RL DAC Board (having regard to the advice of the RL DAC HoAF) may substitute therefore |
| "Irish Life" | means Irish Life Assurance plc, a company incorporated (as at the date of the Irish Life Scheme) in the Republic of Ireland with certificate number 152576 and whose registered office is at Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland |
| "Irish Life Scheme" | means the scheme of transfer between the Liver Society (as transferor) and Irish Life (as transferee) pursuant to section 13 of the Irish Assurance Companies Act 1909, section 36 of the Irish Insurance Act 1989 and Article 35 of the European Communities (Life Assurance) Framework Regulations 1994 as amended by the Irish European Communities Non-Life Insurance and Life Assurance (Amendment) Regulations 1997 in Ireland and which became effective on 28 February 2002 |
| "Irish Revenue Commissioners" | means the Irish Office of the Revenue Commissioners (or any successor thereto or replacement thereof) |
| "Level 2 Delegated Acts" | means Regulation (EU) 2015/35 of the European Commission supplementing Solvency II, published in the Official Journal of the European Union on 17 January 2015 |
| "Liability" | means any debt, liability, duty or obligation of any kind or description (whether direct or indirect, present or future, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due) including any liability to Taxation, and including all costs and expenses relating thereto |
| "Linked Assets" | means the Assets to which, immediately prior to the Effective Date, any of the Linked Policies comprised in the Transferred Business are linked in any way |
| "Linked Fund" | means: (a) an internal linked fund maintained by Royal London and comprised in the Transferred Business immediately prior to the Effective Date; or (b) an internal linked fund maintained by RL DAC on and from the Effective Date, for the purpose of calculating benefits payable under Linked Policies, other than (for the avoidance of doubt) benefits determined by reference to the value of notional units whose value or number varies by reference to bonuses declared |
| "Linked Fund Actions" | has the meaning given to that term in paragraph 21.3 |
| "Linked Fund IMA" | means the Unit linked Investment Management Agreement, dated 23 November 2016, and entered into between Royal London and Royal London Asset Management Limited, in relation to the investment management of certain sub-funds of Royal London, including the RL Royal Liver Sub-Fund |

| | | |
|--|--------------------|---|
| "Linked Policies" | | means Policies under which the benefits are wholly or partly to be determined by reference to units linked to: |
| | | (a) the value of, or the income from, property of any description (whether or not specified in the Policies); or |
| | | (b) fluctuations in, or in an index of, the value of property of any description (whether or not so specified), |
| | | other than a UWP Policy |
| "Liver Agreements" | Collateral | has the meaning given to the term "Collateral Agreements" in the Liver Reinsurance Agreement |
| "Liver Deficit" | | has the meaning given to that term in paragraph 37.1 |
| "Liver Ireland Cessation Date" | Cessation | means: |
| | | (a) where RL DAC elects (under paragraph 30.1) the date with effect from which the RL DAC Board determines the Liver Ireland Sub-Fund is to cease to be maintained by RL DAC as a separate sub-fund; or |
| | | (b) where RL DAC is required (under paragraph 30.2) to cease to maintain the Liver Ireland Sub-Fund as a separate sub-fund, the date from which such requirement takes effect |
| "Liver Ireland Full WP Policies" | Full WP | means those Liver Ireland With-Profits Policies that are not Contingent Bonus Policies |
| "Liver Ireland Policies" | | means: |
| | | (a) the RL Liver Transferred Policies allocated to the Liver Ireland Sub-Fund from time to time in accordance with this Scheme; and |
| | | (b) any other Policies written in or allocated to the Liver Ireland Sub-Fund after the Effective Date |
| "Liver Policyholders" | Ireland | means the holders of Liver Ireland Policies |
| "Liver Ireland PPFM Guide" | | means the document to be maintained by RL DAC in accordance with paragraph 17.1.1 or the PPFM Equivalent Document relating to the Liver Ireland Sub-Fund (as the context requires) |
| "Liver Ireland Service Standards" | Service | shall mean the agreed form document entitled "Liver Ireland Service Standards" applicable to the administration of the Liver Ireland Sub-Fund at the Effective Date |
| "Liver Ireland Sub-Fund" | | means the new Long-Term Business sub-fund of RL DAC, established pursuant to paragraph 11.1.1 |
| "Liver Ireland With-Profits Policies" | | means those Liver Ireland Policies that are With-Profits Policies |
| "Liver Reinsurance Agreement" | Reinsurance | means the reinsurance agreement, to be entered into between Royal London (as reinsurer) and RL DAC (as cedant) in relation to the reinsurance by Royal London of the RL Liver Transferred |

Policies with effect from the Effective Date, and shall, unless Royal London and RL DAC agree otherwise, be deemed to refer to any reinsurance agreement between the parties in relation to those Policies that may replace or otherwise supersede the aforementioned agreement

| | |
|---|---|
| "Liver Reinsurance Termination Date" | means, subject to paragraphs 22.2 and 31.4, the date on which the reinsurance under the Liver Reinsurance Agreement terminates in accordance with its terms, except if that agreement is replaced upon termination with another reinsurance agreement between Royal London (as reinsurer) and RL DAC (as cedant) in respect of all or substantially all of the RL Liver Transferred Business (subject to the expiry, cancellation or lapse of the RL Liver Transferred Policies), the Liver Reinsurance Termination Date shall, unless Royal London and RL DAC agree otherwise, be the date that the replacement agreement (or any replacement thereof) terminates in accordance with its terms |
| "Liver Society" | means Royal Liver Assurance Limited, a friendly society incorporated under the Friendly Societies Act 1992 (registered no. 35 Coll), whose registered office was at the Royal Liver Building, Pier Head, Liverpool L3 1HT and which was dissolved on 6 March 2012 |
| "Liver Transfer Amount" | means the amount to be calculated in accordance with paragraph 31.7 |
| "Long-Term Business" | means: <ul style="list-style-type: none">(a) in respect of Royal London, the business of effecting or carrying out long-term insurance contracts as principal, being contracts falling within Part II of Schedule 1 to the RAO(b) in respect of RL DAC, the business of effecting or carrying out long-term insurance contracts as principal, being contracts falling within the activities of the classes in Schedule 2 of the European Union (Insurance and Reinsurance) Regulations 2015 in Ireland |
| "Long-Term Fund" | means: <ul style="list-style-type: none">(a) in respect of Royal London, the fund, or each of the funds, established and maintained by Royal London from time to time in respect of Long-Term Business(b) in respect of RL DAC, means the fund, or each of the funds, established and maintained by RL DAC from time to time in respect of Long-Term Business |
| "Loss" | means any loss, expense, liability, claim, damages, penalty, fine, cost (including legal costs and experts' and consultants' fees and including, for the avoidance of doubt, Taxation), charges, demands, actions or proceedings and such term shall include any costs or expenses incurred for the purpose of settling any complaint or claim or any agreed settlement or compensation or compromise (including an ex gratia payment made in the interests of saving or reducing any such loss, costs or expenses) |

| | |
|---|--|
| "Material Change" | has the meaning given to that term in the Reinsurance Agreements |
| "Minimum Requirement" | Asset has the meaning given to that term in paragraph 37.1 |
| "Minimum Notional Capital Requirement" | has the meaning given to that term in paragraph 37.1 |
| "Mis-selling Liability" | means: <ul style="list-style-type: none"> (a) any Loss which results from negligence or from a complaint made or from a failure to comply with, or an allegation of failure to comply with, rules, regulations, guidance or directions of the FSA, the PRA, the FCA, the CBI, BaFin or any other Relevant Regulator, the Financial Ombudsman Service (or any successor body thereto) or the FSPO, or any Loss which results from a failure to comply with, or an allegation of failure to comply with, rules or regulations of the German Insurance Contract Act (<i>Versicherungsvertragsgesetz - VVG</i>) or the German Civil Code (<i>Bürgerliches Gesetzbuch - BGB</i>) or corresponding German legislation in respect of the design, administration, manufacture, marketing of, or the provision of advice in respect of the RL Liver Transferred Policies, the German Bond Transferred Policies or the Post-2011 Transferred Policies on or prior to the Effective Date including: <ul style="list-style-type: none"> (i) any penalty or compensation or fine levied or which results from or arises in connection with any enforcement action undertaken by the FSA, the PRA, the FCA, the CBI, BaFin, any other Relevant Regulator, the Financial Ombudsman Service or the FSPO; (ii) any costs or expenses incurred for the purpose of settling any complaint or claim or any agreed settlement or compromise (including an ex gratia payment made in the interests of saving or reducing any such Loss); (iii) any administrative costs or expenses incurred (whether internal or external) in relation to any review, investigation, remediation or communication exercise; and (b) any other Loss arising as a result of: <ul style="list-style-type: none"> (i) an obligation of Royal London to pay compensation or redress of a type covered by COBS 20.2.24R; or (ii) any amounts paid or payable to a skilled person in connection with a report under (i) section 166 of FSMA or (ii) Part 2 of the Central Bank (Supervision and Enforcement) Act 2013 if the report indicates that Royal London has, or may have, materially failed to satisfy its regulatory obligations |

in each case, in respect of the RL Liver Transferred Policies, the German Bond Transferred Policies or the Post-2011 Transferred Policies

| | | |
|-------------------------------|------------------|--|
| "New Linked Fund" | | means a new Linked Fund established by RL DAC pursuant to paragraph 20.1 or pursuant to the exercise of a Linked Fund Action |
| "NTMA" | | means the National Treasury Management Agency (or any successor thereto or replacement thereof), which was set up in the Republic of Ireland under the National Treasury Management Agency Act 1990 |
| "NTMA RL Right" | | means any and all rights of Royal London relating to the NTMA in respect of any RL Liver Transferred Policy (including with regard to the repayment of any amount by the NTMA in respect of a RL Liver Transferred Policy, where such amount was paid by Royal London (or a predecessor) to the NTMA prior to the Effective Date under the Unclaimed Life Assurance Policies Act 2003) |
| "Non-Linked Fund IMA" | | means the Non-Unit linked Investment Management Agreement, dated 23 November 2016, and entered into between Royal London and Royal London Asset Management Limited, in relation to the investment management of certain sub-funds of Royal London, including the RL Royal Liver Sub-Fund |
| "Notional Company" | Insurance | in respect of a RL DAC WPF, mean a stand-alone life insurance company having the assets and liabilities of the relevant RL DAC WPF subject to the Regulatory Requirements applicable from time to time to such a life insurance company authorised and regulated in the Republic of Ireland |
| "Operational Services" | | has the meaning given to that term in Part 1 of Schedule 4 |
| "Order" | | means an order made by the Court pursuant to section 111 of FSMA sanctioning this Scheme and any order (including any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 or 112A of FSMA |
| "Other RL DAC Funds" | | means RL DAC Open Fund and any other sub-funds of the RL DAC Long-Term Fund from time to time (including any other sub-funds which are established by RL DAC in its Long-Term Fund following the Effective Date) but excluding (for these purposes) the Liver Ireland Sub-Fund and the German Bond Sub-Fund |
| "Pensions Liabilities" | | means any Loss or Liability in respect of the Pension Schemes |

| | | |
|-----------------------------------|--------------------|---|
| "Pension Schemes" | | means the: |
| | | (a) Royal Liver Assurance Limited Superannuation Fund (ROI), established by a definitive trust deed and rules entered into between the Liver Society and R.L. Pensions Trustees (ROI) Limited and dated 5 December 2003; |
| | | (b) the Royal London Ireland Pension Plan, established by a trust deed and rules entered into between the Liver Society and R.L. Pensions Trustees (ROI) Limited and dated 25 March 2011; and |
| | | (c) the Royal Liver Assurance Limited Superannuation Fund established by a definitive trust deed and rules entered into between Royal Liver Assurance Limited and R L Pensions Trustees Limited and dated 29 December 2000 |
| "Personal Data" | | has the meaning given to the term "personal data" in the GDPR |
| "Policy" or "Policyholder" | | have the meanings set out in Financial Services and Markets Act 2000 (meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361) |
| "Post-2011 Business" | Transferred | means the whole of Royal London's Long-Term Business carried on in relation to the Post-2011 Transferred Policies immediately prior to the Effective Date |
| "Post-2011 Policies" | Transferred | means all those Policies of Royal London falling within the categories referred to in Part 3 of Schedule 2 |
| "PPFM Document" | Equivalent | has the meaning given to that term in paragraph 17.7 |
| "PRA" | | means the Prudential Regulation Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to Long- Term Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Prudential Regulation Authority under FSMA |
| "PRA Rules" | | means the rules and guidance contained in the PRA Rulebook |
| "Predecessor Schemes" | | means the Caledonian Scheme, the FPLO Scheme, the FPLM Scheme, the GRELI Scheme and the Irish Life Scheme |
| "Proceedings" | | means 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 court, authority or ombudsman, including the Financial Ombudsman Service, FSPO or BaFin, or other proceedings for the resolution of a dispute or claim, in each case whether current, future, pending, threatened or otherwise (including those not yet in contemplation) |
| "ProfitShare" | | means the mechanism by which Royal London shares its financial performance with eligible Policyholders, which (as at the Effective Date) is allocated by an enhancement to the asset shares of |

| | |
|---|---|
| | eligible With-Profits Policies and unit fund values of eligible unit linked policies. ProfitShare is allocated at the sole discretion of the Royal London Board |
| "ProfitShare Amount" | has the meaning given to that term in the German Bond Reinsurance Agreement |
| "Prudential Requirements" | has the meaning given to that term in paragraph 37.1 |
| "Quasi-Derivative" | has the meaning given to it in paragraph 40.1.1 |
| "RAO" | means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) |
| "Reasonable Person" | means a reasonable person with appropriate knowledge and expertise acting reasonably and in good faith |
| "Reinsurance Agreements" | means the Liver Reinsurance Agreement and the German Bond Reinsurance Agreement, the Liver Collateral Agreements, the German Bond Collateral Agreements and the Insolvency Floating Charge |
| "Reinsurance Agreement Termination Date" | means the Liver Reinsurance Termination Date or the German Bond Reinsurance Termination Date, as the context requires |
| "Regulatory Change" | has the meaning given to that term in paragraph 44.4.3 |
| "Regulatory Requirements" | means: <ul style="list-style-type: none"> (a) in relation to Royal London, the FSMA, the PRA Rules, the FCA Rules, the Solvency II Requirements and such other legal or regulatory requirement that applies to it from time to time; and (b) in relation to RL DAC all laws, regulations, rules, codes of conduct and/or guidelines applicable to RL DAC in Ireland, including (but not limited to), the RL DAC General Good Requirements, the European Union (Insurance and Reinsurance) Regulations 2015 (which transposed Solvency II into Irish law), the Corporate Governance Requirements for Insurance Undertakings 2015, the Fitness and Probity Standards and any rules, directions, instructions, guidelines, recommendations, handbooks or codes of conduct issued by the CBI or by any other competent regulatory authority or any codes of conduct issued by Insurance Ireland or similar body |
| "Relevant Capital Shortfall" | has the meaning given to that term in paragraph 42.2 |
| "Relevant Date" | means the Effective Date except in the case of any Residual Asset or Residual Liability in which case it means the applicable Subsequent Transfer Date |
| "Relevant Deficit" | has the meaning given to that term in paragraph 37.1 |
| "Relevant Regulator" | means any regulatory body, authority, government department or exchange or clearing body or organisation in any jurisdiction (including the PRA, the FCA, the CBI and BaFin) other than a Tax Authority |

"Relevant Sub-Fund"

has the meaning given to that term in paragraph 37.1

"Residual Assets"

means in relation to the Transferred Business:

- (a) any Asset comprised in or relating to the Transferred Business, the transfer of which pursuant to this Scheme:
 - (i) is agreed by Royal London and RL DAC, or is proved by any third party, to be subject to the law of any country or territory other than the United Kingdom and in relation to which further steps, in addition to the Order, are required to secure that its transfer to RL DAC is fully effective under the law of that country or territory;
 - (ii) requires, at the Effective Date, (1) the consent of any third party; or (2) the waiver by any third party of any right to acquire, or be offered the right to, or offer to, acquire or procure the acquisition by some other person of, all or any part of such Asset, 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 Royal London or to claim compensation in damages or otherwise

and which the Court either does not have jurisdiction to transfer pursuant to section 112 of FSMA without such steps being taken as are referred to in (a)(i) or in relation to which the Court has determined, pursuant to section 112A(2)(b) of FSMA, not to disapply any entitlement referred to in (a)(ii) or (a)(iii), but in any case to the extent only of that part of the interest of Royal London in relation to any such Asset the transfer of which requires such steps and/or consent and/or waiver

- (b) any interest of Royal London in any Asset comprised in the Transferred Business the transfer of which Royal London and RL DAC agree prior to the Effective Date is to be delayed until after the Effective Date; and
- (c) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of Cash, or any other Assets or rights earned or received from time to time after the Effective Date but prior to any Subsequent Transfer Date in respect of any such Asset referred to in paragraphs (a) and (b) of this definition

but excluding the rights, benefits and powers under the Excluded Policies

"Residual Liability"

means in relation to the Transferred Business:

- (a) any Liability comprised in or relating to the Transferred Business, the transfer of which:
 - (i) is agreed by Royal London and RL DAC, or is

proved by any third party, to be subject to the law of any country or territory other than the United Kingdom and in relation to which further steps, in addition to the Order, are required to secure that its transfer to RL DAC is fully effective under the law of that country or territory; or

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

and which the Court either does not have jurisdiction to transfer pursuant to section 112 of FSMA without the necessary steps being taken or the termination and/or compensation rights being waived or which the Court determines not to transfer by the virtue of the Order, but in any case to the extent only of that part of the Liability the transfer of which requires such steps and/or waiver or which the Court determines not to transfer; or

- (b) any other Liability comprised in the Transferred Business, the transfer of which Royal London and RL DAC agree prior to the Effective Date is to be delayed until after the Effective Date; and
- (c) any Liability that is attributable to or connected with a Residual Asset or a Residual Liability referred to in paragraphs (a) and (b) of this definition that has arisen or arises at any time before the Subsequent Transfer Date applicable to that Residual Asset or Residual Liability

but excluding any Liability under the Excluded Policies

"Residual Policies"

means Policies under which any Liability remains unsatisfied or outstanding at the Effective Date:

- (a) which are Transferred Policies written by Royal London in the course of carrying on insurance business in the United Kingdom or any other EEA State, in respect of which:

- (i) for the purpose of paragraph 1(2A) of Schedule 12 to FSMA, were concluded in an EEA State other than the United Kingdom; ~~and the PRA has not prior to the making of the Order by which the Court sanctions this Scheme provided the certificates certificate referred to in paragraphs 3 and paragraph 3A of Schedule 12 to FSMA with respect to the relevant EEA State(s) ~~(in circumstances where (i) there remains a requirement under section 111(2)(a) FSMA for such a certificate to be obtained in respect of the relevant Policies and (ii) the PRA has elected to notify the relevant authority or authorities responsible for supervising persons who effect or carry out contracts of insurance in the relevant EEA State(s) pursuant to paragraph 3 and paragraph 3A of Schedule 12 to FSMA);~~~~

of:

(ii) for the purpose of paragraph 1(2) of Schedule 12 to FSMA, the establishment from which such Policies are to be transferred is in an EEA State other than the United Kingdom and the PRA has not prior to the making of the Order by which the Court sanctions this Scheme provided the certificate referred to in paragraph 3 of Schedule 12 to FSMA with respect to the relevant EEA State(s):

(b) which are Transferred Policies written by Royal London in the course of carrying on Long-Term Business but which are not otherwise capable of being transferred pursuant to FSMA on the Effective Date,

including, for the avoidance of doubt:

- (i) any Policy within paragraphs (a) or (b) of this definition which has lapsed on or before the Effective Date but which the relevant Policyholder is entitled to require Royal London to reinstate;
- (ii) any proposal for a Policy received or issued by or on behalf of Royal London before the Effective Date which has not become a Policy in force by the Effective Date but which would fall within paragraphs (a) or (b) of this definition were it to come into force,

and any further Policy issued by Royal London pursuant to the exercise of any right or option under a Residual Policy, as described in paragraph 6.3

| | |
|--|--|
| "Residual Policies Reinsurance Agreement" | means the reinsurance agreement to be implemented in respect of Residual Policies pursuant to, and in accordance with, paragraph 6.2 |
| "Retained Records" | means any accounting and financial and other records of Royal London relating to the Transferred Business that Royal London is required to retain by law |
| "Return" | has the meaning given to that term in paragraph 37.1 |
| "Risk Margin" | means the risk margin calculated in accordance with article 77 of Solvency II and the relevant Solvency II Requirements |
| "RL DAC" | means Royal London Financial Services <u>Insurance</u> D.A.C., a designated activity company incorporated in Ireland with registered number 630146 and having its registered office at 70 Sir John Rogerson's Quay <u>47-49 St. Stephen's Green</u> , Dublin 2 Ireland |
| "RL DAC Board" | means the board of directors of RL DAC from time to time |
| "RL DAC Capital Management Framework" | means the document, maintained by RL DAC from time to time, known as the "RL DAC Capital Management Framework", as approved by the RL DAC Board, or any other document that fulfils the same function as that fulfilled by the RL DAC Capital |

Management Framework as at the Effective Date

| | |
|--|--|
| "RL DAC Exceptional Costs" | has the meaning given to that term in paragraph 1 of Part 3 of Schedule 4 |
| "RL DAC General Good Requirements" | means the general good requirements applicable to RL DAC when: (a) conducting business in Ireland and dealing with Irish resident Policyholders in respect of the RL Liver Transferred Business including, without limitation, the Consumer Protection Code 2012 (as amended), the Consumer Protection Act 2007, the Sale of Goods and Supply of Services Act 1980, the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995, the European Communities (Distance Marketing of Consumer Financial Services) Regulations 1995, the CBI's industry funding levy and the Minimum Competency Code and Regulations 2017; and (b) conducting business on a freedom of services or freedom of establishment basis in any other Member State in respect of the German Bond Transferred Business, including without limitation the relevant host Member State's general good requirements, the Consumer Protection Act 2007, the Sale of Goods and Supply of Services Act 1980, the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 and the European Communities (Distance Marketing of Consumer Financial Services) Regulations 1995 |
| "RL DAC German Bond Capital Target" | has the meaning given to the term "RL DAC Capital Target" in the German Bond Reinsurance Agreement |
| "RL DAC German Bond Internal Capital Requirement" | has the meaning given to the term "RL DAC Internal Capital Requirement" in the German Bond Reinsurance Agreement |
| "RL DAC Group" | means RL DAC, any holding company from time to time of RL DAC and any subsidiary from time to time of any such holding company |
| "RL DAC HoAF" | means the person appointed from time to time to perform the role of "Head of Actuarial Function" being the CBI's Pre-Approved Controlled Function-48 or the equivalent successor function, on behalf of RL DAC |
| "RL DAC Liver Capital Target" | has the meaning given to the term "RL DAC Capital Target" in the Liver Reinsurance Agreement |
| "RL DAC Liver Internal Capital Requirement" | has the meaning given to the term "RL DAC Internal Capital Requirement" in the Liver Reinsurance Agreement |
| "RL DAC Long-Term Fund" | means the Long-Term Fund of RL DAC and includes the Liver Ireland Sub-Fund, the German Bond Sub-Fund and the RL DAC Open Fund |
| "RL DAC Open Fund" | means the Assets and Liabilities of RL DAC, other than those attributable to the Liver Ireland Sub-Fund or the German Bond Sub-Fund or any other ring-fenced fund established by RL DAC from time to time |

| | |
|---|---|
| "RL DAC Payment" | has the meaning given to that term in paragraph 9.3 |
| "RL DAC PPFM Guides" | means the Liver Ireland PPFM Guide and the German Bond PPFM Guide |
| "RL DAC Proportion" | has the meaning given to that term in paragraph 31.5 |
| "RL DAC WPF" | means the Liver Ireland Sub-Fund or the German Bond Sub-Fund, as the context requires |
| "RL Liver Additional Amount" | <p>means the aggregate of:</p> <ul style="list-style-type: none"> (a) the RL DAC Liver Capital Target multiplied by the RL DAC Liver Internal Capital Requirement in respect of the RL Liver Transferred Policies; and (b) the Risk Margin in respect of the RL Liver Transferred Policies, <p>in each case immediately prior to the Effective Date determined on a mutually agreed basis between Royal London and RL DAC with no allowance for the impact of any reinsurance contracts in respect of the RL Liver Transferred Policies</p> |
| "RL Liver BEL" | means the Best Estimate Liabilities arising under the RL Liver Transferred Policies immediately prior to the Effective Date, determined on a mutually agreed basis between Royal London and RL DAC and gross of the value of any Amounts Recoverable |
| "RL Liver Non-Transferred WP Policies" | means those With-Profits Policies of Royal London that, immediately prior to the Effective Date, are allocated to the RL Royal Liver Sub-Fund and that are not RL Liver Transferred Policies |
| "RL Liver Supervisory Committee" | means the committee of the Royal London Board known as the "Liver Supervisory Committee", established and maintained pursuant to the Instrument of Transfer |
| "RL Liver Transferred Assets" | means Assets selected by Royal London from amongst those allocated to the RL Royal Liver Sub-Fund immediately prior to the Effective Date with an Asset Value at the Effective Date equal to the value of the RL Liver Transferred Assets Amount |
| "RL Liver Transferred Assets Amount" | means the aggregate of (i) the RL Liver BEL and (ii) the RL Liver Additional Amount |
| "RL Liver Transferred Business" | means the whole of Royal London's Long-Term Business carried on in relation to the RL Transferred Liver Policies immediately prior to the Effective Date |
| "RL Liver Transferred Policies" | means all those Policies of Royal London falling within the categories referred to in Part 1 of Schedule 2 |
| "RL Main Fund" | means the sub-fund of Royal London's Long-Term Fund that bears the name "Royal London Main Fund" |
| "RL Main Fund PPFM" | means the principles and practices of financial management document prepared and maintained by Royal London from time to time in respect of the RL Main Fund as required by COBS 20.3.1R |

| | |
|--|---|
| "RL PPFM" | means the RL Main Fund PPFM or the RL Royal Liver PPFM (as the context requires) |
| "RL Royal Liver Estate" | means an amount representing the total realistic value of the aggregate of the assets within the RL Royal Liver Sub-Fund less the total realistic value of the aggregate of the liabilities of the RL Royal Liver Sub-Fund |
| "RL Royal Liver PPFM" | means the principles and practices of financial management document prepared and maintained by Royal London from time to time in respect of the RL Royal Liver Sub-Fund as required by COBS 20.3.1R |
| "RL Royal Liver Sub-Fund" | means the sub-fund of Royal London's Long-Term Fund that bears the name "Royal Liver Sub-Fund" |
| "RL WPF" | means the RL Royal Liver Sub-Fund or the RL Main Fund, as the context requires |
| "Royal London" | means The Royal London Mutual Insurance Society Limited, a company incorporated in England and Wales with registered number 99064 and having its registered office at 55 Gracechurch Street, London, EC3V 0RL |
| "Royal London Actuary" | means the person appointed from time to time by Royal London to perform the "Chief Actuary" Controlled function (SIMF20) or the equivalent successor function |
| "Royal London Board" | means the board of directors of Royal London from time to time |
| "Royal London Group" | means Royal London, any subsidiary from time to time of Royal London and any holding company from time to time of Royal London and any subsidiary from time to time of any such holding company |
| "Royal London With-Profits Committee" | means the "With-Profits Committee" of Royal London, established in accordance with Regulatory Requirements |
| "Royal London WP Actuary" | means the person appointed from time to time by Royal London to perform the "With-Profits Actuary" Controlled function (SIMF21) or the equivalent successor function |
| "Scheme" | means this Scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 44 |
| "Services" | has the meaning given to that term in Part 1 of Schedule 4 |
| "Service Fee" | has the meaning given to that term in Schedule 5 |
| "Settled" or "Settlement" | has the meaning given to that term in paragraph 37.1 |
| "Solvency II" | means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance, as amended |
| "Solvency II Requirements" | means Solvency II and any directive, legislation, regulation, decision, order, decree, determination, award, standard, guidance or rule which implements, gives effect to or is made pursuant to Solvency II including the Level 2 Delegated Acts and the PRA |

