

No. CR-2018-003310

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

**SCOTTISH WIDOWS LIMITED**  
and  
**SCOTTISH WIDOWS EUROPE SA**

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**SCHEME**

**for the transfer to Scottish Widows Europe SA  
of part of the long-term business of Scottish  
Widows Limited (pursuant to Part VII of the  
Financial Services and Markets Act 2000)**

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Herbert Smith Freehills LLP

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## PART A

### DEFINITIONS AND INTERPRETATION

#### 1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless the subject or context requires otherwise, the following expressions have the following meanings:

**"Appropriate Actuarial Advice"** means the Transferor's Board or the Transferee's Board (as applicable), having taken advice from:

- (a) if and to the extent that the matter will or may have an effect on the security or benefit expectations of any policyholder of any With Profits Policy:
  - (i) in respect of the Transferor's Board, the With Profits Actuary; and
  - (ii) in respect of the Transferee's Board, the Chief Actuary; or
- (b) the Chief Actuary in relation to other actuarial matters (including, for the avoidance of doubt, policyholder security or benefit expectations); or
- (c) both (as the case may be); and
- (d) such additional external actuarial guidance (if any) as the Transferor's Board or the Transferee's Board determines in its absolute discretion to obtain;

**"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 or licensed by the Transferor (and comprised within the Transferred Business) or by the Transferee (as the context requires) including all rights, benefits and powers of the Transferor or the Transferee under any Transferred Contract and all rights, including any right to repayment or recovery of Tax relating to the Transferred Business, claims and powers of the Transferor or the Transferee against any third party and including (for the avoidance of doubt) any such asset or property to which legal title is held by another party, provided that the Transferor or the Transferee has an interest in such asset or property, including beneficial ownership of such asset or property;

**"Asset Value"** means, in respect of any Asset or Assets, its or their value determined in accordance with Solvency II Requirements;

**"Balancing WP Assets Transfer Date"** has the meaning specified in paragraph 11.3;

**"Board"** means in relation to the Transferor or the Transferee, its board of directors from time to time;

**"Business Day"** means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Edinburgh and Luxembourg;

**"CAA"** means the Commissariat aux Assurances of Luxembourg, or any successor regulator in Luxembourg;

**"CAA Regulations"** means all applicable regulations and circular letters issued by the CAA, including the CAA Regulation 15/03;

**"CAA Regulation 15/03"** means the CAA Regulation 15/03 of 7 December 2015 pertaining to insurance and reinsurance undertakings, as amended;

**"Chief Actuary"** means the person appointed by the Transferor or the Transferee from time to time to perform (i) in the case of the Transferor, the "Chief Actuary" controlled function (SIMF20) or the equivalent successor function or (ii) in the case of the Transferee, the "Actuary Key Function Holder" as specified in the Insurance Act or the equivalent successor function;

**"Circular Letter 15/3"** means the Circular Letter 15/3 of the CAA relating to investment rules of life insurance contracts linked to investment funds;

"**CMGLAS**" means the Clerical, Medical and General Life Assurance Society, previously incorporated with registered number AC000094 and whose registered office was at 33 Old Broad Street, London EC2N 1HZ;

"**CMIG Scheme**" means the Scheme pursuant to section 9 of, and Schedule 2C to, the Insurance Companies Act 1982 (application no. 2618 of 1996), between CMGLAS and CMIG, and which, among other things, effected the demutualisation of CMGLAS (as amended by an Order of the Court dated 25 November 2005);

"**COBS**" means the Conduct of Business Sourcebook issued (or deemed to have been issued) by the FCA;

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

"**Data Controller**" has the meaning given to that term and to the respective Luxembourg term ("Data Controller") in the Data Protection Legislation;

"**Data Protection Legislation**" means (i) any legislation in force from time to time in the United Kingdom which implements or is related to the European Community's Directive 95/46/EC and Directive 2002/58/EC, including but not limited to the Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003; (ii) from 25 May 2018 only, Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of Personal Data and on the free movement of such data (the "**GDPR**"); (iii) any other legislation in force from time to time in the United Kingdom relating to privacy and/or the processing of Personal Data; and (iv) the GDPR and any other legislation in force from time to time in Luxembourg relating to the processing of Personal Data;

"**Data Subject**" has the meaning given to that term and to the respective Luxembourg term ("Data Subject") in the Data Protection Legislation;

"**Deed of Indemnity**" has the meaning given to it in paragraph 2.13;

"**DISP**" has the meaning given to it in paragraph 4.4.1;

"**Effective Date**" means the time and date on which the transfer pursuant to this Scheme shall take effect in accordance with paragraph 19.1;