Rules (in relation to Royal London) and the Regulatory Requirements (in relation to RL DAC)

| | | |
|-------------------------------|-----------------|--|
| "Solvency Requirement" | Capital | means the Solvency Capital Requirement calculated in accordance with article 101 of Solvency II and the relevant Solvency II Requirements (adjusted to reflect any capital add-on imposed from time to time) |
| "Subsequent Date" | Transfer | <p>means in relation to any Residual Asset, Residual Liability or Residual Policy the date (and each date) after the Effective Date on which such Residual Asset, Residual Liability or Residual Policy is or is to be transferred to RL DAC, including:</p> <ul style="list-style-type: none">(a) in respect of any Residual Asset or Residual Liability falling within paragraph (a) of the respective definitions thereof and of any other Residual Liability which is attributable to or connected with any such Residual Asset, the date on which the requisite steps or, where applicable, the requisite consent or waiver to enable the same to be transferred from Royal London to RL DAC upon the provisions of this Scheme (where applicable, without any third party right to terminate or to compensation) is:<ul style="list-style-type: none">(i) obtained;(ii) no longer required; or(iii) dispensed with by Order of the Court;(b) in respect of any Residual Asset or Residual Liability falling within paragraph (b) of the respective definitions thereof, and of any other Residual Liability which is attributable to or connected with such Residual Asset, the date agreed in writing by Royal London and RL DAC;(c) in respect of any Residual Asset or Residual Liability falling within paragraph (c) of the respective definitions thereof, the date on which such Residual Asset is received or earned by Royal London or, in the case of a Residual Liability, the date on which such Liability is incurred by Royal London;(d) in respect of any Residual Policy falling within paragraph (a) and (c) of the respective definition thereof, the date in which the transfer of all rights, title, interest in, and obligations under such Policy is fully effective in the United Kingdom and under the law of any other country or territory to which it is subject |
| "Tax" or "Taxation" | | means all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever and by whatever authority imposed and whether of the United Kingdom, Ireland or elsewhere, including (without limitation) income tax (including income tax or amounts equivalent to or in respect of income tax required to be deducted or withheld from or accounted for in respect of any payment), corporation tax, capital gains tax, value added tax, stamp duty, stamp duty reserve tax, stamp duty land tax, national insurance and other similar contributions, and any other taxes, duties, rates, levies, charges, imposts or withholdings corresponding to, similar |

to, replaced by or replacing any of them, together with any interest, penalty, surcharge or fine in connection with such taxation or in connection with the failure to file any return for the purposes of any taxation

| | |
|---|---|
| "Tax Authority" | means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, HMRC and the Irish Revenue Commissioners) |
| "Tax Relief" | means any reliefs, allowances or credits in respect of any Taxation, any deductions in computing income, profits or gains for the purposes of any Taxation or any right to repayment of Taxation |
| "Termination Amount" | has the meaning given to that term in the relevant Reinsurance Agreement |
| "Third Party Actuary" | means the actuary appointed pursuant to Schedule 7 |
| "Third Party Reinsurance Agreements" | means any reinsurance agreement or arrangement entered into between Royal London and a third party reinsurer in respect of the Transferred Business |
| "Transferred Assets" | <p>means the:</p> <ul style="list-style-type: none">(a) RL Liver Transferred Assets; and(b) German Bond Transferred Assets; <p>including (without prejudice to the generality of the foregoing):</p> <ul style="list-style-type: none">(i) all rights, benefits and powers of Royal London under or by virtue of the Transferred Policies;(ii) all rights and claims (present or future, actual or contingent) against any third party in relation to the Transferred Business or arising as a result of Royal London having carried on the Transferred Business;(iii) all rights, benefits and powers of Royal London under or by virtue of the Transferred Contracts;(iv) all rights that Royal London has in relation to Linked Assets;(v) all Assets attributable to the Residual Policies (except if and for so long as such Assets constitute a Residual Asset);(vi) all Transferred IP;(vii) all books, records, files and papers, whether in hard copy or computer format, relating to the Transferred Business, including insurance and reinsurance contracts, claims and undertaking files, sales and promotional literature, manuals and data, sales and purchase correspondence and lists of present and former customers, |

excluding Retained Records; and

(viii) the NTMA RL Rights

but excluding:

- (1) the Residual Assets;
- (2) the Excluded Assets; and
- (3) any rights, benefits and powers under or relating to the Residual Policies or the Residual Policies Reinsurance Agreement

"Transferred Business" means the:

- (a) RL Liver Transferred Business;
- (b) German Bond Transferred Business;
- (c) Post-2011 Transferred Business;

including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted as at the Effective Date, save to the extent that such business relates to Excluded Policies and also excluding:

- (i) the Excluded Assets; and
- (ii) the Excluded Liabilities

"Transferred Contracts" means:

- (a) those contracts listed in Part 1 of Schedule 1; and
- (b) such other contracts to which Royal London is a party as relate exclusively to the Transferred Business, including the Broker Contracts but excluding the Excluded Contracts

"Transferred IP" means the Intellectual Property listed in Part 2 of Schedule 1

"Transferred Liabilities" means all Liabilities whatsoever of Royal London (other than to the extent discharged prior to the Effective Date) comprised in or attributable to the Transferred Business or arising in connection with or in relation to that business, as at the Effective Date, including (without prejudice to the generality of the foregoing):

- (a) all liabilities under or by virtue of the Transferred Policies;
- (b) all liability to Taxation attributable to the Transferred Business or to the transfer thereof, whensoever incurred; and
- (c) all liabilities under or by virtue of the Transferred Contracts; and

(d) the Mis-selling Liabilities

but excluding:

- (i) the Excluded Liabilities;
- (ii) the Residual Liabilities; and
- (iii) any liabilities of Royal London under or relating to the Residual Policies or the Residual Policies Reinsurance Agreement

"Transferred Policies"

means the:

- (a) RL Liver Transferred Policies;
- (b) German Bond Transferred Policies;
- (c) Post-2011 Transferred Policies;

under which any Liability remains unsatisfied or outstanding at the Effective Date, including in respect of those Policies referred to in paragraphs (a), (b) and (c) of this definition:

- (i) Policies which have lapsed (or which have been treated by Royal London as having lapsed) on or before the Effective Date and which are reinstated by RL DAC on or after the Effective Date;
- (ii) Policies written as options or increments in respect of Transferred Policies; and
- (iii) all proposals for insurance received by or on behalf of Royal London before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies

but excluding the Excluded Policies

"UWP Policy"

means With-Profits Policies in relation to which the benefits payable are determined by reference to units in a with-profits fund or sub-fund

"VAT"

means, within the European Union, such Tax as may be levied in accordance with (but subject to derogations from) Directive 2006/112/EC and, outside the European Union, any Taxation levied by reference to added value or sales or similar Tax

"With-Profits Policy"

means a Policy which confers on the holder a right to share in surplus (including without limitation a Policy under which either benefits provided or the contributions required to be made may vary by reference to bonuses declared on that Policy) and including, for the avoidance of doubt, a Contingent Bonus Policy

"With-Profits Principles"

has the meaning given to that term in the glossary to the FCA Handbook; and

- 1.2 **"property"** includes (without limitation) property, assets, rights (including, without limitation, contingent rights as to the repayment of Tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- 1.3 **"transfer"** includes (as the context may require) "assign", "assignment" or "assignment", "dispose" or "disposal" or "convey" or "conveyance";
- 1.4 any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa;
- 1.5 any reference:
- 1.5.1 to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation; and
- 1.5.2 to any rules or regulations issued by the CBI, the PRA or the FCA shall be deemed to include a reference to such rules or regulations as amended or replaced from time to time;
- 1.6 expressions used in this Scheme which have meanings under FSMA shall bear those meanings, including **"EEA State"** which bears the meaning set out in paragraph 8, Part I of Schedule 3 to FSMA;
- 1.7 any reference to a Policy written by Royal London shall include a reference to any Policy transferred prior to the Effective Date to Royal London, and to any Policy written by Royal London as an option or increment to such a Policy;
- 1.8 a reference to a **"holding company"** or **"subsidiary"**, means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006 (or, in respect of RL DAC sections 8 and 7 of the Companies Act 2014 as appropriate);
- 1.9 any reference to this Scheme shall include the Schedules to it and, unless otherwise specified, references to paragraphs, Parts or the Schedules are to paragraphs, Parts or Schedules to this Scheme;
- 1.10 headings are inserted for convenience only and shall not affect the construction of this Scheme;
- 1.11 any reference to a person shall include a reference to a body corporate, a partnership, an unincorporated association or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- 1.12 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;
- 1.13 any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- 1.14 any reference to a document in the form agreed is to the form of the relevant document agreed between the relevant persons in accordance with this Scheme and initialled by or on behalf of each of them for the purpose of identification prior to the date on which the Court sanctions this Scheme;
- 1.15 any reference to a calculation, decision, determination or opinion of any of the Royal London Board or RL DAC Board (or any similar expression) shall be deemed to include a calculation, decision, determination or opinion of a duly constituted committee or duly authorised representative of the Royal London Board or RL DAC Board (as appropriate);

- 1.16 the expression "**variation**" shall include any variation, supplement, deletion, replacement or termination, however effected;
- 1.17 any reference to "**includes**" or "**including**" shall mean "**includes without limitation**" or "**including without limitation**";
- 1.18 any reference to an amount shall, unless otherwise stated, be exclusive of any VAT or other Tax;
- 1.19 any reference to "**pounds**" or "**£**" shall be to the lawful currency of the United Kingdom; and
- 1.20 any reference to "**Euro**" or "**€**" shall be to the lawful currency of the Republic of Ireland.

PART B - INTRODUCTION

2. INTRODUCTION

- 2.1 Royal London is a company incorporated in England and Wales with registered number 99064. The registered office of Royal London is at 55 Gracechurch Street, London EC3V 0RL. Royal London also has a branch in the Republic of Ireland, with branch number 908341, having its branch office at 47-49 St. Stephen's Green, Dublin 2 [Ireland](#).
- 2.2 RL DAC is a designated activity company incorporated in Ireland under Part 16 of the Companies Act 2014 with registered number 630146 having its registered office at ~~70 Sir John Rogerson's Quay~~[47-49 St. Stephen's Green](#), Dublin 2 Ireland ~~and on behalf of which an application for authorisation to carry on life insurance business has been made to the CBI.~~
- 2.3 Royal London has permission under Part 4A of FSMA to carry on Long-Term Business in the United Kingdom in classes I (Life and annuity), II (Marriage and birth), III (Linked long-term), IV (Permanent health), VI (Capital redemption contracts) and VII (Pension fund management) set out in Part II of Schedule 1 to the RAO.
- 2.4 Royal London has also exercised its right to passport certain of the permissions referred to in paragraph 2.3 into a number of EEA states, including the Republic of Ireland and Germany.
- 2.5 ~~As at the Effective Date,~~ RL DAC ~~will be~~ is authorised to carry on life insurance business in Ireland in classes I (Life assurance and contracts to pay annuities on human life, but excluding classes II and III), class III (Life assurance and contracts to pay annuities on human life, which are linked to investment funds), class IV (Permanent health insurance contracts) and class VII (Management of group pension funds).
- 2.6 [RL DAC has exercised its right to passport certain of the permissions referred to in paragraph 2.5 into Germany.](#)
- 2.7 ~~2.6~~ It is proposed that the whole of the Transferred Business, other than the Excluded Policies, Excluded Assets and Excluded Liabilities, shall, in accordance with this Scheme, be transferred to RL DAC.
- 2.8 ~~2.7~~ It is further proposed that Royal London and RL DAC shall enter into the Reinsurance Agreements and, conditional on the transfers described in paragraph ~~2.6~~2.7, the RL Liver Transferred Business and German Bond Transferred Business shall be reinsured by RL DAC to Royal London with effect from the Effective Date on the terms set out therein.

PART C - TRANSFER

3. TRANSFER OF BUSINESS

- 3.1 Each part of the Transferred Business (including the Transferred Policies, the Transferred Assets, the Transferred Liabilities, the Residual Policies (subject to paragraph 6), the Residual Assets and the Residual Liabilities) shall be transferred to and be vested in RL DAC in accordance with this Scheme, so that:
- 3.1.1 subject to paragraph 8, on and with effect from the Effective Date, each Transferred Asset and all interest of Royal London in each Transferred Asset shall, by the Order and without any further act or instrument, be transferred to and be vested in RL DAC and RL DAC shall succeed to each Transferred Asset as if in all respects it were the same person in law as Royal London, subject to all Encumbrances (if any) affecting such Asset in accordance with this Scheme;
 - 3.1.2 subject to paragraph 8, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all interests of Royal London in it shall, by the Order and without any further act or instrument, be transferred to and be vested in RL DAC and RL DAC shall succeed to each Residual Asset as if in all respects it were the same person in law as Royal London, subject to all Encumbrances (if any) affecting such Asset in accordance with this Scheme;
 - 3.1.3 on and with effect from the Effective Date, each Transferred Liability shall, by the Order and without any further act or instrument, be transferred to and become a Liability of RL DAC and RL DAC shall succeed to the Transferred Liability as if in all respects it were the same person in law as Royal London and such Transferred Liability shall cease to be a Liability of Royal London; and
 - 3.1.4 on and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to and become a Liability of RL DAC and RL DAC shall succeed to the Residual Liability as if in all respects it were the same person in law as Royal London and such Residual Liability shall cease to be a Liability of Royal London.
- 3.2 For the avoidance of doubt and without limitation to the generality of the provisions of paragraph 3.1:
- 3.2.1 an offer or invitation to treat made to or by Royal London prior to the Relevant Date in relation to the Transferred Business shall be construed and have effect on and from the Relevant Date as an offer or invitation to treat made to or by RL DAC;
 - 3.2.2 any existing indemnity, power of attorney, authority, declaration or consent given to or by Royal London relating to any part of the Transferred Business (including, for the avoidance of doubt, the Transferred Policies) shall have effect on and from the Relevant Date as if given to or, as the case may be, by RL DAC;
 - 3.2.3 any Contract or Asset (including (i) any legal or beneficial title arising pursuant to any trust and (ii) any rights or Liabilities pursuant to any custody arrangements) transferred to and vested in RL DAC by virtue of the Order and which was held by Royal London (whether alone or jointly with others) as a trustee, custodian or in a similar fiduciary capacity shall, with effect on and from the Relevant Date, be held by RL DAC (alone or jointly, as the case may be and in the capacity of a trustee, custodian or in a similar fiduciary capacity, as the case may be) subject to the rights, powers and duties previously applicable to the relevant trust, custody or other fiduciary arrangement in question;
 - 3.2.4 any security in respect of the Transferred Business held immediately before the Relevant Date by Royal London, or by a nominee or agent of or trustee for Royal London, as security for the payment or discharge of any Liability shall, on and from that day, be held by RL DAC, or, as the case may require, by that nominee, agent or trustee for RL DAC,

and be available to RL DAC (whether for its own benefit or, as the case may be, for the benefit of any other person) as security for the payment or discharge of that Liability (and if not physically delivered to RL DAC shall be deemed to be so delivered on that day); and

3.2.5 RL DAC shall be entitled on and from the Relevant Date to rely on and enforce any consent, waiver, representation, statement or estoppel given or made to Royal London by a person in relation to the Transferred Business prior to the Relevant Date as though such consent, waiver, representation, statement or estoppel had been given or made to RL DAC and to the same extent that Royal London would have been able to rely on or enforce the same.

3.3 The parties shall each ensure that all Personal Data transferred to RL DAC as part of the Transferred Business is transferred in compliance with the provisions of all relevant Data Protection Laws and in a manner that permits RL DAC to process the Personal Data in the normal course of operating the Transferred Business on and from the Effective Date. This includes, but is not limited to, requesting the Court to order the transfer of all relevant Personal Data (including special categories of personal data) as defined in the Data Protection Laws from Royal London to RL DAC.

3.4 On and with effect from the Effective Date, RL DAC shall:

3.4.1 succeed to all rights, liabilities and obligations of Royal London in respect of any Personal Data which relates to or is contained in the Transferred Business and which is subject to the Data Protection Laws;

3.4.2 become and assume the responsibilities of the Controller of any Personal Data to the extent that it relates to the Transferred Business and which is subject to the Data Protection Laws in place of Royal London and shall be deemed to have been the Controller of all such data at all material times when ~~personal data~~ Personal Data was processed;

3.4.3 in respect of any Personal Data, to the extent it relates to the Transferred Business, be under a duty by virtue of any applicable law to respect the confidentiality and privacy of any person in relation to that Personal Data and shall be bound by any specific notice or Consent given, or request made by, a Data Subject which was binding on Royal London and which required Royal London not to use the Personal Data for marketing purposes,

and in any Consent given by a Data Subject in respect of such data as is mentioned in this paragraph 3.4, any reference to Royal London (or to any undertaking in the Royal London Group) shall be deemed to include a reference to RL DAC (and to any undertaking in the RL DAC Group).

3.5 Royal London shall provide such assistance to RL DAC as RL DAC may reasonably require from time to time in order to meet its obligations under Data Protection Laws (including but not limited to the obligations assumed under paragraph 3.4).

3.6 RL DAC shall accept without investigation or requisition such title as Royal London shall have at the Effective Date to the Transferred Assets and, at any Subsequent Transfer Date, to each Residual Asset then transferred.

3.7 RL DAC and Royal London shall take all such steps, and execute all such documents, as may be necessary or desirable:

3.7.1 to effect or perfect the transfer to and vesting in RL DAC of any Transferred Asset or Residual Asset pursuant to this Scheme;

3.7.2 to effect or perfect the transfer to and vesting in RL DAC of any Transferred Policy or Residual Policy pursuant to this Scheme;

3.7.3 to effect or perfect the transfer to and assumption by RL DAC of any Transferred Liability or Residual Liability pursuant to this Scheme; and

3.7.4 to correct any errors in the identity or amount of the Assets or Liabilities so transferred.

3.8 The Transferred Assets, Residual Assets, Transferred Liabilities and Residual Liabilities shall be allocated in accordance with Part D of this Scheme.

4. CONTINUITY OF PROCEEDINGS

4.1 Subject to paragraph 4.4, on and with effect from the Effective Date, any Proceedings by, against or in relation to and/or in respect of which Royal London is a party (or, in the case of future proceedings, would have been a party but for this Scheme) (including, without limitation, as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender or petitioner) to the extent connected with the Transferred Business, the Transferred Policies, the Transferred Assets or the Transferred Liabilities shall be commenced or continued by or against RL DAC and RL DAC shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to Royal London in relation to the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities and such Proceedings.

4.2 Subject to paragraph 4.4, on and with effect from the Subsequent Transfer Date applicable thereto, any Proceedings by, against or in relation to and/or in respect of which Royal London is a party (or, in the case of future proceedings, would have been a party but for this Scheme) (including, without limitation, as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender or petitioner) to the extent connected with the Residual Assets or the Residual Liabilities which are to be transferred on such Subsequent Transfer Date shall be commenced or continued by or against RL DAC and RL DAC shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to Royal London in relation to the Residual Assets and the Residual Liabilities and such Proceedings. Until such Subsequent Transfer Date, the relevant Proceedings shall be continued by or against Royal London provided that Royal London shall consult with RL DAC and take account of any reasonable comments made by RL DAC in relation to such Proceedings.

4.3 Any judgment, settlement, order or award obtained by or against Royal London to the extent that it relates to any part of the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities, the Residual Assets or Residual Liabilities and which is not fully satisfied before the Relevant Date shall, on that date and to the extent to which it was enforceable by or against Royal London immediately prior to such date, become enforceable by or against RL DAC (to the exclusion of Royal London).

4.4 In respect of any Proceedings in relation to the Transferred Policies which are (a) commenced but not settled before the Effective Date, or (b) commenced after the Effective Date in respect of acts or omissions of Royal London prior to the Effective Date, RL DAC undertakes to comply with:

4.4.1 the relevant provisions of DISP that would apply to the handling of any complaints brought to the Financial Ombudsman Service that fall under the jurisdiction of the Financial Ombudsman Service; and

4.4.2 any valid judgment, settlement, order or award (or relevant part thereof) of the Financial Ombudsman Service, made under its jurisdiction as set out in DISP 2,

to the extent that such compliance is compatible with any Regulatory Requirements.

5. RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES AND CONTRACTS

5.1 On and with effect from the Effective Date, RL DAC shall become entitled to all the rights, benefits and powers of Royal London whatsoever subsisting on the Effective Date under or by virtue of the Transferred Policies.

5.2 Without prejudice to the generality of paragraph 5.1, where the benefits of any Transferred Policy are held under the terms of a trust, such terms, together with the terms of any rules applicable to any pension scheme in the case of any pension scheme under which benefits are referable to a Transferred Policy, shall operate and be construed on and with effect from the Effective Date on a

basis which is consistent with the transfer of such Transferred Policy in accordance with the provisions of this Scheme. For the avoidance of doubt:

5.2.1 where the consent of Royal London is required under any such terms, the consent of RL DAC shall, with effect from the Effective Date, instead be treated as required; and

5.2.2 where a power to appoint trustees under such terms is conferred on Royal London, that power shall, with effect from the Effective Date, instead be treated as conferred on RL DAC.

5.3 Subject to paragraph 5.8 and subject to the other provisions of this Scheme, every person who is a holder of any of the Transferred Policies or is a party to, or has the benefit of, any Transferred Contract shall on and with effect from the Effective Date become entitled, in succession to, and to the exclusion of, any rights which he may have had against Royal London under any of the Transferred Policies or any other Transferred Contract, to the same rights against RL DAC, subject to the terms of this Scheme, as were available to him against Royal London under such Policies or such other Transferred Contract and (as regards Transferred Policies under which premiums or other sums attributable or referable thereto continue to be payable) shall on and with effect from the Effective Date account to RL DAC for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable.

5.4 On and with effect from the Effective Date, if any person entitled to do so with respect to a Transferred Policy exercises any right or option granted under the terms of that Policy and either:

5.4.1 the right or option provides for a new, additional or replacement Policy to be issued; or

5.4.2 it is appropriate in the opinion of the RL DAC Board, having had regard to the advice of the RL DAC HoAF, in order to comply with that right or option to issue a new, additional or replacement Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by RL DAC of a Policy which complies with the terms of such right or option, but (without prejudice to the right of such person to have the right or option satisfied by the issue by RL DAC of such a Policy) if RL DAC is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which the right or option refers, RL DAC shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by RL DAC or another member of the RL DAC Group which RL DAC considers to be the nearest equivalent Policy, in accordance with the terms and conditions applicable to Policies of RL DAC or such member of the RL DAC Group at that time, provided that:

(a) the issue of such alternative Policy would not in the opinion of the RL DAC Board (having had regard to the advice of the RL DAC HoAF) result in a Liability or in an increase in Liability to Taxation of such person (or if such liability or increase in liability would occur RL DAC shall have the option to indemnify the Policyholder in full and to issue another Policy pursuant to this paragraph); or

(b) the issue of such alternative Policy would not otherwise fail to satisfy the RL DAC General Good Requirements, and

this provision shall not require any member of the RL DAC Group to issue or enter into any Policy if to do so would breach any Regulatory Requirement that applies to it from time to time.

5.5 Subject to paragraph 5.8, all references in any Transferred Policy or Transferred Contract (including any references deemed to be made to Royal London in such Transferred Policies or Transferred Contracts in accordance with the terms of the Predecessor Schemes) to Royal London, ~~its board of directors~~[the Royal London Board](#), the Royal London Actuary, the Royal London WP Actuary or any other officers, employees or agents of Royal London shall on and with effect from the Effective Date be read as references to RL DAC, ~~its board of directors~~[the RL DAC Board](#), the RL DAC HoAF or any other officers or employees of RL DAC or, where appropriate, agents of RL DAC to which the administration or investment management of the relevant part of

the business carried on by RL DAC has been delegated. In particular, but without limitation, all rights and duties exercisable or expressed to be exercisable or responsibilities to be performed by Royal London, ~~its board of directors~~ [the Royal London Board](#), the Royal London Actuary, the Royal London WP Actuary or any other officers, employees or agents of Royal London in relation to any of the Transferred Policies or Transferred Contracts shall, on and with effect from the Effective Date, be exercisable or required to be performed by RL DAC, ~~its board of directors~~ [the RL DAC Board](#), the RL DAC HoAF or any other officers, employees or agents of RL DAC. All references in a Transferred Policy or Transferred Contract to the Royal London Group shall, where the context requires, be read and construed on and with effect from the Effective Date as references to the RL DAC Group.

- 5.6 RL DAC shall on and with effect from the Effective Date, as principal, take over from Royal London the administration and negotiation of proposals for insurance which would be Transferred Policies if Royal London had determined to accept them (but whether or not RL DAC does so determine). RL DAC shall on and with effect from the Effective Date bear all expenses and liabilities in relation thereto. Nothing contained herein shall oblige RL DAC to accept any proposal for insurance received by or on behalf of Royal London before the Effective Date but not accepted by Royal London by then.
- 5.7 On and with effect from the Effective Date, RL DAC shall acquire from Royal London the right to reclaim and transfer any amounts in respect of NTMA RL Rights in accordance with the Unclaimed Life Assurance Policies Act 2003.
- 5.8 On and with effect from the Effective Date and prior to the German Bond Reinsurance Agreement Termination Date, those holders of German Bond Transferred Policies which are UWP Policies and who were eligible for any allocations of ProfitShare from Royal London prior to the Effective Date shall remain eligible for any allocations of ProfitShare from Royal London on and from the Effective Date to the same extent as holders of UWP Policies sold by Royal London and allocated to the RL Main Fund and for so long as such holders of German Bond Transferred Policies continue to hold their Policy. Any benefit payments including any allocations of ProfitShare made by Royal London in accordance with this paragraph 5.8 shall be made in accordance with the terms of the German Bond Reinsurance Agreement. The eligibility for any allocations of ProfitShare from Royal London conferred by this paragraph 5.8 shall be of no further effect following the German Bond Reinsurance Termination Date and shall not apply in respect of any period following such date. Nothing in this Scheme shall be construed as operating to transfer any obligation to operate or make any allocations or payments in respect of any scheme or mechanism with a similar effect or purpose to ProfitShare to RL DAC, whether prior to or on and from the German Bond Reinsurance Termination Date.
- 5.9 The provisions of paragraphs 5.1, 5.3 and 5.5 shall apply, mutatis mutandis on and with effect from the Subsequent Transfer Date applicable thereto, to any Contract comprising part of the Residual Assets.

6. RESIDUAL POLICIES

- 6.1 Subject to paragraphs 6.4 and 6.6, the Residual Policies shall not be transferred to RL DAC by this Scheme at the Effective Date and all Liabilities attributable to the Residual Policies shall remain Liabilities of Royal London.
- 6.2 Any Liabilities attributable to:
- 6.2.1 with effect from the Effective Date, Residual Policies which are Post-2011 Transferred Policies;
 - 6.2.2 with effect from the Liver Reinsurance Termination Date, Residual Policies which are RL Liver Transferred Policies;
 - 6.2.3 with effect from the German Bond Reinsurance Termination Date, Residual Policies which are German Bond Transferred Policies,

shall be fully reinsured on the following basis:

- (a) all Liabilities of Royal London attributable to such Residual Policies and all other amounts paid or payable by Royal London in respect of such Residual Policies (including amounts paid or payable in connection with the surrender of any such Residual Policy) shall be reinsured in their entirety to RL DAC on and with effect from the Effective Date, the Liver Reinsurance Termination Date or the German Bond Reinsurance Termination Date (as the context requires);
- (b) the Liability of RL DAC on and with effect from the Effective Date, the Liver Reinsurance Termination Date or the German Bond Reinsurance Termination Date (as the context requires) shall be such that it will cover the full liability of Royal London in respect of the rights, benefits and powers provided to holders of Residual Policies;
- (c) the premiums payable by Royal London to RL DAC in connection with the provision of the reinsurance described in this paragraph 6.2 shall comprise an amount equal to:
 - (i) the aggregate amount of Assets relating to those Residual Policies immediately prior to the Effective Date, the Liver Reinsurance Termination Date or the German Bond Reinsurance Termination Date (as the context requires) that would have been due to be transferred to RL DAC in accordance with this Scheme had the Residual Policies been Transferred Policies, provided that such amounts shall be deemed to have been satisfied by the transfer to RL DAC of the appropriate proportion of the Transferred Assets and such Assets shall be allocated to the fund to which they would have been allocated had the Residual Policies been Transferred Policies; and
 - (ii) all subsequent premium payments and all other amounts received by Royal London in respect of such Residual Policies at any time after the Effective Date, the Liver Reinsurance Termination Date or the German Bond Reinsurance Termination Date (as the context requires), which premiums and other amounts shall be paid by Royal London to RL DAC as soon as practicable after they are received (or otherwise paid on the basis described in paragraphs 7.1, 7.2.2, 7.3, 7.4.2, 7.5 or 7.6.2) and credited to the fund to which they would have been allocated had the Residual Policies been Transferred Policies.

6.3 If any person entitled to do so with respect to ~~an~~ a Residual Policy exercises any right or option granted under the terms of that Policy and either:

- 6.3.1 the right or option provides for a new, additional or replacement Policy to be issued; or
- 6.3.2 it is appropriate in the opinion of the Royal London Board, having had regard to the advice of the Royal London Actuary and the Royal London WP Actuary, in order to comply with that right or option to issue a new Policy,

such person's right or option shall be satisfied by:

- (a) the issue by Royal London of a Policy which complies with the terms of such right or option; or
- (b) if at the time of the exercise of such right or option Royal London is not writing Policies complying exactly with the Policy to which the right or option refers, then Royal London shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by Royal London or another member of the Royal London Group which Royal London, considers to be the nearest equivalent Policy, in accordance with the terms and conditions

applicable to Policies of Royal London or another member of the Royal London Group at that time, provided that:

- (i) the issue of such Policy would not in the opinion of the Royal London Board (having had regard to the advice of the Royal London Actuary and the Royal London WP Actuary) result in a Liability or in an increase in Liability to Taxation of such person (or if such liability or increase in liability would occur Royal London shall have the option to indemnify the Policyholder in full and to issue another Policy pursuant to this paragraph 6.3); or
- (ii) the issue of such alternative Policy would not otherwise fail to satisfy the requirement on Royal London to pay due regard to the interests of customers and treat them fairly; and

this provision shall not require Royal London or any member of Royal London Group to issue or enter into any Policy if to do so would breach any Regulatory Requirement.

6.4 Unless otherwise agreed between Royal London and RL DAC, any Policy issued by Royal London pursuant to paragraph 6.3 shall, immediately following the issue of such Policy (or on such later date as Royal London and RL DAC may agree in writing), be transferred to RL DAC and shall thereafter be treated in all respects, as if it were a Transferred Policy.

6.5 If all consents, permissions or other requirements for the transfer of ~~an~~ a Residual Policy from Royal London to RL DAC, are obtained:

6.5.1 such Residual Policy shall promptly be transferred to RL DAC, and shall thereafter be treated in all respects, as if it were a Transferred Policy; and

6.5.2 any Liability attributable to such Residual Policy shall be transferred to RL DAC and shall thereafter be treated in all respects as if it were a Transferred Liability.

6.6 If any Residual Policy is novated to RL DAC, the Assets and Liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to RL DAC and such Policy shall thereafter be dealt with by RL DAC under the provisions of this Scheme in all respects as if such Residual Policy were a Transferred Policy.

7. **PREMIUMS, MANDATES AND OTHER PAYMENTS**

7.1 All premiums attributable or referable to the Transferred Policies or the Residual Policies referred to in paragraph 6.2.1 shall on and after the Effective Date be:

7.1.1 payable to RL DAC and shall be receivable and received by RL DAC; and

7.1.2 shall be allocated to the fund to which the Policy to which they relate is allocated pursuant to paragraph 13 (or, in the case of Residual Policies, to which they would have been allocated had they been Transferred Policies),

and any such premiums which are received by Royal London on or after the Effective Date shall be paid by Royal London to RL DAC.

7.2 All premiums attributable or referable to the Residual Policies referred to in paragraphs 6.2.2 and 6.2.3 shall:

7.2.1 in respect of the period prior to the relevant Reinsurance Agreement Termination Date, continue to be payable to Royal London and shall be receivable and received by Royal London and shall be allocated to the RL WPF to which the relevant Residual Policies are allocated; and

7.2.2 on and after the relevant Reinsurance Agreement Termination Date be:

- (a) payable to RL DAC and shall be receivable and received by RL DAC; and
- (b) shall be allocated to the RL DAC WPF to which the Policies would have been allocated had they been Transferred Policies,

and any such premiums which are received by Royal London on or after the relevant Reinsurance Agreement Termination Date shall be paid by Royal London to RL DAC.

7.3 Any mandate or other instruction in force on the Effective Date (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a banker or other intermediary of premiums payable to Royal London under or in respect of any of the Transferred Policies or the Residual Policies referred to in paragraph 6.2.1 shall thereafter take effect as if it had provided for and authorised such payment to RL DAC.

7.4 Any mandate or other instruction in force on the Effective Date (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a banker or other intermediary of premiums payable to Royal London under or in respect of any of the Residual Policies referred to in paragraphs 6.2.2 and 6.2.3 shall:

7.4.1 in respect of the period prior to the relevant Reinsurance Agreement Termination Date, continue to provide for and authorise such payment to Royal London; and

7.4.2 on and after the relevant Reinsurance Agreement Termination Date shall take effect as if it had provided for and authorised such payment to RL DAC.

7.5 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by Royal London under any of the Transferred Policies or the Residual Policies referred to in paragraph 6.2.1 shall, on and with effect from the Effective Date, continue in force as an effective authority to RL DAC.

7.6 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by Royal London under any of the Residual Policies referred to in paragraphs 6.2.2 and 6.2.3 shall:

7.6.1 in respect of the period prior to the relevant Reinsurance Agreement Termination Date, continue in force as an effective authority to Royal London; and

7.6.2 on and after the relevant Reinsurance Agreement Termination Date shall continue in force as an effective authority to RL DAC.

8. **DECLARATION OF TRUST BY ROYAL LONDON**

8.1 If:

8.1.1 any Asset ~~of Royal London~~ comprised in the Transferred Business is not, or is not capable of being, transferred to and vested in RL DAC by the Order on the Effective Date by reason of such Asset being a Residual Asset or outside the jurisdiction of the Court or otherwise;

8.1.2 any Residual Asset is not, or is not capable of being, transferred to and vested in RL DAC by the Order on the Subsequent Transfer Date applicable thereto; or

8.1.3 in any circumstances RL DAC shall decide before the Effective Date (or, in the case of any Residual Asset, before the Subsequent Transfer Date applicable thereto) that it is expedient not to effect a transfer of any Asset ~~of Royal London~~,

then Royal London shall from the Relevant Date hold any Asset or Residual Asset referred to in paragraph 8.1 (as the case may be) as trustee for RL DAC.

8.2 Royal London shall be subject to RL DAC's directions in respect of any Asset or Residual Asset referred to in paragraph 8.1 from the Effective Date until the relevant Asset is transferred to or otherwise vested in RL DAC or is disposed of (whereupon Royal London shall account to RL DAC for the full amount of the proceeds of sale thereof), and RL DAC shall have authority to act as the attorney of Royal London in respect of such Asset for all such purposes.

8.3 In the event of any payment being made to, Asset being received by or right being conferred upon Royal London after the Effective Date in respect of the Transferred Business, any Transferred Asset, any Residual Asset or any other Asset referred to in paragraph 8.1, Royal London shall, as soon as is reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such Asset or right to, or in accordance with the directions of, RL DAC and RL DAC shall indemnify Royal London on demand against any reasonable costs incurred in making any such payment or transfer.

9. INDEMNITIES IN FAVOUR OF ROYAL LONDON

9.1 On and with effect from the Effective Date, RL DAC shall discharge on Royal London's behalf or, failing that, shall indemnify Royal London against:

9.1.1 all Transferred Liabilities and/or Residual Liabilities which are not, or are not capable of being, transferred by this Scheme or by a vesting order pursuant to section 112(1) of FSMA (whether made before, on or after the Effective Date) (other than Liabilities which are the subject of paragraph 9.1.2 or paragraph 9.2 until the relevant Liability is transferred to or becomes a Liability of RL DAC); and

9.1.2 any amount paid by Royal London in respect of any Transferred Liabilities or Residual Liabilities referred to in paragraph 9.1.1 that are, whether wholly or in part, the subject of a policy of indemnity insurance or a claim or right of recovery against a third party that, in each case, has not effectively transferred to RL DAC, but only to the extent that Royal London, having made a claim under such a policy or against such third party, shall have failed to fully recover any such amount pursuant to rights it may have under such policy, claim or right of recovery (having used all reasonable endeavours to do so).

9.2 RL DAC shall indemnify Royal London against any reasonable costs and/or expenses which it may properly incur in pursuing any claim under any such policy of indemnity insurance or against any such third party as is referred to in paragraph 9.1.2. Subject thereto, Royal London shall take such steps as RL DAC shall reasonably require in order to pursue the rights it may have against any such third party (including under any applicable contract of insurance). RL DAC shall be entitled to have conduct of all litigation or other proceedings in respect of any such claim (including taking such action in the name of and on behalf of Royal London as RL DAC shall determine). In that connection, Royal London shall give all such assistance as RL DAC may reasonably require in conducting all such litigation or other proceedings.

9.3 Where Royal London is entitled to receive an amount pursuant to the indemnities contained in paragraphs 8.3, 9.1 and 9.2 it shall be entitled to receive such amount on the basis that in calculating the amount payable by RL DAC pursuant to such obligation (the "**RL DAC Payment**"), the amount so payable shall be adjusted upwards or downwards, as the case may be, so as to take into account:

9.3.1 any Taxation which is required to be deducted or withheld from such amount, or is chargeable on such amount on receipt of the same by Royal London (including any increased or additional amount); and

9.3.2 any Tax Relief which is available to Royal London solely as a result of the matter giving rise to the obligation or as a result of receiving the RL DAC Payment,

(which Taxation and Tax Relief is to be determined, taking into account its value, certainty of its availability and timing of its utilisation, by Royal London in its absolute discretion but acting in good faith and is to be certified as such to RL DAC).

10. **NOT USED**

PART D – FUND STRUCTURE

11. ESTABLISHMENT OF THE LIVER IRELAND SUB-FUND AND GERMAN BOND SUB-FUND

- 11.1 On and with effect from the Effective Date, RL DAC shall:
- 11.1.1 establish the Liver Ireland Sub-Fund as a separate sub-fund of the RL DAC Long-Term Fund, to be designated the "**Liver Ireland Sub-Fund**"; and
 - 11.1.2 establish the German Bond Sub-Fund as a separate sub-fund of the RL DAC Long-Term Fund, to be designated the "**German Bond Sub-Fund**".
- 11.2 Each of the Liver Ireland Sub-Fund and the German Bond Sub-Fund shall be maintained for the benefit of holders of RL Liver Transferred Policies and German Bond Transferred Policies (respectively) from time to time allocated to each of those funds in accordance with and subject to the provisions of this Scheme.
- 11.3 Neither the Liver Ireland Sub-Fund nor the German Bond Sub Fund shall share in any profits or losses of each other or of the Other RL DAC Funds and shall have no entitlement to share in any surplus of the Other RL DAC Funds unless expressly contemplated by this Scheme.
- 11.4 The Other RL DAC Funds shall not share in any profits or losses of the Liver Ireland Sub-Fund or the German Bond Sub-Fund and shall have no entitlement to share in any surplus of the Liver Ireland Sub-Fund or German Bond Sub-Fund.
- 11.5 Save as provided in the Reinsurance Agreements, no part of any surplus in the Liver Ireland Sub-Fund or the German Bond Sub-Fund shall be applied over time other than as a bonus on, or otherwise applied for the benefit of, those of the RL Liver Transferred Policies and German Bond Transferred Policies (respectively) allocated to those sub-funds that are With-Profits Policies.
- 11.6 The manner and timing of the distribution of surplus in respect of the RL Liver Transferred Policies shall:
- 11.6.1 prior to the Liver Reinsurance Termination Date, be determined by the RL DAC Board in accordance with the terms and conditions of the RL Liver Transferred Policies, the Liver Reinsurance Agreement, the Liver Ireland PPFM Guide and the IOT CPFM; and
 - 11.6.2 following the Liver Reinsurance Termination Date, be determined by the RL DAC Board in accordance with the terms and conditions of the RL Liver Transferred Policies, the Liver Ireland PPFM Guide and the Core Principles of Financial Management.

12. PURPOSE OF ALLOCATIONS

Notwithstanding paragraphs 11.1 to 11.6, any allocation of Assets or attribution of Liabilities, and any re-allocation or re-attribution of the same, which is made under the provisions of this Scheme for the purpose of the maintenance of the Liver Ireland Sub-Fund or German Bond Sub-Fund is for the purpose of establishing or recognising Policyholder entitlements from time to time and shall not be taken to limit the availability of all the Assets from time to time of RL DAC to meet the liabilities which it is obliged by law to meet.

13. ALLOCATION OF POLICIES

- 13.1 On and with effect from the Effective Date:
- 13.1.1 all of the RL Liver Transferred Policies shall be allocated to the Liver Ireland Sub-Fund;
 - 13.1.2 all of the German Bond Transferred Policies shall be allocated to the German Bond Sub-Fund; and
 - 13.1.3 all of the Post-2011 Transferred Policies shall be allocated to the RL DAC Open Fund.

14. ALLOCATION OF ASSETS

14.1 The following shall be allocated to the Liver Ireland Sub-Fund on and with effect from, unless otherwise provided, the Effective Date:

14.1.1 all RL Liver Transferred Assets;

14.1.2 to the extent that the same relate to the RL Liver Transferred Business, all rights and benefits under the Residual Policies Reinsurance Agreement, on and with effect from the Liver Reinsurance Termination Date; and

14.1.3 to the extent that the same relate to the RL Liver Transferred Assets or are allocated to the RL Royal Liver Sub-Fund immediately prior to the Effective Date, all beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.1.

14.2 The following shall be allocated to the German Bond Sub-Fund on and with effect from, unless otherwise provided, the Effective Date:

14.2.1 all German Bond Transferred Assets;

14.2.2 to the extent that the same relate to the German Bond Transferred Business, all rights and benefits under the Residual Policies Reinsurance Agreement, on and with effect from the German Bond Reinsurance Termination Date; and

14.2.3 to the extent that the same relate to the German Bond Transferred Assets or are allocated to the RL Main Fund immediately prior to the Effective Date all beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within this paragraph 14.2.

14.3 On and with effect from the Effective Date the following shall be allocated to the RL DAC Open Fund, to the extent that the same relate to the Post-2011 Transferred Policies:

14.3.1 all rights and benefits under the Residual Policies Reinsurance Agreement; and

14.3.2 all beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within this paragraph 14.3 and provided that such Asset is allocated to the RL Main Fund immediately prior to the Effective Date.

14.4 On and with effect from the applicable Subsequent Transfer Date, each Residual Asset to which that Subsequent Transfer Date relates shall be allocated to the fund to which it would have been allocated in accordance with paragraphs 14.1 to 14.3 had it been a Transferred Asset.

15. ALLOCATION OF LIABILITIES

15.1 The following shall be allocated to the Liver Ireland Sub-Fund on and with effect from, unless otherwise provided, the Effective Date:

15.1.1 all Transferred Liabilities allocated to the RL Royal Liver Sub-Fund immediately prior to the Effective Date, to the extent that the same relate to the RL Liver Transferred Business;

15.1.2 to the extent that the same relate to RL Liver Transferred Business, on and with effect from the Liver Reinsurance Termination Date, all Liabilities arising under the Residual

Policies Reinsurance Agreement the rights and benefits to which are allocated pursuant to paragraph 14.1; and

- 15.1.3 the Liability to discharge Liabilities on Royal London's behalf, or failing that to indemnify Royal London, pursuant to paragraph 9.1 or paragraph 9.2, to the extent that such Liability relates to the RL Liver Transferred Business.
- 15.2 The following shall be allocated to the German Bond Sub-Fund on and with effect from, unless otherwise provided, the Effective Date:
 - 15.2.1 all Transferred Liabilities allocated to the RL Main Fund immediately prior to the Effective Date, to the extent that the same relate to the German Bond Transferred Business;
 - 15.2.2 to the extent that the same relate to the German Bond Transferred Business, on and with effect from the German Bond Reinsurance Termination Date, all Liabilities arising under the Residual Policies Reinsurance Agreement the rights and benefits to which are allocated pursuant to paragraph 14.2; and
 - 15.2.3 the Liability to discharge Liabilities on Royal London's behalf, or failing that to indemnify Royal London, pursuant to paragraph 9.1 or paragraph 9.2, to the extent that such Liability relates to the German Bond Transferred Policies.
- 15.3 On and with effect from the Effective Date the following shall be allocated to the RL DAC Open Fund:
 - 15.3.1 all Transferred Liabilities allocated to the RL Main Fund immediately prior to the Effective Date, to the extent that the same relate to the Post-2011 Transferred Business;
 - 15.3.2 to the extent that the same relate to the Post-2011 Transferred Business, all Liabilities arising under the Residual Policies Reinsurance Agreement the rights and benefits to which are allocated pursuant to paragraph 14.3; and
 - 15.3.3 the Liability to discharge Liabilities on Royal London's behalf, or failing that to indemnify Royal London, pursuant to paragraph 9.1 or paragraph 9.2, to the extent that such Liability relates to the Post-2011 Transferred Business.
- 15.4 On and with effect from the applicable Subsequent Transfer Date, each Residual Liability to which that Subsequent Transfer Date relates shall be allocated to the fund to which it would have been allocated in accordance with paragraphs 15.1 to 15.3 had it been a Transferred Liability.
- 15.5 If any doubt or difference shall arise as to the allocation or attribution of any Transferred Asset, Transferred Liability, Transferred Policy, Residual Asset, Residual Liability or Residual Policy in accordance with this Scheme, the same shall be determined by the RL DAC Board, having had regard to the advice of the RL DAC HoAF.
- 16. **MAINTENANCE OF THE LIVER IRELAND SUB-FUND AND GERMAN BOND SUB-FUND**
- 16.1 Subject to paragraphs 30 and 36, at all times on and from the Effective Date:
 - 16.1.1 the Liver Ireland Sub-Fund and German Bond Sub-Fund shall be maintained as separate sub-funds within the RL DAC Long-Term Fund; and
 - 16.1.2 RL DAC shall procure that separate accounting records for the Liver Ireland Sub-Fund and German Bond Sub-Fund shall at all times be maintained which shall be sufficient to enable the separate identification of the Assets and Liabilities allocated to the Liver Ireland Sub-Fund and German Bond Sub-Fund respectively.
- 17. **RL DAC PPFM GUIDES**
- 17.1 Subject to paragraph 17.7, on and with effect from the Effective Date, RL DAC:

- 17.1.1 shall maintain the Liver Ireland PPFM Guide and (subject to paragraph 26.3) manage the Liver Ireland Sub-Fund in accordance with that document; [and](#)
 - 17.1.2 shall maintain the German Bond PPFM Guide and manage the German Bond Sub-Fund in accordance with that document.
- 17.2 The RL DAC PPFM Guides shall each:
- 17.2.1 on and with effect from the Effective Date until the relevant Reinsurance Agreement Termination Date, be consistent with the relevant provisions of the relevant RL PPFM;
 - 17.2.2 explain, in reasonable detail, the way in which the relevant RL DAC WPF is managed;
 - 17.2.3 cover (either directly or, prior to the relevant Reinsurance Agreement Termination Date, by incorporating by reference the relevant provisions of the relevant RL PPFM) the following matters in respect of RL DAC or the relevant With-Profits Policies allocated to the relevant RL DAC WPF:
 - (a) the amount payable under a With-Profits Policy;
 - (b) investment strategy;
 - (c) business risk;
 - (d) charges and expenses;
 - (e) management of the inherited estate; and
 - (f) equity between the with-profits fund and any shareholders.
- 17.3 On and with effect from the Effective Date the RL DAC PPFM Guides shall be published by RL DAC on a website maintained by or on behalf of it and their location shall be prominently signposted on such website.
- 17.4 Any changes to the RL DAC PPFM Guides must:
- 17.4.1 be approved by the RL DAC Board, having had regard to the advice of the RL DAC HoAF; and
 - 17.4.2 subject to paragraphs 17.5 and 17.6, be notified in writing by RL DAC to the relevant Policyholders within a reasonable time.
- 17.5 Prior to:
- 17.5.1 the Liver Reinsurance Termination Date, if Royal London provides notice to RL DAC of a change to the With-Profits Principles in the RL Royal Liver PPFM; or
 - 17.5.2 the German Bond Reinsurance Termination Date, if Royal London provides notice to RL DAC of a change to the With Profits Principles in the RL Main Fund PPFM,
- pursuant to paragraph 18.1, RL DAC shall, to the extent that such changes notified by Royal London necessitate material changes to the relevant PPFM Guide, notify the changes to relevant Policyholders:
- 17.5.3 no less than three months' in advance of making such changes; or
 - 17.5.4 to the extent practicable, such shorter period of notice as is given by Royal London in respect of such changes to holders of With Profits Policies allocated to the RL Royal Liver Sub-Fund or the RL Main Fund (as the context requires).