"**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;

"**Excluded Assets**" means (i) all Investment Assets allocated to the Transferor With Profits Fund apart from the Specified WP Assets and (ii) all Investment Assets allocated to the Transferor Combined Fund apart from the Specified CF Assets and the Unit Linked Assets;

"**Excluded Policies**" means Policies of the following types that would otherwise be Transferred Policies and under which any Liability remains unsatisfied or outstanding at the Effective Date:

- (a) written by the Transferor in the course of carrying on Long Term 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, the Policy was concluded in an EEA State other than the United Kingdom; and
  - (ii) 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 3A of Schedule 12 to FSMA with respect to the relevant EEA State in which the relevant Polic(ies) were concluded; or

- (b) written by the Transferor in an establishment situated in an EEA State other than the United Kingdom, in respect of which 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; or
- (c) written by the Transferor in the course of carrying on Long Term Business but which, prior to the Effective Date, the Transferor and the Transferee agree shall not be transferred pursuant to FSMA on the Effective Date,

including, for the avoidance of doubt:

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

and any further Policy issued by the Transferor pursuant to the exercise of any right or option under an Excluded Policy, as described in paragraph 6.2;

**"Excluded Policies Reassurance Arrangement"** means the reinsurance arrangement to be implemented in respect of Excluded Policies pursuant to, and in accordance with, paragraph 6.1;

**"Expired Policies"** means those IFS Policies that have expired, terminated, lapsed or matured prior to the Effective Date and under which:

- (a) there are no outstanding liabilities of the Transferor to pay an insurance claim under the express terms of such Policy at the Effective Date; and
- (b) the relevant policyholder does not have a unilateral right, at the Effective Date, to have the relevant Policy reinstated in the future;

**"Fair Processing Notice"** the information which is required to be provided to Data Subjects pursuant to Articles 13 and 14 of the GDPR;

**"FCA"** means the Financial Conduct Authority and any successor regulatory authority;

**"FCA Handbook"** means the rules and guidance contained in the FCA Handbook of Rules and Guidance;

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

**"Funds Withheld Arrangement"** means the security provisions specified within schedule 3 of the New Reinsurance Agreement;

**"Grand-Ducal Regulations"** means the applicable Regulations implementing the Insurance Act;

**"Group"** means the Transferee, its ultimate holding company and any of that holding company's subsidiaries from time to time;

**"HL"** means Heidelberger Leben Service Management GmbH (formerly known as Heidelberger Leben – Clerical Medical Management GmbH), a company incorporated in Germany and registered with the Commercial Register at the Local Court of Mannheim under number HRB 703416 whose registered office is at Im Breitspiel 2-4, 69126 Heidelberg, Germany;

**"HL Outsourced Services Agreement"** means the policy administration outsourcing services agreement between HL and the Transferor, dated 31 March 2014;

**"IFS Policies"** means the policies written by the International Financial Services division of the Transferor within the categories set out in Schedule 1;

**"IFS Unit Linked Policies"** means the IFS Policies which are Linked Policies;

**"IFS With Profits Policies"** means the IFS Policies, other than IFS WP Annuities, which confer on the holder a right to share in surplus of, prior to the Effective Date, the Transferor With Profits Fund (including where benefits provided vary by reference to bonuses declared, or other surpluses otherwise distributed);

**"IFS WP Annuities"** means those annuities which are payable under the terms of an IFS With Profits Policy or an IFS Unit Linked Policy, including both any such annuities existing at the Effective Date and those coming into existence after the Effective Date;

**"Intellectual Property Rights"** means each of the following, to the extent beneficially owned by the Transferor or the Transferee at the Effective Date:

- (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; and
- (d) all design rights, database rights, software, systems developed by the Transferor or the Transferee and any other intellectual property rights (whether registrable or not in any country);

**"Investment Assets"** means any Assets of whatever nature that are held in respect of the technical provisions or the solvency capital requirement established in accordance with the Solvency II Directive (as transposed in the PRA Rulebook) in connection with the Transferred Business, by the Transferor;

**"Insurance Act"** means the Luxembourg law of 7 December 2015 on the insurance sector, as amended;

**"Insurance Contract Law"** means the Luxembourg law of 27 July 2017 on the insurance contract, as amended;

**"ITO"** means Information Technology Outsourcing S.R.L, a company registered in Italy with registration number VR 389687 and whose registered office is at Via Dei Valtorta 47, 20127 Milano;

**"LBG"** means Lloyds Banking Group plc, a company incorporated in Scotland with registered number SC095000 and with its registered office at The Mound, Edinburgh EH1 1YZ;