- 17.6 RL DAC shall not be required to give any notice under paragraphs 17.4 or 17.5 where the changes to the relevant PPFM Guide:
- 17.6.1 are necessary to correct an error or omission in the relevant RL DAC PPFM Guide; ~~or~~
 - 17.6.2 would improve clarity or presentation without materially affecting the substance of the relevant RL DAC PPFM Guide; or
 - 17.6.3 are immaterial.
- 17.7 RL DAC shall not be required to maintain a RL DAC PPFM Guide if Regulatory Requirements require RL DAC to maintain a document that the RL DAC Board (having had regard to the advice of the RL DAC HoAF) considers equivalent in all material respects to the content and purpose of a RL DAC PPFM Guide (the "**PPFM Equivalent Document**") and accordingly in such circumstances its obligations under:
- 17.7.1 paragraphs 17.1 and 17.2 shall end in respect of each RL DAC PPFM Guide on a date to be determined by the RL DAC Board, provided that on and with effect from such date and to the extent permitted by the relevant Regulatory Requirements, until the relevant Reinsurance Agreement Termination Date, the PPFM Equivalent Document shall be consistent with the relevant provisions of the relevant RL PPFM; and
 - 17.7.2 paragraphs 17.3 to 17.6 shall apply in respect of the PPFM Equivalent Document to the extent that they are not contrary to relevant Regulatory Requirements.
- 17.8 Subject to paragraph 17.7, RL DAC shall not be required to maintain:
- 17.8.1 the Liver Ireland PPFM Guide with effect from the date that the Liver Ireland Sub-Fund ceases to be maintained as a separate sub-fund in the RL DAC Long-Term Fund pursuant to paragraph 30; or
 - 17.8.2 the German Bond PPFM Guide with effect from the date that the German Bond Sub-Fund ceases to be maintained as a separate sub-fund in the RL DAC Long-Term Fund pursuant to paragraph 36,
- and accordingly in such circumstances its obligations under paragraphs 17.1 to 17.6 shall end in respect of the relevant RL DAC PPFM Guide (or both the RL DAC PPFM Guides) on the relevant Cessation Date.
- 17.9 Subject to paragraphs 17.4, 17.7 and 17.8, prior to:
- 17.9.1 the Liver Reinsurance Termination Date, if RL DAC proposes to make any material changes to the Liver Ireland PPFM Guide; or
 - 17.9.2 the German Bond Reinsurance Termination Date, if RL DAC proposes to make any material changes to the German Bond PPFM Guide,
- it shall consult Royal London in relation to such proposed changes and not make any such changes without Royal London's prior written consent (such consent not to be unreasonably withheld or delayed) save where RL DAC is required to make such changes in accordance with any relevant Regulatory Requirements, in which case the requirement to obtain Royal London's written consent shall not apply.
18. **RL PPFM**
- 18.1 Subject to paragraph 18.2, if:
- 18.1.1 prior to the Liver Reinsurance Termination Date, Royal London proposes to make any change to the With-Profits Principles in the RL Royal Liver PPFM; [or](#)

18.1.2 prior to the German Bond Reinsurance Termination Date, Royal London proposes to make any change to the With-Profits Principles in the RL Main Fund PPFM,

it shall provide RL DAC with prior notice of any proposed changes as soon as reasonably practicable after becoming aware that such changes are likely.

18.2 If Royal London proposes:

18.2.1 prior to the Liver Reinsurance Termination Date, to make any change to the With Profits Principles in the RL Royal Liver PPFM which may be likely to result in a Material Change with respect to the Liver Reinsurance Agreement or may, in the reasonable opinion of Royal London, have a material adverse effect on any holders of Policies allocated to the Liver Ireland Sub-Fund; or

18.2.2 prior to the German Bond Reinsurance Termination Date, to make any change to the With Profits Principles in the RL Main Fund PPFM which may be likely to result in a Material Change with respect to the German Bond Reinsurance Agreement or may, in the reasonable opinion of Royal London, have a material adverse effect on any holders of Policies allocated to the German Bond Sub-Fund

it shall consult RL DAC in relation to such changes and not make any such changes to the relevant RL PPFM without RL DAC's prior written consent (such consent not to be unreasonably withheld or delayed), save where Royal London is required to make such changes in accordance with any relevant Regulatory Requirements, in which case such requirement to obtain RL DAC's written consent shall not apply.

19. **OTHER RL DAC FUNDS**

19.1 Nothing in this Scheme shall, at any time, prevent RL DAC from establishing and maintaining Other RL DAC Funds and writing in or reinsuring to any Other RL DAC Funds any new Long-Term Business.

19.2 If there is, for any reason, any delay (for which provision is not expressly made in this Scheme) in the allocation of any receipt, payment, or other item to the Liver Ireland Sub-Fund, German Bond Sub-Fund or the RL DAC Open Fund in accordance with this Scheme, the RL DAC Board (having had regard to the advice of the RL DAC HoAF and subject to Regulatory Requirements), will make such adjustments as it considers appropriate between the funds to take account of such delay, unless the amounts are immaterial or, in the opinion of the RL DAC Board (having had regard to the advice of the RL DAC HoAF and subject to the Regulatory Requirements), such adjustment is not appropriate.

19.3 Subject to paragraph 19.4, RL DAC shall be entitled (having had regard to the advice of the RL DAC HoAF) to enter into:

19.3.1 any transaction between the Liver Ireland Sub-Fund or the German Bond Sub-Fund and any Other RL DAC Fund;

19.3.2 any transaction between the Liver Ireland Sub-Fund and the German Bond Sub-Fund; or

19.3.3 any transaction between RL DAC on behalf of the Liver Ireland Sub-Fund or the German Bond Sub-Fund and any other undertaking in the RL DAC Group,

provided that it shall not, after the Effective Date enter into any such transaction (including reinsurance or loan arrangements) that is material unless the terms of the transaction:

19.3.4 are no less favourable, overall, to the Liver Ireland Sub-Fund or the German Bond Sub-Fund (as the context requires) than arms' length commercial terms (taking into account the prevailing market conditions at the time of the transaction); and

19.3.5 would be likely to have no material adverse effect on the reasonable expectations of:

- (a) the holders of those Transferred Policies (taken as a whole) allocated to the Liver Ireland Sub-Fund or German Bond Sub-Fund;
- (b) prior to the German Bond Reinsurance Termination Date, the holders of Policies allocated to the RL Main Fund; or
- (c) prior to the Liver Reinsurance Termination Date, the holders of Policies allocated to the RL Royal Liver Sub-Fund,

(in each case, as the context requires).

19.4 Paragraph 19.3 shall not apply in respect of any obligation on RL DAC to provide Capital Support pursuant to Part G of this Scheme.

20. **LINKED FUNDS**

20.1 On and with effect from the Effective Date:

20.1.1 the Linked Assets and any associated Liabilities comprised in each Linked Fund of Royal London immediately prior to the Effective Date shall be allocated to and become comprised in a new corresponding Linked Fund established by RL DAC within the Liver Ireland Sub-Fund or the German Bond Sub-Fund (as the context requires) comprising immediately following the Effective Date the same number and value of units as were comprised in the relevant Linked Fund of Royal London immediately prior to the Effective Date;

20.1.2 subject always to the provisions of this paragraph 20, in relation to any rights, powers and benefits under Transferred Policies which are linked to a Linked Fund of RL DAC pursuant to paragraph 20.1.3, RL DAC shall become entitled to the same rights, benefits and powers and be subject to the same duties and Liabilities as applied to Royal London in relation to the corresponding Linked Fund of Royal London immediately prior to the Effective Date; and

20.1.3 benefits under any Transferred Policy which, immediately prior to the Effective Date, were linked to one or more Linked Funds of Royal London shall become linked to the corresponding New Linked Funds and RL DAC shall as at the Effective Date allocate to each such Transferred Policy the same number and classes of units in the corresponding New Linked Funds as the number and classes of units in the relevant Linked Fund of Royal London which were allocated to the Transferred Policy immediately prior to the Effective Date.

20.2 If any property comprised in a Linked Fund of Royal London falls within the provisions of paragraph 8.1, all interests and rights in relation to such property pursuant to paragraph 8.1 shall be allocated to the relevant New Linked Fund to which it would have been allocated pursuant to this paragraph 20 had it been a Transferred Asset.

20.3 On and with effect from the relevant Subsequent Transfer Date:

20.3.1 each Residual Asset which is comprised in a Linked Fund of Royal London shall be allocated to the relevant New Linked Fund to which it would have been allocated pursuant to this paragraph 20 had it been a Transferred Asset; [and](#)

20.3.2 each Residual Liability which is comprised in a Linked Fund of Royal London shall be allocated to the relevant New Linked Fund to which it would have been allocated pursuant to this paragraph 20 had it been a Transferred Liability.

21. **FUTURE CHANGES TO LINKED FUNDS**

21.1 Subject to Regulatory Requirements and to the extent not prohibited by the terms of the relevant Policies, RL DAC may:

- 21.1.1 prior to the Liver Reinsurance Termination Date, undertake the Linked Fund Actions with respect to a Linked Fund established by RL DAC within the Liver Ireland Sub-Fund in accordance with, and to the extent permitted by, the terms of the Liver Reinsurance Agreement; and
 - 21.1.2 prior to the German Bond Reinsurance Termination Date, undertake the Linked Fund Actions with respect to a Linked Fund established by RL DAC within the German Bond Sub-Fund in accordance with, and to the extent permitted by, the terms of the German Bond Reinsurance Agreement.
- 21.2 Subject to Regulatory Requirements and to the extent not prohibited by the terms of the relevant Policies, RL DAC shall be at liberty, at any time on and from the relevant Reinsurance Agreement Termination Date and from time to time to:
- 21.2.1 undertake the Linked Fund Actions with respect to a New Linked Fund established by RL DAC within the Liver Ireland Sub-Fund; and
 - 21.2.2 undertake the Linked Fund Actions with respect to a New Linked Fund established by RL DAC within the German Bond Sub-Fund.
- 21.3 The Linked Fund Actions that may be undertaken are as follows:
- 21.3.1 close to new or further investment or amalgamate any New Linked Funds or any part or parts thereof with any other Linked Fund; or
 - 21.3.2 divide any New Linked Fund into one or more Linked Funds, or
 - 21.3.3 wind up any of the New Linked Funds in accordance with paragraph 21.4; or
 - 21.3.4 effect any combination of the actions referred to in paragraphs 21.3.1, 21.3.2 and 21.3.3 above; or
 - 21.3.5 modify or enlarge the investment objectives of any of the New Linked Funds to permit investment in assets which are reasonably similar to, or provide reasonably similar investment exposure to, those already held or permitted to be held in that New Linked Fund,
- (each a "**Linked Fund Action**" and together, the "**Linked Fund Actions**") such actions to be undertaken on such terms as the RL DAC Board shall consider equitable as between the Policyholders affected thereby (having had regard to the advice of the RL DAC HoAF).
- 21.4 If RL DAC determines to wind up any of the New Linked Funds or pursuant to the exercise of a relevant Linked Fund Action it shall cancel the units in such New Linked Fund allocated to the relevant Policies upon issuing to the relevant Policyholders, without charge, in substitution for the cancelled units, new units of an equal value (as determined by the RL DAC Board, having had regard to the advice of the RL DAC HoAF), in a different Linked Fund. The substitute Linked Fund shall be a fund from among those available from RL DAC at the time to holders of Policies of the same class as the Policies held by the relevant Policyholders and which, in the opinion of the RL DAC Board, having had regard to the advice of the RL DAC HoAF, provides reasonably equivalent investment exposure to the Linked Fund so wound up.
- 21.5 Where any Policyholder may be affected by the exercise of a Linked Fund Action and elects to switch from the Linked Fund to which their Policy is, by its terms, linked into one or more other Linked Fund(s) to which their Policy may, by its terms, become linked:
- 21.5.1 without prejudice to any entitlement for a Policyholder to effect such a switch under the terms of their Policy, one such switch shall be permitted by RL DAC, even where such switch was not permitted under the terms of the relevant Policy, provided it is effected within 12 months after the relevant change has occurred;

- 21.5.2 any switching charge that would otherwise apply as a consequence of such switch, during the period from the date when they received notification that their Policy may be affected until the date 12 months after the relevant change has occurred, shall be waived in respect of the first (but not any subsequent) occasion when such charge would have applied; and
- 21.5.3 all administrative costs relating to such switch shall be charged to:
- (a) where the relevant switch relates to a Linked Fund established by RL DAC within the Liver Ireland Sub-Fund, and:
 - (i) the relevant switch occurs prior to the Liver Reinsurance Termination Date, the RL Royal Liver Sub-Fund, RL Main Fund or the Liver Ireland Sub-Fund on such basis as is agreed between the Royal London Actuary, the Royal London WP Actuary and the RL DAC HoAF, and in the event of any dispute or disagreement in relation to the allocation of such costs, shall be referred to the Third Party Actuary for determination in accordance with Schedule 7; or
 - (ii) the relevant switch occurs on or after the Liver Reinsurance Termination Date, the Liver Ireland Sub-Fund or the RL DAC Open Fund on such basis as is determined by the RL DAC HoAF;
 - (b) where the relevant switch relates to a Linked Fund established by RL DAC within the German Bond Sub-Fund, and:
 - (i) the relevant switch occurs prior to the German Bond Reinsurance Termination Date, the RL Main Fund or the German Bond Sub-Fund on such basis as is agreed between the Royal London Actuary, the Royal London WP Actuary and the RL DAC HoAF, and in the event of any dispute or disagreement in relation to the allocation of such costs, shall be referred to the Third Party Actuary for determination in accordance with Schedule 7; or
 - (ii) the relevant switch occurs on or after the German Bond Reinsurance Termination Date, the RL DAC Open Fund on such basis as is determined by the RL DAC HoAF.

If such a Policy is linked to two or more Linked Funds, this paragraph 21.5 shall apply separately in respect of each such Linked Fund that is the subject of the exercise of a Linked Fund Action.

21.6 If a Linked Fund Action is or is proposed to be taken with regard to a relevant Linked Fund and:

- 21.6.1 prior to the relevant Reinsurance Agreement Termination Date relating to the RL DAC WPF in which the relevant Linked Fund is established, the:
- (a) Royal London Board, having had regard to the advice of the Royal London Actuary and Royal London WP Actuary; and
 - (b) the RL DAC Board considers, having had regard to the advice of the RL DAC HoAF, or
- 21.6.2 following the relevant Reinsurance Agreement Termination Date relating to the RL DAC WPF in which the relevant Linked Fund is established, the RL DAC Board considers, having had regard to the advice of the RL DAC HoAF,

that any group of Policyholders may be disadvantaged financially by any Linked Fund Action, Royal London and RL DAC (if paragraph 21.6.1 applies) or RL DAC (if paragraph 21.6.2 applies) shall ensure that appropriate adjustments are made to the property of, or the charges levied on, the RL Royal Liver Sub-Fund, Liver Ireland Sub-Fund, RL Main Fund, German Bond Sub-Fund or RL DAC

Open Fund, or the applicable Linked Fund, in order to provide appropriate compensation to such Policyholders, as follows:

21.6.3 where the relevant Linked Fund Action relates to a Linked Fund established by RL DAC within the Liver Ireland Sub-Fund, and:

- (a) the relevant Linked Fund Action is taken prior to the Liver Reinsurance Termination Date, the adjustments referred to in paragraph 21.6.1 shall be made to the RL Royal Liver Sub-Fund or the Liver Ireland Sub-Fund made on such basis as is agreed between the Royal London Actuary, the Royal London WP Actuary and the RL DAC HoAF, and in the event of any dispute or disagreement in relation to the allocation of such costs, shall be referred to the Third Party Actuary for determination in accordance with Schedule 7; or
- (b) the relevant Linked Fund Action is taken on or after the Liver Reinsurance Termination Date, the adjustments referred to in paragraph 21.6.1 shall be made to the Liver Ireland Sub-Fund or the RL DAC Open Fund on such basis as is determined by the RL DAC HoAF;

21.6.4 where the relevant Linked Fund Action relates to a Linked Fund established by RL DAC within the German Bond Sub-Fund, and:

- (a) the relevant Linked Fund Action is taken prior to the German Bond Reinsurance Termination Date, the adjustments referred to in paragraph 21.6.1 shall be made to the RL Main Fund or the German Bond Sub-Fund on such basis as is agreed between the Royal London Actuary, the Royal London WP Profits Actuary and the RL DAC HoAF, and in the event of any dispute or disagreement in relation to the allocation of such costs, shall be referred to the Third Party Actuary for determination in accordance with Schedule 7; or
- (b) the relevant Linked Fund Action is taken on or after the German Bond Reinsurance Termination Date, the adjustments referred to in paragraph 21.6.1 shall be made to the RL DAC Open Fund on such basis as is determined by the RL DAC HoAF.

22. REINSURANCE AGREEMENTS

22.1 Subject to paragraph 22.3 and notwithstanding any term to the contrary in the Reinsurance Agreements, Royal London and RL DAC shall not make any material change to the terms of either Reinsurance Agreement without having first:

22.1.1 taken appropriate actuarial advice from:

- (a) in the case of Royal London, the Royal London Actuary and the Royal London WP Actuary;
- (b) in the case of RL DAC, the RL DAC HoAF;

22.1.2 in the case of Royal London, having:

- (a) in relation to the Liver Reinsurance Agreement:
 - (i) consulted and obtained the prior approval of the RL Liver Supervisory Committee; and
 - (ii) consulted the Royal London With-Profits Committee; and
- (b) in relation to the German Bond Reinsurance Agreement, consulted the Royal London With-Profits Committee; and

22.1.3 in the case of Royal London, having provided the PRA and FCA with no less than 30 days' prior notice of any such changes; and

22.1.4 in the case of RL DAC, having provided the CBI with no less than 30 days' prior notice of any such changes.

22.2 Subject to paragraph 22.3 and notwithstanding any term to the contrary in the Reinsurance Agreements, Royal London and RL DAC shall not terminate either of the Reinsurance Agreements without having first:

22.2.1 taken appropriate actuarial advice from:

(a) in the case of Royal London, the Royal London Actuary and the Royal London WP Actuary;

(b) in the case of RL DAC, the RL DAC HoAF;

22.2.2 in the case of Royal London, having:

(a) in relation to the Liver Reinsurance Agreement:

(i) consulted and obtained the prior approval of the RL Liver Supervisory Committee; and

(ii) consulted the Royal London With-Profits Committee; and

(b) in relation to the German Bond Reinsurance Agreement, consulted the Royal London With-Profits Committee; and

22.2.3 in the case of Royal London, having provided the PRA and FCA with no less than 30 days' prior notice of the relevant Reinsurance Agreement Termination Date; and

22.2.4 in the case of RL DAC, having provided the CBI with no less than 30 days' prior notice of the relevant Reinsurance Agreement Termination Date,

provided that where the Royal London Board (in relation to any obligations in relation to Royal London) or the RL DAC Board (in relation to any obligations in relation to RL DAC), acting reasonably having regard to the impact of such termination on holders of Policies allocated to the RL Royal Liver Sub-Fund, the Liver Ireland Sub-Fund or the German Bond Sub-Fund (as the context requires), resolves that the application of this paragraph 22.2, in whole or in part, is not appropriate in the circumstances giving rise to any right to terminate or having regard to any Regulatory Requirements, in which case the obligations set out in this paragraph 22.2 shall not apply, or shall apply only to the extent determined by the Royal London Board or RL DAC Board (as the context requires, and acting reasonably). In such circumstances, any period of notice provided for in this paragraph 22.2 may be waived or substituted with such shorter period of notice as the Royal London Board or the RL DAC Board (as the context requires, and acting reasonably) determines.

22.3 Nothing in this paragraph 22 shall require Royal London and RL DAC to take or fail to take any action that may, in the reasonable opinion of the relevant party, result in it breaching any applicable Regulatory Requirements.

23. **DUTIES OF THE RL DAC HOAF**

23.1 RL DAC shall draw each of the following documents to the attention of the RL DAC HoAF at the Effective Date and any future RL DAC HoAF at the time of his appointment:

23.1.1 the reports prepared by the Royal London Actuary and Royal London WP Actuary with respect to the transfer effected by this Scheme;

- 23.1.2 any actuarial report produced by the RL DAC HoAF with respect to the transfer effected by this Scheme;
 - 23.1.3 the independent expert's main and supplementary reports with respect to the transfer effected by this Scheme;
 - 23.1.4 this Scheme and any amendments, additions or modifications to it pursuant to paragraph 44;
 - 23.1.5 in the period prior to the Liver Reinsurance Termination Date, the Instrument of Transfer, the Liver Reinsurance Agreement and the Liver Collateral Agreements; and
 - 23.1.6 in the period prior to the German Bond Reinsurance Termination Date, the German Bond Reinsurance Agreement and the German Bond Collateral Agreements.
- 23.2 RL DAC shall instruct the RL DAC HoAF that, in addition to their statutory duties and responsibilities under Solvency II, the Regulatory Requirements and the Fitness and Probity Standards, they shall inform the RL DAC Board if at any time the person fulfilling the role of RL DAC HoAF is of the opinion (on reasonable grounds) that any RL DAC WPF is being operated in a manner such that:
- 23.2.1 they may be unable to advise the RL DAC Board that, so far as relates to actuarial matters, the relevant provisions of this Scheme have been complied with; or
 - 23.2.2 they may be required to disclose to the CBI, in accordance with Regulatory Requirements, reference to provisions of this Scheme which have not been complied with in accordance with their terms.
- 23.3 RL DAC shall instruct the RL DAC HoAF that, if they determine that the RL DAC Board is taking or failing to take, or has taken or failed to take, any action and that such action or failure to take action, is or may in their opinion (on reasonable grounds) be prejudicial to the proper implementation of this Scheme and they are dissatisfied with the reasons given by the RL DAC Board for such action or failure to take action, they shall be obliged to report their concerns in writing to the CBI.
- 24. TAXATION OF THE LIVER IRELAND SUB-FUND AND GERMAN BOND SUB-FUND**
- 24.1 Subject to the remainder of this paragraph 24, on and with effect from the Effective Date, Taxation (including deferred taxation and Tax Reliefs) attributable to the relevant RL DAC WPF shall be calculated on the basis that the relevant RL DAC WPF is a separate Notional Insurance Company subject to Taxation in the Republic of Ireland and in accordance with the relevant RL DAC PPFM Guide.
- 24.2 Amounts calculated in accordance with paragraph 24.1 shall be charged or credited, or in the case of Tax Reliefs attributed, to the relevant RL DAC WPF.
- 24.3 Any Tax Reliefs calculated to be available to the relevant RL WPF immediately before the Effective Date and not utilised in the period ending on the Effective Date shall be allocated to the relevant RL DAC WPF.
- 24.4 The relevant RL DAC WPF shall not be charged or credited with any Taxation which arises as a result of any act or omission by RL DAC occurring after the Effective Date except where such act or omission was done or made in the opinion of the RL DAC Board (having regard to the advice of the RL DAC HoAF and having taken appropriate Tax advice):
- 24.4.1 in the ordinary course of the business of the relevant RL DAC WPF; and
 - 24.4.2 was fair and equitable taking into account the circumstances in which the act or omission was done or made.

- 24.5 The relevant RL DAC WPF shall not be unreasonably disadvantaged or advantaged by any settlement or agreement or resolution of enquiries with the Taxation authorities that also extends to the affairs of Other RL DAC Funds or other undertakings in the RL DAC Group.
- 24.6 Notwithstanding any other provisions of this paragraph 24 or the RL DAC PPFM Guides, the RL DAC Board may, at its discretion (and in relation to circumstances which are outside the ordinary course of business), determine that Taxation (including deferred taxation) will be charged or credited to the relevant RL DAC WPF and Tax Reliefs attributed to the relevant RL DAC WPF on a different basis from that set out in paragraphs 24.1 to 24.5 above and the RL DAC PPFM Guides, subject to the agreement of the RL DAC HoAF that such different basis is fair and equitable taking into account the circumstances in which the determination is made.

PART E – OPERATION OF THE LIVER IRELAND SUB-FUND

25. LIVER IRELAND SUB-FUND: NEW BUSINESS

- 25.1 The only new Long Term Business undertaken by RL DAC on or after the Effective Date which shall be allocated to the Liver Ireland Sub-Fund shall be:
- 25.1.1 Policies issued by RL DAC pursuant to a right or option under a RL Liver Transferred Policy under paragraph 5.4;
 - 25.1.2 Policies issued by RL DAC pursuant to a right or option under a Residual Policy under paragraph 6.3;
 - 25.1.3 premiums (including recurrent single premiums, other additional premiums and increments) receivable in respect of any RL Liver Transferred Policy;
 - 25.1.4 subject to paragraph 5.4, premiums (including recurrent single premiums, other additional premiums and increments) receivable in respect of Policies coming into force as a result of any option or right contained in any RL Liver Transferred Policy (including any vesting annuity in relation to a RL Liver Transferred Policy);
 - 25.1.5 subject to paragraph 6.3, premiums (including recurrent single premiums, other additional premiums and increments) receivable in respect of Policies issued by RL DAC coming into force as a result of any option or right contained in any Residual Policy; and
 - 25.1.6 such other policies, premium or increments derived from or otherwise related to RL Liver Transferred Policies as the RL DAC HoAF may agree on the grounds that it would be uneconomic for them to be written elsewhere than in the Liver Ireland Sub-Fund.

26. LIVER IRELAND SUB-FUND: PRINCIPLES OF FINANCIAL MANAGEMENT

- 26.1 Prior to the Liver Reinsurance Termination Date, RL DAC shall manage the affairs of the Liver Ireland Sub-Fund having regard to the IOT CPFM, taking into account the interests of holders of Policies allocated to the Liver Ireland Sub-Fund and the interests of holders of Policies allocated to the RL Royal Liver Sub-Fund.
- 26.2 RL DAC shall, on and from the Liver Reinsurance Termination Date, manage the affairs of the Liver Ireland Sub-Fund in accordance with the Core Principles of Financial Management.
- 26.3 For the avoidance of doubt, in the event of any conflict or inconsistency:
- 26.3.1 prior to the Liver Reinsurance Termination Date between the IOT CPFM and the Liver Ireland PPFM Guide, the IOT CPFM shall prevail; or
 - 26.3.2 on and from the Liver Reinsurance Termination Date between the Core Principles of Financial Management and the Liver Ireland PPFM Guide, the Core Principles of Financial Management shall prevail.

27. LIVER IRELAND SUB-FUND: EXPENSES AND ALLOCATION OF COSTS AND LOSSES

- 27.1 Without prejudice to the generality of paragraph 15.1 and subject to Schedule 4, after the Effective Date, there shall, for the avoidance of doubt, be debited and charged by RL DAC to the Liver Ireland Sub-Fund:
- 27.1.1 any Losses arising or accruing or otherwise falling due for payment after the Effective Date in relation to those Transferred Liabilities allocated to the Liver Ireland Sub-Fund in accordance with the provisions of this Scheme;

27.1.2 any other amounts which are required by the provisions of this Scheme to be debited or charged to the Liver Ireland Sub-Fund or which are determined by the RL DAC Board (having regard to the advice of the RL DAC HoAF) to be properly attributable to the Liver Ireland Sub-Fund either in accordance with the principles underlying this Scheme or if not contrary to such principles, which for these purposes shall not prevent allocation of further exceptional costs to the Liver Ireland Sub-Fund of a type:

- (a) similar to those identified in Schedule 4;
- (b) not reasonably foreseeable at the Effective Date; and
- (c) which in the opinion of a Reasonable Person would have been allocated to the Liver Ireland Sub-Fund under this Scheme had they been reasonably foreseeable,

where it would be fair to do so, taking account of policyholders' reasonable expectations and the obligation to treat policyholders fairly.

27.2 RL DAC shall use all reasonable efforts (which shall not require RL DAC to unfairly or unreasonably prejudice its commercial interests or the reasonable expectations of other Policyholders of RL DAC) to mitigate any Losses to be debited to the Liver Ireland Sub-Fund pursuant to paragraph 27.1.1 and 27.1.2 where any such Losses are reasonably capable of mitigation.

27.3 Schedule 4 shall apply on and from the Effective Date with regard to expenses and charges in respect of Liver Ireland Policies and all amounts chargeable to the Liver Ireland Sub-Fund in accordance with Schedule 4 shall be debited and charged by RL DAC to the Liver Ireland Sub-Fund and credited to the RL DAC Open Fund.

28. LIVER IRELAND SUB-FUND: SERVICE STANDARDS

28.1 Subject to paragraph 28.2, RL DAC shall use all reasonable endeavours to ensure that:

28.1.1 the RL Liver Transferred Policies are administered by RL DAC in accordance with the Liver Ireland Service Standards; and

28.1.2 in respect of the investment management of the assets allocated to the Liver Ireland Sub-Fund, RL DAC shall apply a level of diligence and skill which is consistent with the prudent person principle, as required by article 132 of Solvency II and the Solvency II Requirements.

28.2 RL DAC shall use all reasonable endeavours to ensure that the overall standard of service in terms of administration and investment management provided to holders of RL Liver Transferred Policies is maintained to a level that is not inconsistent with that provided by Royal London immediately prior to the Effective Date.

28.3 The Liver Ireland Service Standards may be amended from time to time by the RL DAC Board, provided that no changes are made which would be inconsistent with the provisions of paragraph 28.2.

29. LIVER IRELAND SUB-FUND: DUTIES OF THE RL DAC HOAF

29.1 Prior to the Liver Reinsurance Termination Date, the RL DAC HoAF shall, when undertaking their statutory duties and responsibilities under Solvency II and any other Regulatory Requirements, or undertaking any other action pursuant to the provisions of this Scheme with regard to the Liver Ireland Sub-Fund, consider and take into account the reasonable expectations and interests of holders of Policies allocated to the Liver Ireland Sub-Fund having regard:

29.1.1 to the terms and conditions of the Policies allocated to the Liver Ireland Sub-Fund;

- 29.1.2 to the reasonable expectations and interests of holders of Policies allocated to the RL Royal Liver Sub-Fund; and
- 29.1.3 to the need to treat fairly the holders of Policies allocated to the RL Royal Liver Sub-Fund and the holders of Policies allocated to the Liver Ireland Sub-Fund pursuant to the terms of, and the principles underlying, this Scheme, the Liver Reinsurance Agreement, the Liver Ireland PPFM Guide and the IOT CPFM.

30. **LIVER IRELAND SUB-FUND: MERGER AND CLOSURE ~~OF THE LIVER IRELAND SUB-FUND~~**

30.1 Subject to paragraph 30.2, at any time on or after the Liver Reinsurance Termination Date, RL DAC may elect to cease to maintain the Liver Ireland Sub-Fund as a separate sub-fund in the RL DAC Long-Term Fund where the aggregate value of Asset Shares in the Liver Ireland Sub-Fund falls below:

30.1.1 €334 million (such amount to be adjusted annually on 31 December each year (including, for the avoidance of doubt, on 31 December 2018) in line with the change in the published Irish Consumer Price Index in such period); or

30.1.2 such greater amount below which:

(a) the RL DAC Board considers:

(i) the continued maintenance of the Liver Ireland Sub-Fund as a separate sub-fund of the RL DAC Long-Term Fund is (having regard to the advice of the RL DAC HoAF) materially adverse to the interests of holders of Policies allocated to any of the Other RL DAC Funds or the German Bond Sub-Fund; and

(ii) cessation of the Liver Ireland Sub-Fund is (having regard to the advice of the RL DAC HoAF) not materially adverse to the interests of holders of Policies allocated to the Liver Ireland Sub-Fund; or

(b) the RL DAC Board considers:

(i) the continued maintenance of the Liver Ireland Sub-Fund as a separate sub-fund of the RL DAC Long-Term Fund is (having regard to the advice of the RL DAC HoAF) materially adverse to the interests of holders of Policies allocated to the Liver Ireland Sub-Fund; and

(ii) cessation of the Liver Ireland Sub-Fund is (having regard to the advice of the RL DAC HoAF) not materially adverse to the interests of holders of Policies allocated to any of the Other RL DAC Funds or the German Bond Sub-Fund.

30.2 At any time on or after the Liver Reinsurance Termination Date, RL DAC shall cease to maintain the Liver Ireland Sub-Fund as a separate sub-fund in the RL DAC Long-Term Fund where the aggregate value of Asset Shares in the Liver Ireland Sub-Fund falls below €134 million (such amount to be adjusted annually on 31 December each year (including, for the avoidance of doubt, on 31 December 2018) in line with the change in the published Irish Consumer Price Index in such period).

30.3 If RL DAC elects (under paragraph 30.1) or is required (under paragraph 30.2) to cease to maintain the Liver Ireland Sub-Fund as a separate sub-fund:

30.3.1 subject to paragraph 30.3.2, any excess of the total realistic value of the aggregate of the Assets within the Liver Ireland Sub-Fund over the total realistic value of the aggregate of the Liabilities within the Liver Ireland Sub-Fund shall be allocated as enhancements to Liver Ireland With-Profits Policies (adjusted for (i) any associated investment return earned post-cessation; and (ii) any other experience arising post-cessation, which relates

to Liver Ireland With-Profits Policies allocated to the Liver Ireland Sub-Fund immediately prior to the date of cessation, in respect of any part of that excess which has not, from time to time, been allocated as such enhancements) in a manner and at such times as the RL DAC Board, having regard to the advice of the RL DAC HoAF, believes is fair having regard:

- (a) to the security and reasonable expectations from time to time of both holders of With-Profits Policies allocated to the Liver Ireland Sub-Fund and the holders of Policies allocated to the RL DAC Open Fund; and
 - (b) if the RL Main Fund remains RL DAC's sole beneficial shareholder as at the date of cessation, to the security and reasonable expectations of holders of With-Profits Policies allocated to the RL Main Fund;
- 30.3.2 if, at the date of cessation, the Liver Ireland Sub-Fund is in receipt of Capital Support in order to meet its liabilities, then repayment of that Capital Support shall take priority over any enhancements being made pursuant to paragraph 30.3.1;
- 30.3.3 the provisions of this Scheme relating to the maintenance of the Liver Ireland Sub-Fund as a separate sub-fund shall cease to apply;
- 30.3.4 all of the Policies, Assets and Liabilities allocated to the Liver Ireland Sub-Fund shall be transferred to the RL DAC Open Fund; and
- 30.3.5 such other modifications, amendments and/or additions shall be made to this Scheme pursuant to paragraph 44 as may be necessary to give effect to the cessation of the Liver Ireland Sub-Fund.

31. **LIVER IRELAND SUB-FUND: ACKNOWLEDGMENT REGARDING THE RL ROYAL LIVER ESTATE**

- 31.1 Each of Royal London and RL DAC acknowledge that the transfer of the RL Liver Transferred Policies pursuant to this Scheme is without prejudice to any interest that holders of such Policies may have to the RL Royal Liver Estate. Any and all such interests shall be unaffected by the transfer of RL Liver Transferred Business pursuant to this Scheme.
- 31.2 On and with effect from the Effective Date all of the liabilities under the RL Liver Transferred Policies (other than any Residual Policies) shall be reinsured by Royal London under and in accordance with the terms of the Liver Reinsurance Agreement. Royal London and RL DAC acknowledge that the Liver Reinsurance Arrangement is intended to facilitate the orderly and fair distribution of the RL Royal Liver Estate between holders of RL Liver Non-Transferred WP Policies and holders of Liver Ireland With-Profits Policies in accordance with the Instrument of Transfer.
- 31.3 Notwithstanding any provision of the Liver Reinsurance Agreement Royal London and RL DAC shall, in the period prior to the Liver Reinsurance Termination Date and in good faith and acting reasonably, consult with each other in relation to any proposed distribution of the RL Royal Liver Estate having regard to the interests of holders of RL Liver Non-Transferred WP Policies and holders of Liver Ireland With-Profits Policies and their fair treatment, and each shall provide to the other such information and data as is reasonably required in order to undertake such consultation.
- 31.4 Subject to paragraphs 31.5 to 31.12 and notwithstanding any provision of the Liver Reinsurance Agreement, where the Liver Reinsurance Agreement is proposed to be terminated by either Royal London or RL DAC, or by mutual agreement, pursuant to Clause 15 of the Liver Reinsurance Agreement:
- 31.4.1 paragraph 31.5 shall apply; and
 - 31.4.2 the Liver Reinsurance Agreement shall remain in full force and effect and, unless Royal London and RL DAC agree otherwise in writing, shall terminate immediately upon

payment of (i) the Liver Transfer Amount (if any) pursuant to this paragraph 31 and (ii) the Termination Amount (if any) pursuant to the terms of the Liver Reinsurance Agreement.

31.5 In the circumstances described in paragraph 31.4, the Fund Split Amount shall be determined by the Royal London Board and the RL DAC Board as follows:

31.5.1 the total realistic value of the aggregate of the assets in the RL Royal Liver Sub-Fund and the assets in the Liver Ireland Sub-Fund; minus

31.5.2 the total realistic value of the aggregate of the liabilities in the RL Royal Liver Sub-Fund and the liabilities in the Liver Ireland Sub-Fund; minus

31.5.3 any capital support provided to the RL Royal Liver Sub-Fund

(the "**Fund Split Amount**"). Without prejudice to its obligations in paragraph 31.7, if the Fund Split Amount is zero or a negative number no obligation arises on RL DAC to pay any amount of the Fund Split Amount to Royal London pursuant to the terms of this paragraph 31. If the Fund Split Amount is a positive number, RL DAC shall be entitled to a fair proportion of the Fund Split Amount, such proportion to be determined in accordance with paragraph 31.6 (the "**RL DAC Proportion**").

31.6 The Royal London Board and RL DAC Board shall determine and agree the RL DAC Proportion within 120 Business Days of the determination of the Fund Split Amount (or within such other period as may be agreed in writing by Royal London and RL DAC, each acting reasonably and in good faith), and, if they are unable to agree within such period, the matter shall be referred to the Third Party Actuary for determination in accordance with Schedule 7. In determining the RL DAC Proportion, the Royal London Board and the RL DAC Board or, if the context so requires, the Third Party Actuary, shall without limitation:

31.6.1 ignore any capital support provided to the RL Royal Liver Sub-Fund;

31.6.2 give due regard to:

(a) the reasonable expectations of holders of Policies allocated to the RL Royal Liver Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme; and

(b) the holders of Policies allocated to the Liver Ireland Sub-Fund;

31.6.3 give due regard to the provisions of this Scheme, the Instrument of Transfer, the Liver Reinsurance Agreement, the RL Royal Liver PPFM and the Liver Ireland PPFM Guide;

31.6.4 give due regard the opinion of each of the Royal London Actuary, the Royal London WP Actuary, the Royal London Board, the RL Liver Supervisory Committee, the Royal London With-Profits Committee, the RL DAC HoAF and the RL DAC Board; and

31.6.5 give due regard the opinion of the Third Party Actuary appointed to provide the certificate referred to in paragraph 31.9.2.

31.7 The Liver Transfer Amount (which may be a positive or negative number) shall be calculated as follows:

31.7.1 the RL DAC Proportion of the Fund Split Amount; less

31.7.2 the excess (if any) of the total realistic value of the assets in the Liver Ireland Sub-Fund over the total realistic value of the liabilities in the Liver Ireland Sub-Fund,

(the "**Liver Transfer Amount**").

31.8 Subject to paragraph 31.9, if:

- 31.8.1 the value of the Liver Transfer Amount is a positive amount, the Liver Transfer Amount shall, within 30 days of the determination of the RL DAC Proportion of the Fund Split Amount (or within such other period as may be agreed in writing by Royal London and RL DAC, each acting reasonably and in good faith), be transferred by Royal London from the RL Royal Liver Sub-Fund to RL DAC for the benefit and credit of the Liver Ireland Sub-Fund; or
- 31.8.2 the value of the Liver Transfer Amount is a negative amount, the absolute value of the Liver Transfer Amount shall, within 30 days of the determination of the RL DAC Proportion of the Fund Split Amount (or within such other period as may be agreed in writing by Royal London and RL DAC, each acting reasonably and in good faith), be transferred by RL DAC from the Liver Ireland Sub-Fund to Royal London for the benefit and credit of the RL Royal Liver Sub-Fund.
- 31.9 Prior to the payment of the Liver Transfer Amount, on the basis described in paragraph 31.8:
- 31.9.1 the:
- (a) Royal London Actuary and Royal London WP Actuary shall provide a report to the Royal London Board; and
- (b) the RL DAC HoAF shall provide a report to the RL DAC Board;
- in each case confirming whether, in their opinion, the RL DAC Proportion represents a fair proportion of the Fund Split Amount;
- 31.9.2 a Third Party Actuary shall be appointed by Royal London and RL DAC in accordance with Schedule 7 to provide a certificate confirming that the RL DAC Proportion represents a fair proportion of the Fund Split Amount;
- 31.9.3 Royal London shall provide the reports referred to in paragraph 31.9.1(a) and the certificate referred to in paragraph 31.9.2 to the PRA and FCA; and
- 31.9.4 RL DAC shall provide the report referred to in paragraph 31.9.1(b) and the certificate referred to in paragraph 31.9.2 to the CBI.
- 31.10 Royal London and RL DAC shall, respectively, promptly provide the other with:
- 31.10.1 a copy of the reports referred to in paragraph 31.9.1; and
- 31.10.2 a copy of the notifications to the PRA, FCA and CBI referred to in paragraphs 31.9.3 and 31.9.4.
- 31.11 Royal London and RL DAC acknowledge:
- 31.11.1 the interest that the holders of:
- (a) Policies allocated to the RL Royal Liver Sub-Fund; and
- (b) Policies allocated to the Liver Ireland Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme,
- have in the proper operation of this paragraph 31 in order to ascertain and determine the interest that such Policyholders have in the RL Royal Liver Estate;
- 31.11.2 that they may be held in breach of the Order if they fail to comply with the provisions of this paragraph 31; and
- 31.11.3 the rights that holders of:

- (a) Policies allocated to the RL Royal Liver Sub-Fund; and
- (b) Policies allocated to the Liver Ireland Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme,

(in each case) have to enforce this paragraph 31 against Royal London and RL DAC.

31.12 For the avoidance of doubt, on and from the Liver Reinsurance Termination Date and subject to the payment of the Liver Transfer Amount (if any), the holders of Policies allocated to the Liver Ireland Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme, shall have no interest, entitlement, right or expectation to the RL Royal Liver Estate or otherwise in the RL Royal Liver Sub-Fund.

32. **LIVER IRELAND SUB-FUND: PREDECESSOR SCHEMES**

32.1 On and with effect from the Effective Date the principles of financial management set out in Appendix 1 of the Caledonian Scheme shall not apply to the management and operation of the Liver Ireland Sub-Fund.

32.2 On and with effect from the Effective Date the following shall not apply to the management and operation of the RL Royal Liver Sub-Fund:

32.2.1 the principles of financial management set out in Schedule 1 to the FPLO Scheme; and

32.2.2 the principles of financial management set out in Schedule 1 to the FPLM Scheme.

33. **RL ROYAL LIVER SUB-FUND: CAPITAL SUPPORT**

33.1 In the period prior to the Liver Reinsurance Termination Date Royal London shall, as soon as reasonably practicable, notify RL DAC in writing if:

33.1.1 a contingent loan is provided from the RL Royal Liver Sub-Fund to the RL Main Fund pursuant to paragraph 10.5 of the Instrument of Transfer; or

33.1.2 the RL Royal Liver Sub-Fund receives any capital support from the RL Main Fund.

PART F – OPERATION OF THE GERMAN BOND SUB-FUND

34. GERMAN BOND SUB-FUND: NEW BUSINESS

34.1 The only new Long Term Business undertaken by RL DAC after the Effective Date which shall be allocated to the German Bond Sub-Fund shall be:

34.1.1 Policies issued by RL DAC pursuant to a right or option under a German Bond Transferred Policy under paragraph 5.4;

34.1.2 Policies issued by RL DAC pursuant to a right or option under a Residual Policy under paragraph 6.3;

34.1.3 premiums (including recurrent single premiums, other additional premiums and increments) receivable in respect of any German Bond Transferred Policy;

34.1.4 subject to paragraph 5.4, premiums (including recurrent single premiums, other additional premiums and increments) receivable in respect of Policies coming into force as a result of any option or right contained in any German Bond Transferred Policy;

34.1.5 subject to paragraph 6.3, premiums (including recurrent single premiums, other additional premiums and increments) receivable in respect of Policies issued by RL DAC coming into force as a result of any option or right contained in any Residual Policy; and

34.1.6 such other policies, premium or increments derived from or otherwise related to RL Liver Transferred Policies as the RL DAC HoAF may agree on the grounds that it would be uneconomic for them to be written elsewhere than in the German Bond Sub-Fund

35. GERMAN BOND SUB-FUND: EXPENSES AND ALLOCATION OF COSTS AND LOSSES

35.1 Without prejudice to the generality of paragraph 15.1 and subject to Schedule 5, after the Effective Date, there shall, for the avoidance of doubt, be debited and charged by RL DAC to the German Bond Sub-Fund:

35.1.1 any Losses arising or accruing or otherwise falling due for payment after the Effective Date in relation to those Transferred Liabilities allocated to the German Bond Sub-Fund in accordance with the provisions of this Scheme;

35.1.2 any other amounts which are required by the provisions of this Scheme to be debited or charged to the German Bond Sub-Fund or which are determined by the RL DAC Board (having regard to the advice of the RL DAC HoAF) to be properly attributable to the German Bond Sub-Fund either in accordance with the principles underlying this Scheme or if not contrary to such principles, which for these purposes shall not prevent allocation of further exceptional costs to the German Bond Sub-Fund of a type:

(a) not reasonably foreseeable at the Effective Date; and

(b) which in the opinion of a Reasonable Person would have been allocated to the German Bond Sub-Fund under this Scheme had they been reasonably foreseeable,

where it would be fair to do so, taking account of policyholders' reasonable expectations and the obligation to treat policyholders fairly.

35.2 RL DAC shall use all reasonable efforts (which shall not require RL DAC to unfairly or unreasonably prejudice its commercial interests or the reasonable expectations of other Policyholders of RL DAC) to mitigate any Losses to be debited to the German Bond Sub-Fund pursuant to paragraph 35.1.1 and 35.1.2 where any such Losses are reasonably capable of mitigation.

35.3 Schedule 5 shall apply from the Effective Date with regard to expenses and charges in respect of German Bond Transferred Policies and all amounts chargeable to the German Bond Sub-Fund in accordance with Schedule 5 shall be debited and charged by RL DAC to the German Bond Sub-Fund and credited to the RL DAC Open Fund.

36. ~~MERGER AND CLOSURE OF THE GERMAN BOND SUB-FUND:~~ MERGER AND CLOSURE

36.1 RL DAC shall cease to maintain the German Bond Sub-Fund as a separate sub-fund in the RL DAC Long-Term Fund upon the later of the date on which:

36.1.1 the GBSF Transfer Amount (if any) due under paragraph 36.5 has been paid; or

36.1.2 the Termination Amount (if any) due under the German Bond Reinsurance Agreement has been paid.