**"Level 2 Delegated Acts"** means Regulation (EU) 2015/35 of the European Commission supplementing the Solvency II Directive, published in the Official Journal of the European Union on 17 January 2015;

**"Liability"** means any debt or liability (whether direct or indirect, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due) including all liability to Taxation, and including all costs and expenses relating thereto;

**"Linked Fund"** means an internal linked fund maintained by the Transferor prior to the Effective Date or by the Transferee following the Effective Date for the purpose of calculating benefits payable under Linked Policies and in relation to which IFS Unit Linked Policies are invested, being those internal linked funds set out in Schedule 2;

**"Linked Policies"** means Transferred Policies under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in such Policies) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified) but, for the avoidance of doubt, which are not IFS With Profits Policies;

**"Long Term Business"** means:

- (a) in respect of the Transferor, 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; and
- (b) in respect of the Transferee, the business of effecting or carrying out life insurance contracts as principal, being contracts falling within Annex II of the Insurance Act;

**"New Reinsurance Agreement"** means the reinsurance agreement entered into between the Transferee and the Transferor prior to the Court hearing to sanction this Scheme, and conditional upon, and with effect from, the Effective Date, pursuant to which the Transferee will reinsure the Reinsured Liabilities to the Transferor;

**"Non-Transferred Policies"** means:

- (a) the Expired Policies; and
- (b) all Policies of the Transferor which are not IFS Policies;

**"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 of FSMA;

**"Other Luxembourg GAAP Liabilities"** means the Luxembourg GAAP liabilities of the Transferee immediately following the Effective Date in relation to the Transferred Policies, other than insurance liabilities, the accounting provision held by the Transferee in respect of German insurance business litigation and liabilities under the Funds Withheld Arrangement;

**"PAM"** means Pack Assurance Management SA, a limited company established under the laws of the Grand Duchy of Luxembourg, with its registered office located at 5, rue des Mérovingiens, L-8070 Bertrange, and registered with the Luxembourg Trade and Companies' Register under number B174814;

**"Personal Data"** has the meaning given to that term and the respective Luxembourg term "Personal Data" in the Data Protection Legislation;

**"Policy"** has the meaning set out in the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361) and for the avoidance of doubt, where any Policy is allocated in part to the Transferor With Profits Fund and in part to another fund of the Transferor, each of such parts;

**"PRA"** means the Prudential Regulation Authority and any successor regulatory authority;

**"PRA Rulebook"** means the rules contained in the PRA Rulebook for Solvency II firms, issued by the PRA;

**"Proceedings"** has the meaning given to it in paragraph 4.1;

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

**"Regulatory Requirements"** means (i) in the case of the Transferor, the FSMA, the PRA Rulebook, the FCA Handbook and the Solvency II Requirements; and (ii) in the case of the Transferee, the Insurance Act, the Grand-Ducal Regulations, the CAA Regulations and the Solvency II Requirements;

**"Reinsured Liabilities"** means:

- (a) in the case of the IFS With Profits Policies, the bid value of the With Profits Units allocated to the Policies plus any attaching bonus or similar discretionary adjustment provided in accordance with the terms and conditions attaching to the relevant Policy;
- (b) in the case of the IFS WP Annuities, all future benefits payable under the relevant Policies;

- (c) the cost of any guaranteed annuity conversion terms under the terms of any IFS With Profits Policy or IFS Unit Linked Policy;
- (d) return of premium guarantees provided under IFS With Profits Policies (apart from on German occupational pensions products); and
- (e) minimum bonus guarantees provided under IFS With Profits Policies;