36.2 Notwithstanding any provision of the German Bond Reinsurance Agreement, where the German Bond Reinsurance Agreement is proposed to be terminated by either Royal London or RL DAC, or by mutual agreement, pursuant to Clause 14 of the German Bond Reinsurance Agreement the Royal London Board and RL DAC Board shall determine and agree the GBSF Collapse Amount no later than 30 Business Days prior to the German Bond Reinsurance Termination Date (or within such other period as may be agreed by Royal London and RL DAC, each acting reasonably and in good faith). The GBSF Collapse Amount shall be determined on such basis as may be agreed between Royal London and RL DAC (or, in the absence of such agreement, shall be referred to the Third Party Actuary for determination in accordance with Schedule 7).

36.3 If:

36.3.1 Royal London and RL DAC are unable to agree the GBSF Collapse Amount within the period referred to in paragraph 36.2; or

36.3.2 Royal London considers, acting reasonably and in good faith, that the capital requirement under the RL DAC Capital Management Framework is not a reasonable measure of the capital requirement in respect of the Policies that are to be transferred from the German Bond Sub-Fund to the RL DAC Open Fund pursuant to paragraph 36.6,

the matter shall be referred to the Third Party Actuary for determination in accordance with Schedule 7.

36.4 The GBSF Transfer Amount shall be calculated as follows:

36.4.1 the GBSF Collapse Amount; less

36.4.2 the excess (if any) of the total realistic value of the assets in the German Bond Sub-Fund over the total realistic value of the liabilities in the German Bond Sub-Fund (in each case taking account of the effect of the German Bond Reinsurance Agreement, assuming that the German Bond Reinsurance Agreement has not terminated and ignoring for the purposes of this calculation the Termination Amount (if any) due under the German Bond Reinsurance Agreement),

(the "**GBSF Transfer Amount**").

36.5 If the GBSF Transfer Amount:

36.5.1 is a positive amount, the GBSF Transfer Amount shall be transferred by Royal London on the German Bond Reinsurance Termination Date from the RL Main Fund to RL DAC for the benefit and credit of the RL DAC Open Fund, provided that Royal London shall have no obligation to transfer the GBSF Transfer Amount in accordance with this paragraph 36.5.1 to the extent that in the opinion of the Royal London Board, having regard to the views of the Royal London Actuary and the Royal London WP Actuary, the value of the assets in the RL Main Fund falls or, through the payment of the GBSF Transfer Amount,

would fall short of the minimum amount of assets required from time to time to be maintained in the RL Main Fund in accordance with Regulatory Requirements; or

36.5.2 is a negative amount, the GBSF Transfer Amount shall be transferred by RL DAC on the German Bond Reinsurance Termination Date from the German Bond Sub-Fund to Royal London for the benefit and credit of the RL Main Fund, provided that RL DAC shall have no obligation to transfer the GBSF Transfer Amount in accordance with this paragraph 36.5.2 to the extent that in the opinion of the RL DAC Board, having regard to the views of the RL DAC HoAF, the value of the assets in the German Bond Sub-Fund falls or, through the payment of the GBSF Transfer Amount, would fall short of the minimum amount of assets required from time to time to be maintained in the German Bond Sub-Fund in accordance with Regulatory Requirements.

36.6 If RL DAC is required under paragraph 36.1 to cease to maintain the German Bond Sub-Fund as a separate sub-fund:

36.6.1 the provisions of this Scheme relating to the maintenance of the German Bond Sub-Fund as a separate sub-fund shall cease to apply;

36.6.2 all of the Policies, Assets and Liabilities allocated to the German Bond Sub-Fund shall be transferred to the RL DAC Open Fund on such terms as the RL DAC Board, having regard to the advice of the RL DAC HoAF, considers appropriate;

36.6.3 RL DAC shall allocate the GBSF Transfer Amount (if any) to the RL DAC Open Fund; and

36.6.4 such other modifications, amendments and/or additions shall be made to this Scheme pursuant to paragraph 44 as may be necessary to give effect to the cessation of the German Bond Sub-Fund.

36.7 Royal London and RL DAC acknowledge:

36.7.1 the interest that the holders of Policies allocated to the German Bond Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme, have in the proper operation of this paragraph 36 in order to calculate and determine the GBSF Transfer Amount;

36.7.2 that they may be held in breach of the Order if they fail to comply with the provisions of this paragraph 36; and

36.7.3 the rights that holders of Policies allocated to the German Bond Sub-Fund; and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme, have to enforce this paragraph 36 against Royal London and RL DAC.

PART G – CAPITAL SUPPORT

37. CAPITAL SUPPORT: DEFINED TERMS

37.1 In this Part G, the following definitions shall have the meanings given below:

| | |
|-----------------------------------|--|
| " Calculation Period " | means the period defined in paragraph 42.5 |
| " Capital Deficit " | means the amount described in paragraph 42.3 |
| " Capital Deficit Period " | means the period from (and including) the date on which a Capital Deficit occurred to (but excluding) the date on which the Capital Deficit has been removed in full |
| " Capital Support " | means the provision of capital support pursuant to paragraph 38 |
| " Capital Support Value " | means the value of the Capital Support assets from time to time increased or reduced by the Return and as reduced by any Settlement made from time to time |
| " Charge " | has the meaning given to that term in paragraph 42.4 |
| " German Bond Deficit " | means, at any time, the amount, if any, by which, in the opinion of the RL DAC Board after consultation with, and having had regard to the views of, the RL DAC HoAF: (a) the value of the assets comprised in the German Bond Sub-Fund falls short of: (b) the Minimum Asset Requirement (determined ignoring any actual or contingent liabilities to repay any Capital Support Value) |

| | |
|---|--|
| "Liver Deficit" | <p>means, at any time, the amount, if any, by which, in the opinion of the RL DAC Board after consultation with, and having had regard to the views of, the RL DAC HoAF:</p> <p>(a) the value of the assets comprised in the Liver Ireland Sub-Fund</p> <p>falls short of:</p> <p>(b) the Minimum Asset Requirement (determined ignoring any actual or contingent liabilities to repay any Capital Support Value)</p> |
| "Minimum Asset Requirement" | <p>means the minimum amount of assets required from time to time by the relevant Prudential Requirements to be maintained in the German Bond Sub-Fund or the Liver Ireland Sub-Fund and (in respect of the Liver Ireland Sub-Fund only):</p> <p>(a) for the avoidance of doubt and where the Core Principles of Financial Management permit such deduction, such Prudential Requirements are determined allowing for the possibility of making deductions from Asset Share pursuant to paragraph 19 of the IOT CPFM or paragraph 17 of the Core Principles of Financial Management or other legitimate management actions to the extent such actions are in accordance with Prudential Requirements;</p> <p>(b) notwithstanding the Core Principles of Financial Management, the Minimum Asset Requirement excludes any capital requirements in respect of the business in the Liver Ireland Sub-Fund that can, under the relevant Prudential Requirements, be met from assets outside of the Liver Ireland Sub-Fund</p> |
| "Minimum Notional Capital Requirement" | <p>means the minimum amount of assets that would be required from time to time by Prudential Requirements to be held in respect of the Relevant Sub-Fund in addition to the Minimum Asset Requirement in order for the Notional Insurance Company to satisfy Irish Prudential Requirements where, for the avoidance of doubt and in respect of the Liver Ireland Sub-Fund only, such Prudential Requirements are determined allowing for the possibility of making deductions from Asset Shares pursuant to paragraph 17 of the Core Principles of Financial Management or other legitimate management actions</p> |
| "Prudential Requirements" | <p>means the solvency requirements imposed from time to time on firms carrying on long-term insurance business in the Republic of Ireland, under which those firms are required at all times to hold appropriate assets having a value sufficient to meet their liabilities (in each case, as required by the relevant Regulatory Requirements) and also cover a specified additional amount over and above their liabilities from time to time. As at the Effective Date of this Scheme, such additional amount is the Solvency Capital Requirement and, following the Effective Date, shall be interpreted as such additional amount as may be imposed from time to time</p> |
| "Relevant Capital Shortfall" | <p>means the circumstances described in paragraph 42.2</p> |

| | |
|----------------------------|---|
| "Relevant Deficit" | means, in respect of: |
| | (a) any Capital Support provided pursuant to paragraph 38.1, a Liver Deficit |
| | (b) any Capital Support provided pursuant to paragraph 38.2, a German Bond Deficit |
| "Relevant Sub-Fund" | means, in respect of: |
| | (a) any Capital Support provided pursuant to paragraph 38.1, the Liver Ireland Sub-Fund |
| | (b) any Capital Support provided pursuant to paragraph 38.2, the German Bond Sub-Fund |
| "Return" | means the return earned on the assets in which the Capital Support provided pursuant to paragraph 40.1.2 or, if applicable, paragraph 40.1.3 is actually invested or reinvested from time to time during the relevant period, adjusted by an appropriate deduction for Taxation or plus an appropriate addition for Tax relief and net of fees for Investment Administration and Asset Management Services in respect of such assets, which shall be charged at the direct internal and external costs to the RL DAC Group of providing Investment Administration and Asset Management Services plus a reasonable allocation (as determined by the RL DAC Board having regard to the advice of the RL DAC HoAF) of the Royal London Group's indirect costs attributable thereto, excluding any internal margin for profit |
| "Settled" | means the provision of assets by the Liver Ireland Sub-Fund to the RL DAC Open Fund in full or partial settlement of the Capital Support Value pursuant to paragraph 41 (and references to "Settlement" shall be construed accordingly) |

38. PROVISION OF CAPITAL SUPPORT

38.1 Subject to paragraphs 38.3 and 39, if a Liver Deficit arises or is increased:

38.1.1 in the period prior to the Liver Reinsurance Termination Date and:

- (a) an Insolvency Event has occurred in relation to Royal London; or
- (b) Royal London is in material breach of its obligations under Clause 9 or 11 of the Liver Reinsurance Agreement;

38.1.2 at any time on or after the Liver Reinsurance Termination Date and provided that the Liver Ireland Cessation Date has not occurred,

RL DAC shall, to the extent necessary, provide or procure the provision of, one or more assets from the RL DAC Open Fund to the Liver Ireland Sub-Fund with a value (in Euro) to the Liver Ireland Sub-Fund sufficient to eliminate the Liver Deficit.

38.2 Subject to paragraphs 38.3 and 39, if a German Bond Deficit arises or is increased in the period prior to the German Bond Reinsurance Termination Date and:

38.2.1 an Insolvency Event has occurred in relation to Royal London; or

38.2.2 Royal London is in material breach of its obligations under Clause 8 or 10 of the German Bond Reinsurance Agreement,

RL DAC shall, to the extent necessary, provide or procure the provision of, one or more assets from the RL DAC Open Fund to the German Bond Sub-Fund with a value (in Euro) to the German Bond Sub-Fund sufficient to eliminate the German Bond Deficit.

38.3 The RL DAC Board, having regard to the advice of the RL DAC HoAF, will be entitled to change or replace the assets provided:

38.3.1 to the Liver Ireland Sub-Fund in accordance with paragraph 38.1 from time to time, provided that any replacement assets continue to result in the elimination of any Liver Deficit;

38.3.2 to the German Bond Sub-Fund in accordance with paragraph 38.2 from time to time, provided that any replacement assets continue to result in the elimination of any German Bond Deficit.

39. **LIMITATIONS ON CAPITAL SUPPORT**

39.1 No obligation to provide capital support pursuant to paragraph 38 or to maintain and allocate an amount in respect of a Capital Deficit pursuant to paragraph 42 shall arise in respect of the RL DAC Open Fund to the extent that in the opinion of the RL DAC Board, having regard to the views of the RL DAC HoAF, the value of the assets in the RL DAC Open Fund falls or, through the provision of such support, would fall short of the minimum amount of assets required from time to time by the relevant Prudential Requirements to be maintained in the RL DAC Open Fund.

40. **CAPITAL SUPPORT: GENERAL**

40.1 The RL DAC Board may procure that capital support pursuant to paragraph 38 is provided:

40.1.1 in the form of an asset (a "**Quasi Derivative**") which:

(a) has a value (in Euro) to the Relevant Sub-Fund that at all times equals the level of the Relevant Deficit (ignoring the value of such Quasi Derivative); and

(b) gives rise to a corresponding liability in the RL DAC Open Fund; or

40.1.2 in the form of one or more assets transferred from the RL DAC Open Fund into the Relevant Sub-Fund; or

40.1.3 in any alternative manner that in its absolute discretion it sees fit, provided that the RL DAC Board (having regard to the advice of the RL DAC HoAF) shall be satisfied that such alternative arrangements (including arrangements for subsequent reduction in Capital Support) do not materially diminish the security of benefits and reasonable expectations of the holders of Policies allocated to the RL DAC Open Fund relative to the position had the Capital Support been made available in accordance with paragraph 40.1.1 or 40.1.2.

40.2 Notwithstanding any other provision of this Scheme, following the date on which Capital Support is made available to the Relevant Sub-Fund, the Relevant Sub-Fund will be managed by the RL DAC Board with the intention that the requirement of the Relevant Sub-Fund for Capital Support shall be eliminated at the earliest possible time.

41. **SETTLEMENT OF CAPITAL SUPPORT**

41.1 If Capital Support has been provided in the form of one or more assets transferred from the RL DAC Open Fund into the Relevant Sub-Fund pursuant to paragraph 40.1.2 or, if applicable, paragraph 40.1.3, and the RL DAC Board, after consultation with and having regard to the views of the RL DAC HoAF, is of the opinion that the value of the assets comprised in the Relevant Sub-Fund (including the Capital Support Value) exceeds the Minimum Asset Requirement (determined

ignoring any liability to repay any Capital Support Value), then RL DAC shall be entitled to effect a Settlement from the Relevant Sub-Fund to the RL DAC Open Fund.

41.2 Any Settlement effected pursuant to paragraph 41.1 shall comprise assets with a value (in Euro) of no more than the lower of (i) the Capital Support Value; and (ii) the maximum amount that can be Settled without giving rise to a Relevant Deficit.

41.3 Where Settlement occurs pursuant to paragraph 41.1, the RL DAC Board, after consultation with and having regard to the views of the RL DAC HoAF, shall select assets from the Relevant Sub-Fund which are equivalent to those in which the Capital Support is actually invested.

42. CAPITAL SHORTFALL

42.1 Paragraphs 42.2 to 42.6 shall:

42.1.1 only apply in respect of the Liver Sub-Fund in the period prior to the Liver Reinsurance Termination Date:

- (a) if an Insolvency Event has occurred in relation to Royal London; or
- (b) if Royal London is in material breach of its obligations under Clause 9 or 11 of the Liver Reinsurance Agreement;

42.1.2 apply in respect of the Liver Sub-Fund on and from the Liver Reinsurance Termination Date provided that the Liver Ireland Cessation Date has not occurred;

42.1.3 only apply in respect of the German Bond Sub-Fund in the period prior to the German Bond Reinsurance Termination Date:

- (a) if an Insolvency Event has occurred in relation to Royal London; or
- (b) if Royal London is in material breach of its obligations under Clause 8 or 10 of the German Bond Reinsurance Agreement,

42.2 A "**Relevant Capital Shortfall**" shall exist at any time when, and of an amount by which, in the opinion of the RL DAC Board, after consultation with, and having had regard to the views of, the RL DAC HoAF:

42.2.1 all available management actions have been taken or have been taken account of fully in the calculation of the Minimum Notional Capital Requirement in respect of the Relevant Sub-Fund; and

42.2.2 the value of the assets comprised in the Relevant Sub-Fund (excluding, where assets are made available pursuant to paragraph 40.1.2 or 40.1.3, any Capital Support Value and, in any other case, excluding the value of any Capital Support)

falls short of the sum of:

42.2.3 the Minimum Asset Requirement; and

42.2.4 the Minimum Notional Capital Requirement,

determined ignoring any liability to repay any Capital Support Value and any Charge.

42.3 Subject to paragraph 39, in the event of a Relevant Capital Shortfall, RL DAC shall maintain and allocate in respect of the Relevant Capital Shortfall an amount which, in the opinion of the RL DAC Board, after consultation with, and having regard to the views of, the RL DAC HoAF, is equal to the lesser of:

42.3.1 the amount of the Relevant Capital Shortfall; and

42.3.2 the value of the assets in the RL DAC Open Fund in excess of the minimum amount of assets required from time to time by the relevant Prudential Requirements to be maintained in the RL DAC Open Fund,

(the "**Capital Deficit**").

- 42.4 To the extent that a Capital Deficit is subsisting at any time or has subsisted at any time during the previous month, a charge shall apply in respect of such Capital Deficit (the "**Charge**"), which shall be calculated each period as the Cost of Capital multiplied by the amount of the average Capital Deficit.
- 42.5 The Charge for the Capital Deficit Period shall be calculated on a monthly basis, commencing on the date on which the Capital Deficit occurred to (but excluding) the same date in the following Calendar Month (the "**Calculation Period**"). The amount of the average Capital Deficit for the purpose of this calculation shall be the aggregate of the Capital Deficit at the end of each Business Day of the Calculation Period and dividing by the number of such Business Days.
- 42.6 The Charge shall be transferable from the Relevant Sub-Fund to the RL DAC Open Fund as at the end of the relevant Calculation Period. If not transferred at the end of the relevant Calculation Period, the Charge shall form part of the calculation of the Capital Deficit for any future Calculation Period, until such Charge is transferred.

PART H – MISCELLANEOUS PROVISIONS

43. EFFECTIVE DATE

43.1 Except as provided in this paragraph and paragraph 43.2, this Scheme shall:

43.1.1 for the purposes of any accounting requirements of Royal London or RL DAC (including the accounting of benefits and the allocation of premiums), be deemed to have become effective at 00.01 GMT on 1 January 2019;

43.1.2 for all purposes other than those referred to in paragraph 43.1.1, become effective at 00:01 GMT on 7 February 2019 or such other time and date as Royal London and RL DAC may agree (being a date and time falling after the making of the Order sanctioning this Scheme) and in any case no later than the date referred to in paragraph 43.2.

43.2 Unless this Scheme shall have become effective on or before 23:59 GMT on 31 March 2019 or such later date and/or time, if any, as RL DAC and Royal London may approve and the Court may allow, the Scheme shall lapse.

44. MODIFICATIONS, AMENDMENTS OR ADDITIONS

44.1 RL DAC and Royal London may consent for and on behalf of themselves and all other persons concerned (other than the PRA, FCA and CBI) to any modification of 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.

44.2 Subject to paragraph 44.4, RL DAC shall at any time after the sanction of this Scheme be at liberty to apply to the Court for consent to amend its terms, provided that:

44.2.1 the CBI shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered;

44.2.2 Royal London shall be notified of such application, and shall have the right to be heard at any hearing of the Court at which such application is considered if:

(a) the application is made prior to the Liver Reinsurance Termination Date and the proposed amendments to the Scheme that are the subject of the application may, in the reasonable opinion of the Royal London Board having consulted with the RL Liver Supervisory Committee and obtained the advice of the Royal London Actuary and the Royal London WP Actuary:

(i) materially adversely affect the security or materially adversely affect the reasonable expectations of the holders of the interests of holders of Policies allocated to the RL Royal Liver Sub-Fund; or

(ii) adversely impact on Royal London's rights and obligations under the Liver Reinsurance Agreement; [or](#)

(b) the application is made prior to the German Bond Reinsurance Termination Date and the proposed amendments to the Scheme that are the subject of the application may, in the reasonable opinion of the Royal London Board having obtained the advice of the Royal London Actuary and the Royal London WP Actuary:

(i) materially adversely affect the security or materially adversely affect the reasonable expectations of the holders of Policies allocated to the RL Main Fund; or

(ii) adversely impact on Royal London's rights and obligations under the German Bond Reinsurance Agreement; [and](#)

- 44.2.3 such application shall be accompanied by a certificate from a suitably qualified independent actuary to the effect that in his opinion the proposed amendment will not materially adversely affect the security or materially adversely affect the reasonable expectations of the holders of:
- (a) Transferred Policies or other RL DAC Policies;
 - (b) Residual Policies (if any);
 - (c) where paragraph 44.2.2(a) applies, Policies allocated to the RL Royal Liver Sub-Fund; and
 - (d) where paragraph 44.2.2(b) applies, Policies allocated to the RL Main Fund.

If such consent is granted, RL DAC may amend the provisions of this Scheme in accordance with such consent.

- 44.3 If Royal London receives notice under paragraph 44.2.2 of an application to amend the terms of the Scheme:

44.3.1 it shall provide a copy of such notice to the PRA and FCA as soon as is reasonably practicable and in any event at least 28 days in advance of any hearing of the Court at which such application is considered; and

44.3.2 the PRA and the FCA shall have the right to be heard at any hearing of the Court at which such application is considered.

- 44.4 The consent of the Court shall not be required in relation:

44.4.1 to any amendment to this Scheme for which specific provision is made elsewhere in this Scheme, provided that such specific provision is fully complied with;

44.4.2 to minor and/or technical amendments to the provisions of this Scheme (including amendments to correct manifest errors), provided that the CBI has been notified of the same by RL DAC and has not objected thereto within 30 days of such notification and the RL DAC Board, where appropriate, has in relation to the amendments taken appropriate actuarial and/or legal advice, as relevant;

44.4.3 to amendments to the provisions of the Scheme which are reasonably considered by the RL DAC Board, having regard to the advice of the RL DAC HoAF, to be necessary in circumstances where the provision to which the proposed amendment applies will be materially affected by a variation of Regulatory Requirements in particular, as a result of any amendment or modification of such Regulatory Requirements in anticipation of or as result of Brexit (in this paragraph 44.4.3 "**Regulatory Change**"), provided that:

(a) the CBI has been notified of the proposed amendments and has not objected thereto within 30 days of such notification; and

(b) a suitably qualified independent actuary has provided RL DAC with a certificate to the effect that in his opinion the implementation of the proposed amendments will not materially adversely affect the security or materially adversely affect the reasonable expectations of relevant Policyholders (including, in the period prior to the Liver Reinsurance Termination Date, the interests of holders of Policies allocated to the RL Royal Liver Sub-Fund and, in the period prior to the German Bond Reinsurance Termination Date, the interests of holders of Policies allocated to the RL Main Fund) as they stood before the implementation of the Regulatory Change.

- 44.5 RL DAC shall give each of Royal London and the CBI no less than 60 days' prior written notice of any proposed amendments to this Scheme to which paragraph 44 shall apply.

44.6 RL DAC shall, in the period prior to the later of the Liver Reinsurance Agreement Termination Dates ~~Date and the German Bond Reinsurance Termination Date~~, consult in good faith with Royal London in relation to the nature of, and need for, any proposed amendments to this Scheme.

45. **EFFECT OF TRANSFER**

45.1 Unless and to the extent otherwise provided in the Order:

45.1.1 the transfer of any rights, benefits, Liabilities and obligations under or in connection with any Transferred Policy, Transferred Asset, Residual Asset, Transferred Liability or Residual Liability pursuant to this Scheme shall take effect and shall be valid and binding on all parties having any interest in the same notwithstanding any restriction on transferring, assigning or otherwise dealing with the same and such transfer shall be deemed to take effect on the basis that it does not contravene any such restriction and does not give rise to any right to terminate, modify, acquire or claim an interest or right, or to treat an interest or right as terminated or modified; and

45.1.2 any entitlement which, but for section 112A of FSMA, would or might arise to terminate, modify, acquire or claim an interest or right to treat an interest or right as terminated or modified as a result of anything done or pursuant to the Scheme will not be enforceable.

45.2 Unless and to the extent otherwise provided in the Order, neither the transfer and vesting under this Scheme of any Transferred Policy, Transferred Asset or Transferred Liability relating to any part of the Transferred Business nor this Scheme nor anything done or omitted to be done in connection with the transfer of such Transferred Policy, Transferred Asset, Transferred Liability or the Transferred Business or this Scheme shall, in relation to any Transferred Policies, Residual Policies, Transferred Assets, Residual Assets, Transferred Liabilities or Residual Liabilities or any other Contract, asset, property, liability or business of RL DAC whether before or after the Effective Date:

45.2.1 invalidate, discharge or result in the termination of any Transferred Policy, Transferred Contract, other Contract, Encumbrance, right, interest, benefit, power, obligation or title;

45.2.2 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 Transferred Policy, Transferred Contract, Contract, Encumbrance, right, interest, benefit, power, obligation or title;

45.2.3 require any registration, re-registration or filing of any amendment to any existing registration or filing in respect of any Transferred Policy, Transferred Contract, Contract, Encumbrance, right, interest, benefit, power, obligation or title;

45.2.4 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;

45.2.5 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 Transferred Policy, Transferred Contract, Contract or Encumbrance; or

45.2.6 affect the enforceability, priority or ranking of any Encumbrance.

46. **COSTS AND EXPENSES**

46.1 All costs and expenses incurred in connection with the preparation and implementation of this Scheme including, without limitation, the fees and disbursements of legal and financial advisers and accountants, the costs and expenses of the Independent Expert and the fees of the PRA, the FCA, the CBI and BaFin shall:

46.1.1 where such costs and expenses relate to the RL Liver Transferred Business, be borne by and allocated to the RL Royal Liver Sub-Fund; [and](#)

46.1.2 where such costs and expenses relate to the German Bond Transferred Business or the Post-2011 Transferred Business, be borne by and allocated to the RL Main Fund.

47. **MEMBERSHIP**

47.1 Subject to paragraph 47.2, on and with effect from the Effective Date, all German Bond Members shall cease to be members of Royal London and, for the avoidance of doubt, shall not become members or shareholders of RL DAC by reason of the transfer of their German Bond Transferred Policies under this Scheme.

47.2 If a Demutualisation occurs prior to the fifth anniversary of the Effective Date, those former German Bond Members who, as at the Demutualisation Date, continue to be policyholders of RL DAC in respect of a relevant German Bond Transferred Policy shall have an entitlement to receive from Royal London any form of compensation made as a consequence of such Demutualisation. Any such compensation shall be provided on the same basis, and to the same extent, as any form of compensation is made or proposed to be made by Royal London as a consequence of the relevant Demutualisation to Equivalent Members and if no such compensation is to be made as a consequence of such Demutualisation to Equivalent Members, no requirement to provide any form of compensation to former German Bond Members shall arise, whether pursuant to this Scheme or otherwise.

47.3 Subject to paragraph 47.2, no compensation shall be paid to the relevant Policyholders for the loss of membership in Royal London referred to in paragraph 47.1.

48. **EVIDENCE OF TRANSFER**

The production of a copy of the Order with any modifications, amendments and/or additions made under paragraph 44, shall for all purposes be evidence of the transfer to, and vesting in, RL DAC:

48.1 on and with effect from the Effective Date, of the Transferred Business, the Transferred Assets, the Transferred Liabilities and the Transferred Policies; and

48.2 with effect from each relevant Subsequent Transfer Date, of the Residual Assets ~~and~~ [the Residual Liabilities and the Residual Policies](#).

49. **SUCCESSORS AND ASSIGNS**

This Scheme will bind, and enure to the benefit of, the successors and assigns of Royal London and RL DAC.

50. **THIRD PARTY RIGHTS**

50.1 Subject to paragraphs 50.2 ~~and 50.3~~ [to 50.6](#), it is not intended that any person who is not a party to this Scheme may enforce any of its terms, whether by virtue of the Contracts (Rights of Third Parties) Act 1999 or otherwise.

[50.2](#) [Holders of Transferred Policies \(and the holders of any Residual Policies, following their transfer to RL DAC pursuant to the terms of this Scheme\) may enforce the provisions of paragraph 4.4 against RL DAC.](#)

[50.3](#) ~~50.2~~ Holders of:

[50.3.1](#) ~~50.2.1~~ Policies allocated to the RL Royal Liver Sub-Fund;

[50.3.2](#) ~~50.2.2~~ Policies allocated to the Liver Ireland Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme,

may enforce the provisions of paragraph 31 against Royal London and RL DAC.

[50.4](#) ~~50.3~~ Holders of Policies allocated to the German Bond Sub-Fund and the holders of any Residual Policies that, upon transfer to RL DAC, shall be so allocated pursuant to the terms of this Scheme may enforce the provisions of paragraph 36 against Royal London and RL DAC.

[50.5](#) ~~50.4~~ Holders of German Bond Transferred Policies which are UWP Policies and who were eligible for any allocations of ProfitShare from Royal London immediately prior to the Effective Date may enforce the provisions of paragraph 5.8 against Royal London for so long as such holders of German Bond Transferred Policies continue to hold their Policy.

[50.6](#) ~~50.5~~ Former German Bond Members who continue to be policyholders of RL DAC in respect of a relevant German Bond Transferred Policy as at the date of a relevant Demutualisation Event may enforce the provisions of paragraph 47 against Royal London.

[50.7](#) ~~50.6~~ Neither Royal London nor RL DAC shall require the consent of any of those Policyholders referred to in paragraphs 50.2, ~~50.3~~, ~~50.4~~ ~~or~~ ~~50.5~~ ~~or~~ [50.6](#) in order to amend this Scheme pursuant to paragraph 44.

51. **GOVERNING LAW**

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

Dated this ~~1~~ [31st](#) day of ~~1~~ [January](#) 2019.

SCHEDULE 1

PART 1

TRANSFERRED CONTRACTS

1. ~~Services agreement Annual Maintenance & Support Contract~~ between Royal London and ~~Glenbeigh Records Management Limited dated 16 June 2013~~; Informa Support Solutions dated 27 February 2015;
2. Software Order Form and Licence Agreement between Royal London and Arbrook Limited dated 20 October 2013;
3. Software Licence Agreement between Royal London and The Computer Partnership Limited dated 21 July 1998;
4. Maintenance Agreement between Royal London and The Computer Partnership Limited dated 21 July 1998; and
5. Customisation Agreement between Royal London and The Computer Partnership Limited dated 21 July 1998.

PART 2

TRANSFERRED IP

1. Registered Trade Marks

| Trade mark | Country | Registration Date | Registration Number | Renewal Date | International Classes |
|---|---------|-------------------|---------------------|--------------|-----------------------|
| Royal London European With Profits Bond | Germany | 28/05/2002 | 30226259 | 31/05/2022 | 36 |
| Libertas | Germany | 26/02/2002 | 30210282 | 28/02/2022 | 36 |
| CALEDONIAN LIFE | Ireland | 20/07/2011 | 247745 | 19/07/2021 | 36 |

2. Domain Names

- 2.1 Caledonianlife.ie
- 2.2 Royallondon.ie
- 2.3 Royalondon.ie
- 2.4 royallondonxtras.ie

SCHEDULE 2

TRANSFERRED POLICIES

PART 1

RL LIVER TRANSFERRED POLICIES

1. All those Policies of Royal London originally written in the Republic of Ireland by the Liver Society or another insurer and transferred to Royal London and allocated to the RL Royal Liver Sub-Fund by the Instrument of Transfer.
2. All those Policies of Royal London, originally written by GRELI in the Republic of Ireland and transferred to Royal London and allocated to the RL Royal Liver Sub-Fund by the GRELI Scheme.

PART 2

GERMAN BOND TRANSFERRED POLICIES

1. All those Policies written by Royal London in Germany under the following names:
 - (a) Royal London European With-Profits Bond;
 - (b) Royal London With-Profits Bond Plus;
 - (c) Libertas/Safe Combination Bond,and, in each case, allocated to the RL Main Fund.

PART 3

POST-2011 TRANSFERRED POLICIES

1. All those non-profit protection Policies of Royal London, written by Royal London in the Republic of Ireland through a local branch on or after 1 July 2011 and allocated to the RL Main Fund.

SCHEDULE 3

CORE PRINCIPLES OF FINANCIAL MANAGEMENT

Interpretation

1. In these Core Principles of Financial Management:
 - 1.1 references to the RL DAC Board making a determination (or any similar concept) shall be interpreted as requiring the RL DAC Board to do so having regard to the advice of the RL DAC HoAF;
 - 1.2 references to the "realistic value of assets" in the Liver Ireland Sub-Fund shall be to the realistic value of assets excluding the value of any Capital Support;
 - 1.3 references to the "realistic value of liabilities" in the Liver Ireland Sub-Fund shall be to the realistic liabilities excluding any actual or contingent liability to repay the value any Capital Support; and
 - 1.4 any reference to a "Principle" in this Schedule 3 is to one of the Core Principles of Financial Management in this Schedule 3.

Introduction

2. RL DAC shall conduct the business of the Liver Ireland Sub-Fund in a sound and prudent manner in accordance with the Core Principles of Financial Management in this Schedule 3.
3. It is expected that the conduct of the business of the Liver Ireland Sub-Fund by RL DAC will continue to develop in the future. The existence of these principles should not be regarded as constraining the RL DAC Board from making appropriate changes to the conduct of the business of the Liver Ireland Sub-Fund, including the investment policy or the bonus policy (including the determination of Asset Shares, the level of enhancements or deductions from Asset Share and the methods by which any excess assets as referred to in paragraph 16 of this Schedule 3 should be distributed to Liver Ireland With-Profits Policies).

Overriding principles for investment and bonus policy

4. The investment policy of the Liver Ireland Sub-Fund and the bonus policy in respect of Liver Ireland With-Profits Policies (including the determination of Asset Shares, deductions from Asset Shares in respect of the cost of guarantees and smoothing policy) shall be determined by the RL DAC Board:
 - 4.1 as if the Liver Ireland Sub-Fund comprised a Notional Insurance Company;
 - 4.2 disregarding the future availability of any capital support from outside the Liver Ireland Sub-Fund to the Liver Ireland Sub-Fund;
 - 4.3 by reference to, and not constrained in any way other than by, the financial position, investment performance and experience of the Liver Ireland Sub-Fund, the terms of the Liver Ireland Policies, the provisions of this Scheme and the principles specified in this Schedule 3; and
 - 4.4 having regard to the reasonable expectations from time to time of Liver Ireland Policyholders (as modified by the provisions of this Scheme) and the duty to treat them fairly.

Investment policy

5. Without prejudice to the generality of paragraph 4 of this Schedule 3, the investment policy of the Liver Ireland Sub-Fund shall:

- 5.1 subject to paragraph 5.2 of this Schedule 3, seek to optimise the investment return earned on the investments of the Liver Ireland Sub-Fund whilst recognising the need to safeguard the financial security of the Liver Ireland Sub-Fund and, in particular, the objective that the Liver Ireland Sub-Fund should be able to satisfy all its Regulatory Requirements; and
- 5.2 have regard to the nature of the liabilities of the Liver Ireland Sub-Fund (including all policy and non-policy liabilities and any other liabilities allocated to the Liver Ireland Sub-Fund under the provisions of this Scheme) and guarantees on Liver Ireland With-Profits Policies and, in particular, seek to cover the liabilities in respect of Liver Ireland Policies which are not Liver Ireland With-Profits Policies with assets of an appropriate nature and, if relevant, duration.

Bonus policy

6. Except as provided in paragraph 15 of this Schedule 3 no bonuses shall be payable on Contingent Bonus Policies.
7. Without prejudice to the generality of paragraph 4 of this Schedule 3, the bonus policy in respect of Liver Ireland Full WP Policies shall recognise the intention that:
 - 7.1 in normal circumstances, any changes in regular bonuses will be gradual but regular bonuses should be declared at levels which do not unduly constrain investment freedom or the prospects for declaration of final bonuses; and
 - 7.2 final bonuses should be determined to comply with paragraph 9 of this Schedule 3 and also in a manner consistent with a requirement to distribute over the lifetime of the relevant policies, in an equitable manner, all the excess of assets over liabilities in the Liver Ireland Sub-Fund in accordance with paragraph 15 of this Schedule 3.
8. Subject to smoothing and to paragraph 10 of this Schedule 3, payouts at maturity and on surrender, and the value of benefits on vesting, of Liver Ireland Full WP Policies shall be targeted on Asset Shares. Smoothing is to be determined in a manner consistent with policyholders' reasonable expectations having regard to RL DAC's practice prior to the Liver Reinsurance Termination Date but not to the extent that it would unreasonably jeopardise the ability of the Liver Ireland Sub-Fund to satisfy all its Regulatory Requirements.
9. Other than for classes of With-Profits Policies where, in the opinion of the RL DAC Board, alternative methods may be more appropriate, final bonuses in respect of Liver Ireland Full WP Policies shall be determined by reference to Asset Shares.
10. Notwithstanding the provisions of paragraphs 6 to 9 of this Schedule 3, a deduction may be made from payouts on surrender if necessary, in the opinion of the RL DAC Board, to protect the interests of the remaining holders of Liver Ireland With-Profits Policies in the Liver Ireland Sub-Fund and to the extent consistent with policy terms.
11. Payouts on death shall be determined in a manner consistent with policyholders' reasonable expectations having regard to RL DAC's practice prior to the Liver Reinsurance Termination Date.

Asset Share

12. The Asset Shares in respect of Liver Ireland Full WP Policies immediately after the Liver Reinsurance Termination Date will be unchanged in any material respect from the Asset Share determined according to the asset share methodology and assumptions adopted immediately prior to the Liver Reinsurance Termination Date adjusted by the RL DAC Board if necessary in respect of any manifest errors or omissions.
13. The Asset Shares in respect of Liver Ireland Full WP Policies shall be accumulated after the Liver Reinsurance Termination Date in a manner which reflects the financial position, investment performance and experience of the Liver Ireland Sub-Fund and the assets backing the Asset Share

of such Policies. In determining the underlying rate of investment return applicable to the accumulation of Asset Shares, assets may be notionally hypothecated to different categories of With-Profits Policies and may vary depending on the outstanding duration of the relevant With-Profits Policy, provided that to do so is consistent with legal and regulatory requirements and the RL DAC General Good Requirements.

14. Asset Shares shall be determined after applying charges for the cost of guarantees (on a basis consistent with the reasonable expectations of the holder of Liver Ireland Full WP Policies having regard inter alia to RL DAC's practice prior to the Liver Reinsurance Termination Date) and any relevant enhancements and deductions in accordance with paragraphs 15, 16 and 17 of this Schedule 3.

Asset Share Enhancements and Deductions

15. If at any calendar year end, the RL DAC Board determines that the realistic value of assets in the Liver Ireland Sub-Fund exceeds the realistic value of liabilities in the Liver Ireland Sub-Fund by an amount in excess of the capital required to enable the Liver Ireland Sub-Fund to withstand a reasonably foreseeable adverse event and still be able to meet Regulatory Requirements, enhancements will be made to the Asset Share of Liver Ireland Full WP Policies and contingent bonuses credited to Contingent Bonus Policies, such enhancements and bonuses being at rates determined by the RL DAC Board, thus increasing the realistic value of liabilities to the extent necessary to eliminate this excess. For the purpose of this paragraph 15, a reasonably foreseeable adverse event means an event or combination of events, the adverse impact of which is, in the reasonable opinion of the RL DAC Board, likely to be exceeded with a 5% probability in the next twelve months and the Regulatory Requirements will be determined disregarding the possibility of removing enhancements pursuant to paragraph 16 of this Schedule 3 or making deductions from Asset Share pursuant to paragraph 17 of this Schedule 3.
16. If, at any calendar year end or at such other time as a relevant investigation is carried out, the realistic value of assets in the Liver Ireland Sub-Fund exceeds the realistic value of liabilities in the Liver Ireland Sub-Fund by an amount which is insufficient to enable the Liver Ireland Sub-Fund to meet its Regulatory Requirements, enhancements previously made to Asset Share (including any made prior to the Liver Reinsurance Termination Date) and contingent bonuses previously credited to Contingent Bonus Policies (including any made prior to the Liver Reinsurance Termination Date) pursuant to paragraph 15 of this Schedule 3 (if any) shall be removed to the extent necessary to enable the Liver Ireland Sub-Fund to meet Regulatory Requirements. For the purpose of this paragraph 16, the Regulatory Requirements will be determined disregarding the possibility of making deductions from Asset Share pursuant to paragraph 17 of this Schedule 3 but allowing for the possibility of removing enhancements made pursuant to paragraph 15 of this Schedule 3 at the next scheduled investigation.
17. If at any calendar year end or at such other time as a relevant investigation is carried out, either:
 - 17.1 the realistic value of liabilities in the Liver Ireland Sub-Fund exceeds the realistic value of assets in the Liver Ireland Sub-Fund; or
 - 17.2 the realistic value of assets in the Liver Ireland Sub-Fund exceeds the realistic value of liabilities in the Liver Ireland Sub-Fund by an amount which is insufficient to enable the Liver Ireland Sub-Fund to meet Regulatory Requirements (determined allowing for the possibility of making deductions from Asset Share pursuant to this paragraph 17 at the next scheduled investigation),

a percentage deduction will be made from the Asset Share of all Liver Ireland Full WP Policies, such percentage being the same for all such Asset Share and determined as the minimum percentage necessary to eliminate to the extent possible any shortfall of realistic assets over realistic liabilities and any shortfall in the ability of the Liver Ireland Sub-Fund to meet Regulatory Requirements (rounded up to the nearest whole number multiple of 1%).

18. Subject to paragraph 20 of this Schedule 3, in assessing the ability of the Liver Ireland Sub-Fund to meet Regulatory Requirements for the purposes of these Core Principles of Financial Management immediately after the Liver Reinsurance Termination Date, RL DAC undertakes not:
- 18.1 to change the values ascribed to any of the Transferred Assets or Transferred Liabilities in the Liver Ireland Sub-Fund; or
 - 18.2 to change the bases or methodologies used to determine available capital and capital requirements,
- in each case from those applied immediately prior to the Liver Reinsurance Termination Date if such change would, in the opinion of the RL DAC Board, having regard to these Core Principles of Financial Management result in, or materially increase the likelihood of, management actions being taken which would have an adverse impact on the holders of any group of Liver Ireland Policies.
19. Subject to paragraph 14 of this Schedule 3, in assessing the ability of the Liver Ireland Sub-Fund to meet Regulatory Requirements for the purposes of these Core Principles of Financial Management in this Schedule 3 after the Liver Reinsurance Termination Date, RL DAC undertakes not:
- 19.1 to make changes to the basis or methodology used to place a value on any of the assets or liabilities in the Liver Ireland Sub-Fund; or
 - 19.2 to make changes to the basis or methodology used to determine available capital and capital requirements,
- in each case, from the immediately preceding basis or methodology if such change would, either alone or in aggregate with any other change, in the opinion of the RL DAC Board, having regard to these Core Principles of Financial Management in this Schedule 3, result in, or materially increase the likelihood of, management actions being taken which would have an adverse impact on the holders of any group of Liver Ireland Policies.
20. RL DAC shall not be prevented from making any of the changes otherwise restricted by paragraphs 18 or 19 to the extent the RL DAC Board reasonably believes the same is necessary:
- 20.1 to appropriately incorporate the impact of changes in circumstances which were not previously anticipated in the assessment of compliance with Regulatory Requirements;
 - 20.2 to appropriately incorporate the impact of new information arising after the Liver Reinsurance Termination Date (including changes in and updates to experience analyses and changes in other information used to set future assumptions);
 - 20.3 to remove differences in accounting policies and conventions between RL DAC and Royal London in each case in place prior to the Liver Reinsurance Termination Date;
 - 20.4 to comply with legal and regulatory requirements and applicable guidance from time to time (including actuarial standards, applicable accounting rules and practices and any individual requests or requirements of relevant regulatory bodies); or
 - 20.5 to correct a manifest error or omission.

Discretionary charges

21. Discretionary charges on Liver Ireland Policies shall be managed on and from the Liver Reinsurance Termination Date in a manner consistent with the policy terms and reasonable expectations of the holders of such Policies having regard inter alia to RL DAC's practice prior to the Liver Reinsurance Termination Date (as modified by the provisions of this Scheme) and the duty to treat them fairly.

SCHEDULE 4

EXPENSES AND CHARGES - LIVER IRELAND SUB-FUND

PART 1

CHARGING ARRANGEMENTS

1. For the purposes of this Parts 1 and 2 of this Schedule 4:

| | | | |
|-------------------------------|-------------------|--|--|
| "Actual Cost" | | | means the direct internal and external costs to the RL DAC Group of providing the relevant Services and a reasonable allocation (as determined by the RL DAC Board having regard to the advice of the RL DAC HoAF) of RL DAC's indirect costs attributable thereto, excluding any internal margin for profit; |
| "Aggregate Charge" | Per Policy | | means: (a) during the Initial Period, mean the charge payable for the Operational Services comprising the aggregate of the amounts determined by multiplying the per Policy charge applicable in each Charge Year to each Class of Business by the Average Number of Policies for that class of business calculated in accordance with paragraph 2 of Part 2 of this Schedule 4; and (b) after the Initial Period shall be calculated in accordance with paragraph 4 of Part 2 of this Schedule 4; |
| "Average Policies" | Number of | | shall mean the sum of the average number of relevant RL Liver Transferred Policies allocated to the Liver Ireland Sub-Fund for each Class of Business which are in force during the relevant Charge Year calculated in accordance with paragraph 2 of this Part 1 of this Schedule 4; |
| "Basic Service Fee" | | | shall be an amount of 26 basis points per annum calculated monthly on the market value of assets of the Liver Ireland Sub-Fund (including the effect of the Liver Reinsurance Agreement) payable for the Investment Administration and Asset Management Services (and for the avoidance of doubt no further amounts shall be charged in connection with the Investment Administration and Asset Management Services); |
| "Charge Year" | | | means the First Charge Period and each subsequent twelve month period from the end of the First Charge Period until the end of the Initial Period; |
| "Class of Business" | | | means a Class of Business in accordance with Part B of this Schedule 4; |
| "Estimated Charge" | Per Policy | | shall mean an estimate of the Aggregate Per Policy Charge calculated in accordance with paragraph 2 of this Part 1 of this Schedule 4; |
| "First Charge Period" | | | means the period from 1 December 2018 to 1 December 2019; |
| "Guaranteed Rate Card" | | | means the guaranteed costs on a per Policy basis as set out in Part 2 of this Schedule 4; |

| | |
|--|--|
| "Initial Period" | means the period from the Effective Date to 1 December 2021; |
| "Investment Administration and Asset Management Services" | means all services provided by or on behalf of RL DAC to the Liver Ireland Sub-Fund in relation to managing the investment of the assets of the Liver Ireland Sub-Fund including without limitation, investment accounting, unit pricing, transaction costs and investment advisory fees (excluding Losses in respect of which there is a specific debit pursuant to paragraph 27.1 and excluding any RL DAC Exceptional Costs which shall be charged in accordance with Part 3 of this Schedule 4 and Custodian Fees which shall be charged in accordance with Part 4 of this Schedule 4); |
| "Operational Services" | means the Services excluding the Investment Administration and Asset Management Services; and |
| "Services" | means the complete set of business as usual services (including, without limitation, administration services, Investment Administration and Asset Management Services and regulatory and governance oversight, control and reporting services) provided by or on behalf of RL DAC to the Liver Ireland Sub-Fund or any other subsidiary or subsidiary undertaking allocated to the Liver Ireland Sub-Fund to which RL DAC provides such Services from time to time pursuant to and in accordance with the provisions of this Scheme but excluding any services relating to the RL DAC Exceptional Costs. |

2. The Average Number of Policies for each Class of Business shall be determined by taking the sum of one half of the number of relevant policies in-force at the start of each Charge Year and one half the number of relevant policies in-force at the end of each Charge Year. The Average Number of Policies for each Class of Business shall be estimated at the beginning of each Charge Year and the aggregate number of Policies for all Classes of Business shall be used to calculate the Estimated Per Policy Charge.
3. Subject to paragraph 4 of this Part 1 of this Schedule 4, amounts charged in respect of the Services provided by RL DAC to the Liver Ireland Sub-Fund in accordance with the provisions of this Scheme for the duration of the Initial Period shall consist of the Aggregate Per Policy Charge and the Basic Service Fee and shall be calculated and payable as follows:
 - 3.1.1 One-twelfth of the Estimated Per Policy Charge shall be paid by debiting that amount from the Liver Ireland Sub-Fund and crediting it to the RL DAC Open Fund at the end of each Calendar Month ending within the Charge Year to which the Estimated Per Policy Charge relates.
 - 3.1.2 As soon as reasonably practicable following the end of a Charge Year, RL DAC shall calculate the actual Aggregate Per Policy Charge.
 - 3.1.3 Within 60 Business Days following the end of the relevant Charge Year, the difference between the Estimated Per Policy Charge and the Aggregate Per Policy Charge shall be calculated and, if the Aggregate Per Policy Charge exceeds the Estimated Per Policy Charge, the difference shall be debited from the Liver Ireland Sub-Fund and credited to the RL DAC Open Fund or if the Estimated Per Policy Charge exceeds the Aggregate Per Policy Charge, the difference shall be debited from the RL DAC Open Fund and credited to the Liver Ireland Sub-Fund.
 - 3.1.4 The Basic Service Fee shall be calculated and payable on the first Business Day of each month and shall be paid by debiting the fee from the Liver Ireland Sub-Fund and crediting it to the RL DAC Open Fund.

4. Neither the Basic Service Fee nor the Aggregate Per Policy Charge shall apply to or be in respect of RL DAC Exceptional Costs which shall be charged and allocated to the Liver Ireland Sub-Fund pursuant to Part 3 of this Schedule 4.