**"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;

**"Replacement Policy"** has the meaning given to it in paragraph 6.2.2(A);

**"Residual Asset"** 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 the Transferor and the Transferee, or is proved by any third party, to be subject to the law of any country or territory other than the United Kingdom and that further steps, in addition to the Order, are required to secure that its transfer to the Transferee 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 to 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 the Transferor 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 not determined, pursuant to section 112A(2)(b) of FSMA, 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 the Transferor in any such Asset the transfer of which requires such steps and/or consent and/or waiver;
- (b) any interest of the Transferor in any Asset comprised in the Transferred Business which the Transferor and the Transferee agree prior to the Effective Date is to be delayed until after the Effective Date;
- (c) any interest of the Transferor in any Asset comprised in the Transferred Business which the Transferor and the Transferee shall agree prior to the Effective Date is more conveniently to be transferred pursuant to this Scheme after the Effective Date in conjunction with any Asset referred to in paragraphs (a) and/or (b) of this definition or in conjunction with a Residual Liability of the Transferor; and
- (d) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, from time to time earned on or received after the Effective Date in respect of any such relevant Asset referred to in paragraphs (a) to (c) 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 which:
  - (i) is agreed by the Transferor, or is proved by any third party, to be subject to the law of any country or territory other than the United Kingdom and that further steps, in addition to the Order, are required to secure that its transfer to the Transferee 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 the Transferor 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 so 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;
- (b) any other Liability comprised in the Transferred Business, the transfer of which the Transferor and the Transferee agree prior to the Effective Date is to be delayed;
- (c) any other Liability comprised in the Transferred Business which the Transferor and the Transferee agree prior to the Effective Date is more conveniently to be transferred pursuant to this Scheme after the Effective Date in conjunction with any relevant Liabilities referred to in paragraphs (a) and (b) of this definition or in conjunction with a Residual Asset of the Transferor; and
- (d) any Liability that is attributable to or connected with a Residual Asset or a Residual Liability referred to in paragraphs (a) to (c) above of the Transferor 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;

**"Retained Business"** means the Long Term Business, undertaking and activities carried on by the Transferor immediately prior to the Effective Date in relation to the Non-Transferred Policies;

**"Retained Records"** means any accounting and financial and other records of the Transferor relating to the Transferred Business which the Transferor is required by law to retain;

**"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 20;

**"Solvency II Best Estimate Liabilities"** means the amount: (i) in relation to the Transferor, calculated by the Transferor in accordance with Technical Provisions Rules 3, 5 and 9 (and, to the extent applicable, 6 and 7) of the PRA Rulebook and relevant provisions of the Level 2 Delegated Acts, without taking account of transitional measures and; (ii) in relation to the Transferee, calculated by the Transferee in accordance with Article 101 of the Insurance Act and Article 11 of the CAA Regulation 15/03;

**"Solvency II Directive"** 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 from time to time;

**"Solvency II Requirements"** means the Solvency II Directive and any directive, legislation, regulation, decision, order, decree, determination, award, standard, guidance or rule, which implements, gives effect to or is made pursuant to the Solvency II Directive, including the PRA Rulebook and the Level 2 Delegated Acts;

**"Specified Assets"** means the Specified CF Assets and the Specified WP Assets;

**"Specified CF Assets"** means the Assets selected by the Transferor, in consultation with the Transferee, from amongst those allocated to the Transferor Combined Fund (but, for the avoidance of doubt, not including any Assets allocated to a Linked Fund) immediately prior to the Effective Date with an estimated Asset Value at the Effective Date equal to the estimated value of the Specified CF Assets Amount, calculated and notified to the Transferee in accordance with paragraph 10.1;

**"Specified CF Assets Amount"** means the sum of:

- (a) the value, immediately following the Effective Date, of the Transferee's net of reinsurance Luxembourg GAAP insurance liabilities in relation to Transferred Policies (excluding the value of the unit liabilities in respect of the IFS Unit Linked Policies);
- (b) the greater of:
  - (i) zero; and
  - (ii) the value immediately following the Effective Date, of the greater of the Transferee's:
    - (A) gross of reinsurance Luxembourg GAAP insurance liabilities in relation to the benefits of the IFS With Profits Policies and IFS WP Annuities that are reinsured to the Transferor under the New Reinsurance Agreement, less the Specified WP Assets Amount; and
    - (B) gross of reinsurance Solvency II Best Estimate Liabilities in relation to the benefits of the IFS With Profits Policies and IFS WP Annuities that are reinsured to the Transferor under the New Reinsurance Agreement, less the Specified WP Assets Amount;
- (c) 10% of the accounting provision held by the Transferee immediately following Effective Date in respect of "German insurance business litigation" as specified in the Transferee's accounting records immediately following the Effective Date; and
- (d) the value, immediately following the Effective Date, of the Transferee's Other Luxembourg GAAP Liabilities relating to the Transferred Policies;

**"Specified CF Assets Balancing Amount"** has the meaning given to it in paragraph 10.2.3;

**"Specified CF Assets Balancing Assets"** means property of the Transferor selected by the Transferor, in consultation with the Transferee, (in the case of paragraph 10.3.1) or of the Transferee selected by the Transferee, in consultation with the Transferor, (in the case of paragraph 10.3.2) in each case having an Asset Value on the Effective Date equal to the absolute value of the Specified CF Assets Balancing Amount;

**"Specified WP Assets"** means the Assets selected by the Transferor, in consultation with the Transferee, from amongst those allocated to the Transferor With Profits Fund immediately prior to the Effective Date with an estimated Asset Value at the Effective Date equal to the estimated value of the Specified WP Assets Amount, calculated and notified to the Transferee in accordance with paragraph 11.1;

**"Specified WP Assets Amount"** means the value, as at the Effective Date, of the Solvency II Best Estimate Liabilities of the Transferor in respect of the benefits of the IFS With Profits Policies that will be reinsured to the Transferor under the New Reinsurance Agreement;

**"Specified WP Assets Balancing Amount"** has the meaning given to it in paragraph 11.2.3;

**"Specified WP Assets Balancing Assets"** means property of the Transferor selected by the Transferor, in consultation with the Transferee, (in the case of paragraph 11.3.1) or of the Transferee selected by the Transferee, in consultation with the Transferor, (in the case of paragraph 11.3.2) in each case having an Asset Value on the Effective Date equal to the absolute value of the Specified WP Assets Balancing Amount;

**"Subsequent Transfer Date"** means in relation to any Residual Asset, Residual Liability or Excluded Policy, any date after the Effective Date on which such Residual Asset, Residual Liability or Excluded Policy is transferred to the Transferee, including:

- (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 the Transferor to the Transferee upon the terms of this Scheme (where applicable, without any third party right to terminate or to compensation) is:

- (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 any such Residual Asset, the date agreed in writing by the Transferor and the Transferee;
- (c) in respect of any Residual Asset or Residual Liability falling within paragraph (c) of the respective definitions thereof, and of any other Residual Liability which is attributable to or connected with any such Residual Asset, the transfer date applicable to the Assets or Liabilities (as the case may be) in conjunction with which it was determined to be a Residual Asset or Residual Liability;
- (d) in respect of any Residual Asset falling within paragraph (d) of the definition thereof or Residual Liability falling within paragraph (d) of the definition thereof, the date on which such Residual Asset is received or earned by the Transferor or, in the case of a Residual Liability, the date on which such Liability is incurred by the Transferor; and
- (e) in respect of any Excluded Policy falling within paragraph (a), (b) and (c) of the definition thereof, the date on which the transfer of all rights, title, interest in, and obligations under such Policy is fully effective in the UK and under the law of any other country or territory to which it is subject;

**"SW 2015 Scheme"** means the Scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (application no. 4616 of 2015), sanctioned on 26 November 2015 by the Court;

**"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 or elsewhere, including (without limitation) any deduction or withholding required by FATCA, 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, advance corporation tax, capital gains tax, inheritance tax, value added tax, customs duties, excise duties, stamp duty, stamp duty reserve tax, stamp duty land tax, land and buildings transaction 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 and regardless of whether any such taxes, duties, rates, levies, charges, imposts, withholdings, interests, penalties, fines or surcharges are chargeable directly or primarily to the Transferor or any other person;

**"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 including any interest on any such repayments;

**"Technical Provisions"** means the value of technical provisions calculated in accordance with Technical Provisions Rules 2.4 to 5 (and, to the extent applicable, 6, 7 and 9) of the PRA Rulebook (which rules implement articles 77, 77a, 77b and 77d of the Solvency II Directive), without taking any account of transitional measures;

**"Transferee"** means Scottish Widows Europe SA, a company incorporated in Luxembourg with registered number B228618 whose registered office is at 20 Rue de la Poste, 2346 Luxembourg;

**"Transferor"** means Scottish Widows Limited (previously named Clerical Medical Investment Group Limited), a company incorporated in England and Wales with registered number 03196171 whose registered office is at 25 Gresham Street, London, United Kingdom, EC2V 7HN;

**"Transferor Combined Fund"** means the "Combined Fund" established by the Transferor pursuant to the SW 2015 Scheme;

**"Transferor With Profits Fund"** means the "Clerical Medical With Profits Fund" established by the Transferor pursuant to the CMIG Scheme and maintained pursuant to the SW 2015 Scheme;

**"Transferor With Profits Policies"** means those Policies:

- (a) that confer on the holder a right to share in bonuses declared in relation to the Transferor With Profits Fund; or
- (b) where either benefits provided or contributions required to be made may vary by reference to bonuses declared in relation to the Transferor With Profits Fund;

**"Transferred Assets"** means:

- (a) the Unit Linked Assets;
- (b) the Specified Assets;
- (c) all rights, benefits and powers of the Transferor under or by virtue of the Transferred Policies;
- (d) all rights and claims (present or future, actual or contingent) against any third party in relation to the Transferred Policies or arising as a result of the Transferor having carried on the relevant Transferred Policies;
- (e) all rights, benefits and powers of the Transferor under or by virtue of Transferred Contracts (whether or not the Transferor is a party to such Contracts);
- (f) all Assets attributable to the Excluded Policies (except if and for so long as such Assets constitute a Residual Asset); and
- (g) all books, records, files and papers, whether in hard copy or computer format, relating to the Transferred Policies and Transferred Contracts, including insurance and reinsurance contracts, claims and underwriting files, sales and promotional literature, manuals and data, sales and purchase correspondence and lists of present and former customers, excluding the Retained Records,

but excluding:

- (1) the Residual Assets;
- (2) the Excluded Assets;
- (3) any right to repayment or recovery of Tax or any other Tax Reliefs arising before the Effective Date; and
- (4) any rights, benefits and powers of the Transferor under or relating to the Excluded Policies or the Excluded Policies Reassurance Arrangements;

**"Transferred Business"** means the Long Term Business, undertaking and activities carried on by the Transferor immediately prior to the Effective Date in relation to the Transferred Policies, the Transferred Assets and the Transferred Liabilities, but excluding, for the avoidance of doubt, the Retained Business;

**"Transferred Contracts"** means:

- (a) the HL Outsourced Services Agreement;

- (b) the policy administration outsourcing agreement between ITO and the Transferor, dated 1 August 2015;
- (c) the policy administration outsourcing agreement between PAM and the Transferor, acting on behalf of its Luxembourg branch, dated 1 January 2015;
- (d) the Transferred Reinsurance Agreements; and
- (e) all other written contracts, commitments, agreements (including a facility agreements), deeds, indentures, notes, bonds, mortgages, loans, instruments, leases or licences with the Transferor as amended, supplemented, varied or substituted from time to time relating exclusively to the Transferred Policies (or any one or portion of them), including any such contracts, commitments or agreements with any broker, agent or other third party (whether such broker, agent or other third party resides in the UK or otherwise);

**"Transferred Liabilities"** means all Liabilities of the Transferor under or by virtue of the Transferred Policies and the Transferred Contracts, but excluding:

- (1) the Residual Liabilities (until the relevant Subsequent Transfer Date);
- (2) any Liabilities under or relating to the Excluded Policies; and
- (3) all Liabilities to Taxation attributable to the Transferred Policies and arising before the Effective Date;

**"Transferred Policies"** means:

- (a) the IFS Policies;
- (b) and includes IFS Policies written by the Transferor which have lapsed (or which have been treated by the Transferor as having lapsed) on or before the Effective Date and which the relevant policyholder has a unilateral right, at the Effective Date, to have reinstated in the future;

but excluding the Excluded Policies and the Non-Transferred Policies;

**"Transferred Reinsurance Agreements"** means the reinsurance treaties between the Transferor and ERC Frankona Reassurance Limited (the business of which has since been transferred to Swiss Re Europe S.A., UK branch) dated 4 November 1998 (Part 1) and 10 January 2003 (Part 2) respectively;

**"Unit Linked Assets"** means all Assets whatsoever and wheresoever situated comprised in or attributable to the Linked Funds immediately prior to the Effective Date;

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

**"VAT"** means value added or similar turnover or sales taxes, wheresoever imposed (including any interest, surcharges or penalties in respect of the same);

**"With Profits Actuary"** means, in relation to the Transferor With Profits Fund, the person appointed from time to time to perform the "With Profits Actuary" controlled function (SIMF21) or the equivalent successor function;

**"With Profits Policy"** means, as the context requires, a Transferor With Profits Policy, an IFS With Profits Policy or an IFS WP Annuity; and

**"With Profits Units"** means the notional units whose value or number vary by reference to bonuses declared, or surpluses otherwise distributed, as determined by the Transferor or Transferee for the purposes of calculating benefits payable under the IFS With Profit Policies.

## 1.2 In this Scheme:

- 1.2.1 **"property"** includes property, Assets, rights (excluding 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;