PART 2

GUARANTEED RATE CARD AND CHARGES

1. The following table shows the per annualised Policy charges that, subject to the terms of this Part 2 of Schedule 4, apply from 1 December 2016:

Class of Business

| | |
|---|--------|
| Industrial Branch – non-profit | £7.00 |
| Industrial Branch – with profits (including IB Contingent Bonus policies) | £10.90 |
| Ordinary Branch – non-profit | £31.71 |
| Ordinary Branch – with profits | £49.29 |
| Caledonian | €58.16 |

2. The per Policy charges applicable in each Charge Year to the end of the Initial Period which are expressed in Sterling (which means the lawful currency for the time being of the United Kingdom) in the Guaranteed Rate Card table above shall be adjusted on a compound basis from the first day of month 6 of 2017 to the mid-point of the relevant Charge Year by the average over that period of the increase in the published RPI and the increase in the published K54U ("**K54U**" means the whole economy, seasonally adjusted average weekly earnings, including bonuses, excluding arrears index).
3. The per Policy charges applicable in each Charge Year to the end of the Initial Period which are expressed in Euros in the Guaranteed Rate Card table above shall be adjusted on a compound basis from the first day of month 6 of 2017 to the mid-point of the relevant Charge Year by the increase in the published Irish Consumer Price Index plus 1%.
4. Subject to paragraph 5 of this Part 2 of Schedule 4, after the expiry of the Initial Period, the per Policy charges in the Guaranteed Rate Card shall expire and the Aggregate Per Policy Charge thereafter shall be replaced by the Actual Cost for the Operational Services charged under the Guaranteed Rate Card during the Initial Period in respect of the Liver Ireland Sub-Fund plus a margin of 7.5%.
5. Within 12 months following the expiry of the Initial Period, RL DAC shall review the Aggregate Per Policy Charge being made under paragraph 4 of this Part 2 of Schedule 4 against the charges for the corresponding Operational Services in respect of the Liver Ireland Sub-Fund which would apply if the relevant Operational Services which are capable of being outsourced were to be provided by a third party provider. Subject to paragraph 7 of this Part 2 of Schedule 4, if a third party provider is able to provide all (but not some only) of the Operational Services which are capable of being outsourced in respect of the Liver Ireland Sub-Fund for materially lower charges than those resulting from the application of paragraph 4 of this Part 2 of Schedule 4, then such Operational Services in respect of the Liver Ireland Sub-Fund will, at the sole discretion of RL DAC, either:
- 5.1 be outsourced by RL DAC to a third-party provider on terms reasonably satisfactory to the RL DAC Board (having regard to the advice of the RL DAC HoAF); or
- 5.2 continue to be provided by RL DAC but at a cost not exceeding that which would have been incurred using the relevant third-party provider, but taking account of the residual costs which would have needed to remain in RL DAC and those other costs and charges as referred to in paragraph 7 of this Part 2 of Schedule 4.

For the avoidance of doubt, the Operational Services that are capable of being outsourced shall exclude control, reporting, oversight, compliance and governance functions in relation to the Liver Ireland Sub-Fund.

6. After the expiry of the Initial Period, in accordance with its normal practices and procedures which apply to its business as a whole, and consistent with its legal and regulatory obligations, RL DAC shall keep the charges applied pursuant to this Part 2 of Schedule 4 under review.
7. RL DAC shall, in reviewing the Aggregate Per Policy Charge pursuant to paragraph 5 of this Part 2 of Schedule 4, have regard to, inter alia, the quality of service, the cost of transfer and the ongoing control, reporting, oversight, compliance and governance costs remaining with RL DAC and other matters consistent with RL DAC's policy on outsourcing prevailing at the time. In addition, RL DAC shall have regard to the additional charges likely to be made by a third-party service provider for any changes to outsourced Operational Services in respect of the Liver Ireland Sub-Fund, special projects, any specific costs and expenses involved in the transfer including the costs of any system upgrade or migration and any ongoing development or upgrade costs. In determining the cost of provision of the Operational Services in respect of the Liver Ireland Sub-Fund by such a third-party provider, RL DAC shall be entitled to increase the relevant amount by an amount reflecting the cost to RL DAC of ongoing control, reporting, oversight, compliance and governance.
8. RL DAC shall not be obliged to take account of a service provider where a reasonable person would have concerns about the quality of service, reputation, financial standing or jurisdictional location of such service provider.
9. RL DAC shall also be entitled to exclude any service provider which would not be able to meet or otherwise comply with RL DAC's policy on outsourcing in force at that time.

PART 3

RL DAC EXCEPTIONAL COSTS

1. Notwithstanding, but without prejudice to the generality of, any other provision of this Scheme (and in particular to the treatment of the Excluded Liabilities for the purposes of this Scheme), all costs, expenses, fees and charges and other Losses incurred in respect of the RL Liver Transferred Business in relation to the matters referred to in paragraph 2 of this Part 3 of Schedule 4 (the "**RL DAC Exceptional Costs**") shall be charged and allocated by the RL DAC Board to the Liver Ireland Sub-Fund, provided that:
 - 1.1 prior to the Liver Reinsurance Termination Date, such allocation shall be agreed between Royal London and RL DAC as follows:
 - 1.1.1 the RL DAC HoAF shall provide, on behalf of RL DAC, to the Royal London Actuary and the Royal London WP Actuary, no later than 40 Business Days prior to the date on which any payment in respect of such RL DAC Exceptional Costs is required to be made, such details as Royal London may reasonably require as to the nature, quantum, scope and timing of such RL DAC Exceptional Costs, including such information as is required for Royal London to verify whether such costs have been, or are to be, reasonably and properly incurred; and
 - 1.1.2 in the event of any dispute or disagreement between Royal London and RL DAC in relation to the nature, quantum, scope, timing, allocation or appropriateness of such costs, such dispute or disagreement shall be referred to the Third Party Actuary for determination in accordance with Schedule 7;
 - 1.2 on or after the Liver Reinsurance Termination Date, such allocation shall be as determined by the RL DAC Board, having regard to the advice of the RL DAC HoAF:
2. The RL DAC Exceptional Costs referred to in paragraph 1 of this Part 3 of Schedule 4 are as follows:
 - 2.1 any investigation and remediation in respect of any material systemic issues that existed prior to 1 July 2011 that affect Liver Ireland Policyholders (including, without limitation, unit-pricing errors, issue of incorrect bonus notices, product defects, incorrect payment or calculation of benefits to Liver Ireland Policyholders or other failure to comply with Policy terms and conditions);
 - 2.2 an allocation, on a fair and equitable basis having regard to the assets and liabilities allocated to the Liver Ireland Sub-Fund from time to time, of relevant industry levies levied on RL DAC, as determined by the RL DAC Board, having regard to the advice of the RL DAC HoAF;
 - 2.3 rectification of a material defect to any information technology system which formed part of the Transferring Assets where such material defect existed prior to 1 July 2011 and where the cost of correction of remedying such a defect is material;
 - 2.4 any investigation, remediation or penalties imposed by a relevant authority in respect of a Tax issue arising in respect of a period ending on or before 1 July 2011;
 - 2.5 fines and penalties arising from regulatory matters that existed prior to 1 July 2011 and imposed on Royal London in respect of the RL Liver Transferred Business by any regulator;
 - 2.6 an allocation on a fair and equitable basis, as determined by the RL DAC Board, having regard to the advice of the RL DAC HoAF, of the marginal cost of implementing major legislative, regulatory or Tax changes that are mandatory and reasonably attributable to the Liver Ireland Sub-Fund and where such changes could not normally be managed within business as usual activities;

- 2.7 any reasonable expenses incurred in the preparation and circulation of any communications to Liver Ireland Policyholders that are outside the ordinary and usual course of business;
- 2.8 any costs or expenses incurred in respect of the management of property allocated to the Liver Ireland Sub-Fund (including, any property maintenance costs and agents' fees) to the extent not offset against the investment income of assets allocated to the Liver Ireland Sub-Fund;
- 2.9 any costs resulting from levies imposed on life insurance premiums by tax authorities to the extent attributable to the Liver Ireland Sub-Fund; and
- 2.10 unless otherwise agreed between the Royal London Actuary, the Royal London WP Actuary and the RL DAC HoAF, any costs or expenses relating to the termination of the Liver Reinsurance Agreement;

For the purposes of this paragraph 1 of this Part 3 of Schedule 4, "material systemic" or "material" shall mean that the issue is of sufficient scale that: (i) the costs of rectifying the issue is in excess of that which would reasonably be factored into a business as usual budget; or (ii) rectification requires additional resources (which may include resources from within the RL DAC Group) which, if not made available, would lead to normal customer service activities or levels being adversely affected.

- 3. RL DAC agrees to use reasonable endeavours (which shall not require RL DAC to unfairly or unreasonably prejudice its commercial interests or the reasonable expectations of its other Policyholders) to mitigate or minimise any RL DAC Exceptional Costs to be charged to the Liver Ireland Sub-Fund. Any RL DAC Exceptional Costs charged to the Liver Ireland Sub-Fund shall be charged at the direct internal and external costs to RL DAC or a member of the RL DAC Group and a reasonable allocation (as determined by the RL DAC Board having regard to the advice of the RL DAC HoAF) of RL DAC's indirect costs attributable thereto, excluding any internal margin for profit.
- 4. For the avoidance of doubt, RL DAC agrees that the following matters shall not be RL DAC Exceptional Costs:
 - 4.1 any costs and expenses incurred in respect of the provision of Services in respect of the Liver Ireland Sub-Fund by RL DAC (that are not included under paragraph 1 of this Part 3 of Schedule 4 or expressly permitted to be charged under Part 1 or Part 2 of Schedule 4) under a business-as-usual agenda in the normal course of business;
 - 4.2 any Losses (other than immaterial amounts) resulting from the deliberate wrongful acts, errors, omissions or negligence (including, without limitation, unit pricing errors and Policy administration errors) of RL DAC or any member of the RL DAC Group after the Effective Date (and not, for the avoidance of doubt, to the extent such Losses arise from acts or omissions of Royal London or any member of the Royal London Group prior to the Effective Date or arise as a result or consequence of faulty systems or similar defect with regard to any infrastructure or Asset in existence at or prior to 1 July 2011). Where, in the opinion of the RL DAC Board (having regard to the advice of the RL DAC HoAF), a Loss is incorrectly borne by or a debit is incorrectly made to, the Liver Ireland Sub-Fund, RL DAC shall ensure that an appropriate credit is made or the relevant debit is reversed as soon as reasonably practicable; [and](#)
 - 4.3 any maintenance or enhancements made to or migration of information technology systems made by RL DAC following 1 July 2011 to the extent not rectifying a material defect in existence prior to 1 July 2011 pursuant to paragraph 2.3 of this Part 3 of Schedule 4 or satisfying a requirement under paragraph 2.6 of this Part 3 of Schedule 4.

PART 4

CUSTODIAN FEES

1. For the purposes of this Part 4 of Schedule 4, "**Custodian Fees**" shall mean any fees, expenses or charges incurred in respect of custodian services supplied to the Liver Ireland Sub-Fund in relation to the investment of the assets allocated to the Liver Ireland Sub-Fund from time to time following the Effective Date.
2. Custodian Fees shall be allocated to and borne by the Liver Ireland Sub-Fund.

SCHEDULE 5

EXPENSES AND CHARGES – GERMAN BOND SUB-FUND

1. In this Schedule:

"Actual GBSF Costs" means an amount equal to the direct internal and external costs to the RL DAC Group of providing GBSF Services and a reasonable allocation (as determined by the RL DAC Board having regard to the advice of the RL DAC HoAF) of RL DAC's indirect costs attributable thereto, excluding any internal margin for profit;

"GBSF Exceptional Costs" means all costs, expenses, fees and charges and other Losses incurred in respect of the German Bond Transferred Business that the RL DAC Board having regard to the advice of the RL DAC HoAF determines are chargeable to the German Bond Sub-Fund in addition to the Service Fee and the Actual GBSF Costs;

"GBSF Investment Services" means all services provided by or on behalf of RL DAC to the German Bond Sub-Fund in relation to managing the investment of the assets of the German Bond Sub-Fund including without limitation, investment accounting, unit pricing, transaction costs, investment advisory fees and custodian fees (excluding any GBSF Exceptional Costs which shall be charged in accordance with paragraph 5 of this Schedule 5);

"GBSF Services" means the complete set of business as usual services (including, without limitation, administration services, regulatory and governance oversight, control and reporting services, but excluding the GBSF Investment Services) provided by or on behalf of RL DAC to the German Bond Sub-Fund or any other subsidiary or subsidiary undertaking allocated to the German Bond Sub-Fund to which RL DAC provides or procures such services from time to time, but excluding any services relating to the GBSF Exceptional Costs; and

"Service Fee" means an amount equal to the direct internal and external actual costs incurred by the RL DAC Group in relation to the provision of GBSF Investment Services to the German Bond Sub-Fund (and for the avoidance of doubt no further amounts shall be deducted or otherwise charged to the German Bond Sub-Fund in connection with the provision of GBSF Investment Services).

2. Within 10 Business Days of the end of each Calendar Month after the Effective Date the Actual GBSF Costs for the previous Calendar Month shall, unless the RL DAC HoAF directs otherwise, be debited from the German Bond Sub-Fund and credited to the RL DAC Open Fund.

3. The Service Fee shall:

3.1 on and with effect from the Effective Date be calculated as soon as reasonably practicable following the end of each calendar quarter; and

3.2 be paid within 20 Business Days of its calculation pursuant to paragraph 3.1 of this Schedule 5 by debiting the fee from the German Bond Sub-Fund and crediting it to the RL DAC Open Fund.

4. For the avoidance of doubt, the Service Fee shall not apply or be in respect of any GBSF Exceptional Costs or the provision of GBSF Services.

5. Any GBSF Exceptional Costs shall be charged and allocated by the RL DAC Board to the German Bond Sub-Fund, provided that such allocation shall be agreed between Royal London and RL DAC as follows:
 - 5.1.1 the RL DAC HoAF shall provide, on behalf of RL DAC, to the Royal London Actuary and the Royal London WP Actuary, no later than 40 Business Days prior to the date on which any payment in respect of such GBSF Exceptional Costs is required to be made, such details as Royal London may reasonably require as to the nature, quantum, scope and timing of such GBSF Exceptional Costs, including such information as is required for Royal London to verify whether such costs have been, or are to be, reasonably and properly incurred; and
 - 5.1.2 in the event of any dispute or disagreement between Royal London and RL DAC in relation to the nature, quantum, scope, timing, allocation or appropriateness of such costs, such dispute or disagreement shall be referred to the Third Party Actuary for determination in accordance with Schedule 7.
6. RL DAC shall use all reasonable efforts (which shall not require RL DAC to unfairly or unreasonably prejudice its commercial interests or the reasonable expectations of the holders of German Bond Transferred Policies) to mitigate:
 - 6.1 any GBSF Exceptional Costs;
 - 6.2 any Actual GBSF Costs; and
 - 6.3 any Service Fee,where any such costs and fee are reasonably capable of mitigation.

SCHEDULE 6

SERVICE STANDARDS

1. **Service Standards**

The service standards which shall be applied to the administration of the Liver Ireland Sub-Fund shall be as set out in the Liver Ireland Service Standards.

2. **Review of the Service Standards**

RL DAC shall be entitled to review the Liver Ireland Service Standards from time to time, but shall ensure that the Liver Ireland Service Standards in force at any one time shall satisfy the requirements of paragraph 28.2 of this Scheme and shall cover such areas as RL DAC considers necessary for the administration of the Liver Ireland Sub-Fund, which shall include but not be limited to:

- 2.1 telephone contact with customers, including answering phones and resolving customer queries;
- 2.2 business servicing, including maturity claim settlements, processing written servicing and work items and collecting premiums;
- 2.3 complaints handling, including point of sale, mortgage endowment reviews and servicing complaints handling; and
- 2.4 quality and monitoring principles of treating customers fairly, including breaches, complaints and quality checks.

SCHEDULE 7

THIRD PARTY ACTUARY

1. The Third Party Actuary shall be an actuary agreed on by the Royal London Board and the RL DAC Board or, if they cannot agree on such within seven (7) days of one of them giving notice in writing to the other that a Third Party Actuary should be appointed, such actuary as may be nominated on the application of either of them by the President of the Institute and Faculty of Actuaries.
2. The Third Party Actuary:
 - 2.1 shall be independent of both Royal London and RL DAC and shall not be employed by or engaged by a competitor long-term insurance company of Royal London or RL DAC (save where either Royal London or RL DAC, acting reasonably, confirms that it does not believe such employment or engagement creates a risk to the commercial interests of Royal London or RL DAC);
 - 2.2 shall be a then practising actuary of at least 20 years' standing with suitable professional post-qualification experience of advising long-term insurance companies in respect of their liabilities;
 - 2.3 shall be a member of the Institute and Faculty of Actuaries in the United Kingdom or the Society of Actuaries in Ireland;
 - 2.4 shall be an actuary employed by an actuarial firm or otherwise of good repute within the actuarial sector;
 - 2.5 shall have reasonable resources available to resolve a dispute or to determine the relevant matter within the timeframe required by this Schedule 7; and
 - 2.6 subject to paragraph 3 of this Schedule 7 shall enter into a confidentiality agreement with Royal London and RL DAC in a form reasonably satisfactory to Royal London and RL DAC, pursuant to which the Third Party Actuary agrees to keep any information provided to him confidential.
3. The findings, determinations, reports or certificates of the Third Party Actuary may be disclosed to a Relevant Regulator, if required by this Scheme or by Regulatory Requirements.
4. If the terms of engagement of the Third Party Actuary have not been settled or the Third Party Actuary fails to enter into the confidentiality agreement pursuant to paragraph 2.6 of this Schedule 7, in each case within 10 Business Days of his identity being selected, that actuary shall be deemed never to have become the Third Party Actuary and a new Third Party Actuary shall be selected in accordance with paragraphs 1 and 2 of this Schedule 7 (unless otherwise agreed between Royal London and RL DAC).
5. The terms of engagement of the Third Party Actuary shall:
 - 5.1 where applicable, have reference to the principles of this Scheme (as amended from time to time in accordance with paragraph 44) or, if not contrary to such principles, the principles of policyholders' reasonable expectations and treating customers fairly and, subject always to such principles, any other principles as Royal London and RL DAC may agree with the Third Party Actuary with respect to the matter or matters which are the subject of the Third Party Actuary's engagement; and
 - 5.2 if the Third Party Actuary is required to make a decision in respect of any matter relating to the period prior to a relevant Reinsurance Agreement Termination Date, require the Third Party Actuary in fulfilling his duties and reaching a decision:
 - 5.2.1 where such decision relates to the Liver Ireland Sub-Fund:

- (a) to consider the security of benefits and reasonable expectations of, and to treat fairly, the Policyholders allocated to the RL Royal Liver Sub-Fund and the Liver Ireland Sub-Fund (taking into account, where relevant, the IOT CPFM, the RL Royal Liver PPFM and the Liver Ireland PPFM Guide) and any other Policyholders of London and RL DAC that may be affected by his decision;
- (b) to give due regard to the terms of, and the principles underlying, this Scheme, the Instrument of Transfer, the Liver Reinsurance Agreement, the RL Royal Liver PPFM and the Liver Ireland PPFM Guide; including, without limitation:
 - (i) the interaction between the operation of the RL Royal Liver Sub-Fund and the Liver Ireland Sub-Fund; and
 - (ii) the interests and rights of the holders of Policies allocated to the RL Royal Liver Sub-Fund and those allocated to the Liver Ireland Sub-Fund, in each case pursuant to the terms of the aforementioned documents.

5.2.2 where such decision relates to the German Bond Sub-Fund:

- (a) to consider the security of benefits and reasonable expectations of, and to treat fairly, the Policyholders allocated to the RL Main Fund and the German Bond Sub-Fund (taking into account, where relevant, the RL Main Fund PPFM, the German Bond PPFM Guide) and any other Policyholders of London and RL DAC that may be affected by his decision; and
- (b) to give due regard to the terms of, and the principles underlying, this Scheme, the German Bond Reinsurance Agreement, the relevant provisions of the RL Main Fund PPFM and the German Bond PPFM Guide; including, without limitation:
 - (i) the interaction between the operation of the RL Main Fund and the German Bond Sub-Fund; and
 - (ii) the interests and rights of the holders of Policies allocated to the RL Main Fund and those allocated to the German Bond Sub-Fund, in each case pursuant to the terms of the aforementioned documents.

6. If any disagreement, dispute or matter is referred to a Third Party Actuary for determination for the purposes of this Scheme:

- 6.1 Royal London and RL DAC shall have a reasonable opportunity to make oral representations (and respond to submissions made by the other party) to the Third Party Actuary in the presence of the other party;
- 6.2 Royal London and RL DAC shall have a reasonable opportunity to make written representations (and respond to submissions made by the other party) to the Third Party Actuary and each party will be required to supply to the other party a copy of any written representations at the same time as they are provided to the Third Party Actuary;
- 6.3 Royal London and RL DAC shall use all reasonable endeavours to co-operate with the Third Party Actuary in resolving such disagreement or dispute or determining such matter, and for that purpose shall provide to him all such information and documentation as is within its possession and control and as he may reasonably require, except where:

- 6.3.1 to do so would breach any law or regulation or contractual obligation to which that party is subject; or
 - 6.3.2 such information is protected by any form of privilege recognised under English law or Irish law, provided that neither party shall be entitled to refuse to supply such part or parts of documents as contain only the facts on which the relevant claim or argument is based to the extent that such is permissible without the loss of the applicable privilege;
- 6.4 the Third Party Actuary shall have the right to seek such professional assistance and advice as he may require in fulfilling his duties;
- 6.5 in the event of any disagreement, dispute or matter (other than in relation to any disagreement, dispute or matter referred to in paragraph 6.6 of this Schedule 7), Royal London and RL DAC shall require that the Third Party Actuary reach a final and binding decision as soon as reasonably practicable, and in any event within 20 Business Days of being provided with all information and documentation reasonably required by the Third Party Actuary in accordance with paragraph 6.3 of this Schedule 7; and
- 6.6 in relation to:
 - 6.6.1 any disagreement, dispute or matter in respect of the RL DAC Proportion or the Fund Split Amount, Royal London and RL DAC shall require that the Third Party Actuary reach a final and binding decision as soon as reasonably practicable, and in any event within 40 Business Days of being provided with all information and documentation reasonably required by the Third Party Actuary in accordance with paragraph 6.3 of this Schedule 7; or
 - 6.6.2 the certificate to be issued by the Third Party Actuary pursuant to paragraph 31.9.2, Royal London and RL DAC shall require that the Third Party Actuary issues such certificate within 60 Business Days of being provided with all information and documentation reasonably required by the Third Party Actuary in accordance with paragraph 6.3 of this Schedule 7, or such other period as may be agreed in writing between Royal London, RL DAC and the Third Party Actuary, each acting reasonably.
- 7. For the avoidance of doubt:
 - 7.1 in determining the disagreement, dispute or relevant matter other than in relation to paragraph 31, the Third Party Actuary shall determine the calculation, amount or other matter disputed by Royal London and RL DAC;
 - 7.2 in relation to the certificate to be issued by the Third Party Actuary pursuant to paragraph 31, the certificate to be issued by the Third Party Actuary shall have regard to the requirements of paragraph 31.9.2.
- 8. The fees of the Third Party Actuary (and any professional fees incurred by him) shall be borne as the Third Party Actuary shall direct or failing such direction:
 - 8.1 in relation to any dispute or difference in relation to the Liver Ireland Sub-Fund, equally between the RL Royal Liver Sub-Fund and the Liver Ireland Sub-Fund;
 - 8.2 in relation to paragraph 31, as agreed between Royal London and RL DAC and, failing such agreement, as directed by the Third Party Actuary;
 - 8.3 in relation to any dispute or difference in relation to the German Bond Sub-Fund, equally between the RL Main Fund and the German Bond Sub-Fund;
 - 8.4 provided that if either party fails to pay its share of any such fee within seven days of the relevant invoice being rendered to the parties or either of them the other party shall be

entitled to pay the full amount of the fee and thereupon to recover one half thereof from the first-mentioned party as a debt due and payable on demand.

9. The Third Party Actuary shall be appointed to act as an expert and not as an arbitrator and the decision of the Third Party Actuary as to any matter referred to the Third Party Actuary shall be:
 - 9.1 made in writing and provided to Royal London and RL DAC;
 - 9.2 unless otherwise agreed by the parties, include the reasons for the relevant determination; and
 - 9.3 final and binding for all purposes of this Scheme, save where the Third Party Actuary has not substantiated his determination or in the event of manifest error, in each case, where the relevant part of the determination shall be void and remitted to the Third Party Actuary for re-determination.

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

IN THE MATTER OF THE ROYAL LONDON MUTUAL
INSURANCE SOCIETY LIMITED

- and -

IN THE MATTER OF ROYAL LONDON ~~FINANCIAL~~
~~SERVICES~~ INSURANCE D.A.C.

- and -

IN THE MATTER OF PART VII OF
THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

Pursuant to Part VII of, and Schedule 12 to, the Financial
Services and Markets Act 2000

Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

Tel: 020 7418 7000
Ref: HA06/MB60