- 1.2.2 **"transfer"** includes (as the context requires) "assign", "assignment" or "assignment", "dispose" or "disposal" or "convey" or "conveyance";
- 1.2.3 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;
- 1.2.4 any reference in this Scheme:
- (A) 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
  - (B) to any handbook, rules or regulations issued (or deemed to have been issued) by the PRA, the FCA or the CAA shall be deemed to include a reference to such handbook, rules or regulations as amended or replaced from time to time;
- 1.2.5 expressions used in this Scheme which have meanings under FSMA shall bear those meanings, including:
- (A) "State of the commitment" which bears the meaning set out in paragraph 6, Part I of Schedule 12 to FSMA; and
  - (B) "EEA State" which bears the meaning set out in paragraph 8, Part I of Schedule 3 to FSMA;
- 1.2.6 expressions **"holding company"**, **"subsidiary"**, **"subsidiary undertaking"** and **"wholly-owned subsidiary"** shall have the same meanings as in the Companies Act 2006;
- 1.2.7 the expression "written by" shall include policies which have been written by, or transferred to the Transferor, prior to the Effective Date;
- 1.2.8 any reference to this Scheme shall include the Schedules to it and references to paragraphs, Parts or Schedules are to paragraphs or Parts of or Schedules to this Scheme;
- 1.2.9 headings are inserted for convenience only and shall not affect the construction of this Scheme;
- 1.2.10 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;
- 1.2.11 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;
- 1.2.12 any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- 1.2.13 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;
- 1.2.14 any reference to the Transferee's Board or the Transferor's Board shall be deemed to include a reference to a duly constituted committee or duly authorised representative of such Board as appropriate;
- 1.2.15 any reference to **"includes"** or **"including"** shall mean **"includes without limitation"** or **"including without limitation"**;
- 1.2.16 the expression "variation" shall include any variation, supplement, deletion, replacement or termination, however effected;

- 1.2.17 references to the Transferor's Board or to the Transferee's Board "having taken account of Appropriate Actuarial Advice" means, the Transferor's Board or the Transferee's Board having given due regard to that advice (including the fact that the relevant Chief Actuary or relevant With Profits Actuary (as the case may be) is subject to duties imposed by regulation when giving such advice); and
- 1.2.18 references to a "certificate from an independent actuary" means a certificate appended to a reasoned actuarial report, prepared by an independent actuary considering all matters which the independent actuary considers appropriate in the context of the particular certificate.

## **PART B**

### **INTRODUCTION**

#### **2. INTRODUCTION**

- 2.1 The Transferor is a company incorporated in England and Wales with registered number 03196171.
- 2.2 The Transferee is a company incorporated in Luxembourg, with registered number B228618.
- 2.3 The Transferor is an authorised person for the purposes of FSMA and has a Part 4A permission under FSMA to carry on Long Term Business in classes I, II, III, IV, VI and VII in the United Kingdom, as set out in Part II of Schedule 1 to the RAO. The Transferred Business comprises of business falling within classes I, III and VII of the classes set out in Part II of Schedule 1 to the RAO in the United Kingdom.
- 2.4 The Transferor has an outward services permission pursuant to the Solvency II Directive to carry out long term insurance in, amongst others, Germany, Austria and Italy on a freedom of services basis and in Luxembourg on a freedom of establishment basis.
- 2.5 Between 1995 and 2011 the Transferor and its predecessor businesses wrote long term insurance policies on a freedom of services basis from branches in Luxembourg and the Netherlands for policyholders having their permanent residence in Germany, Austria and Italy.
- 2.6 Between 2004 and 2014 the Transferor and its predecessor businesses wrote long term insurance policies on a freedom of establishment basis, for policyholders having their permanent residence in Italy.
- 2.7 The Transferor branches in the Netherlands and Italy were closed in 2011 and 2015 respectively. In 2014 the Transferor ceased to write new business in Germany, Austria and Italy.
- 2.8 Between 1999 and 2004 CMI Insurance (Luxembourg) SA wrote long term insurance policies on a freedom of services basis for policyholders mainly having their permanent residence in Germany, Austria and Belgium. In 2015 long term business previously carried on by CMI Insurance (Luxembourg) SA was transferred to the Transferor.
- 2.9 The Transferee has applied to the CAA to become an authorised person for the purposes of life insurance business with permission under the Insurance Act to carry on directly and indirectly life insurance business of all kinds included within the Transferred Business as well as any business directly related to this insurance business.
- 2.10 The Transferee is a wholly owned subsidiary of the Transferor. The ultimate parent company of the Transferee and the Transferor is LBG.
- 2.11 Prior to the Effective Date the Transferor shall subscribe for fully paid ordinary shares and associated share premium in the capital of the Transferee in an aggregate amount which, taking into account the provisions of this Scheme (including the provisions for transfer of the Unit Linked Assets and the Specified Assets under this Scheme) is expected to achieve, immediately following the Effective Date, the target level of solvency capital requirement coverage agreed by the Transferee with the CAA in the context of its application referred to in paragraph 2.9.
- 2.12 It is proposed that with effect from the Effective Date:
- 2.12.1 the whole of the Transferred Business carried on by the Transferor shall, in accordance with this Scheme, be transferred to the Transferee;
  - 2.12.2 the Reinsured Liabilities will immediately be reinsured back to the Transferor on the terms of the New Reinsurance Agreement;



and accordingly the Excluded Assets and all Liabilities attributable to or connected with the Excluded Assets shall neither transfer pursuant to this Scheme nor be paid by way of premium under the New Reinsurance Agreement.

2.13 Prior to the Court hearing to sanction this Scheme, and conditional upon, and with effect from, the Effective Date, the Transferor and the Transferee shall enter into a deed of indemnity ("**Deed of Indemnity**") pursuant to which the Transferor shall indemnify the Transferee in respect of:

2.13.1 liabilities relating to certain disputed claims in connection with the Transferred Policies; and

2.13.2 other liabilities to the extent arising from acts or omissions of the Transferor (or predecessor companies) prior to the Effective Date.

2.14 Prior to the Court hearing to sanction this Scheme, and conditional upon, and with effect from, the Effective Date, the Transferor and the Transferee shall enter into a deed of charge whereby the Transferor shall provide security in respect of the liabilities of the Transferor under the terms of the Deed of Indemnity and certain of the liabilities of the Transferor under the New Reinsurance Agreement.

## PART C

### TRANSFER

#### 3. TRANSFER OF BUSINESS

- 3.1 Each part of the Transferred Policies, the Transferred Assets, the Transferred Liabilities, the Residual Assets and the Residual Liabilities shall be transferred to and be vested in the Transferee in accordance with this Scheme, so that:
- 3.1.1 subject to paragraph 7, on and with effect from the Effective Date, each Transferred Asset and all interest of the Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the Transferee and the Transferee shall succeed to each Transferred Asset as if in all respects it were the same person in law as the Transferor, subject to all Encumbrances (if any) affecting such Asset in accordance with this Scheme;
- 3.1.2 subject to paragraph 7, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all interest of the Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the Transferee and the Transferee shall succeed to each such Residual Asset as if in all respects it were the same person in law as the Transferor, 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 the Transferee and the Transferee shall succeed to the relevant Transferred Liability as if in all respects it were the same person in law as the Transferor and such Transferred Liability shall cease to be a Liability of the Transferor; 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 the Transferee and the Transferee shall succeed to the relevant Residual Liability as if in all respects it were the same person in law as the Transferor and such Residual Liability shall cease to be a Liability of the Transferor.
- 3.2 This Scheme shall not operate to transfer or have the effect of transferring, or be construed to operate to transfer or have the effect of transferring, to the Transferee any of the Excluded Assets.
- 3.3 For the avoidance of doubt and without limitation to the generality of the provisions of paragraph 3.1:
- 3.3.1 an offer or invitation to treat made to or by the Transferor prior to the Relevant Date in relation to the Transferred Business shall be construed and have effect after the Relevant Date as an offer or invitation to treat made to or by the Transferee;
- 3.3.2 any existing indemnity, power of attorney, authority, declaration or consent given to or by the Transferor relating to any part of the Transferred Business (including, for the avoidance of doubt, the Transferred Policies) shall have effect from the Relevant Date as if given to or, as the case may be, by the Transferee;
- 3.3.3 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 the Transferee by virtue of the Order and which was held by the Transferor (whether alone or jointly with others) as a trustee, custodian or in a similar fiduciary capacity shall, with effect from the Relevant Date, be held by the Transferee (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, custodian or other fiduciary arrangement in question;
- 3.3.4 any security in respect of the Transferred Business held immediately before the Relevant Date by the Transferor, or by a nominee or agent of or trustee for the Transferor, as security for the payment or discharge of any Liability shall, on and from that day, be held by the Transferee, or, as the case may require, by that nominee, agent or trustee for the Transferee, and be available to the Transferee (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 the Transferee shall be deemed to be so delivered on that day); and
- 3.3.5 the Transferee shall be entitled to rely on and enforce any consent, waiver, representation, statement or estoppel given or made to the Transferor 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 the Transferee and to the same extent that that Transferor would have been able to rely on or enforce the same.
- 3.4 On and with effect from the Effective Date, the Transferee shall:
- 3.4.1 succeed to all rights, Liabilities and obligations of the Transferor in respect of any Personal Data which relates to the Transferred Business and which is subject to the Data Protection Legislation;
- 3.4.2 become the Data Controller of any Personal Data which relates to the Transferred Business and which is subject to the Data Protection Legislation in place of the Transferor;
- 3.4.3 in respect of any Personal Data which relates to the Transferred Business be under the same duty by virtue of any law as the Transferor was under to respect the confidentiality and privacy of any person in relation to that Personal Data and shall be bound by any specific notice or consent given, or request made by, the Data Subject which was binding on the Transferor and which required the Transferor not to use the Personal Data for marketing purposes;
- 3.4.4 comply with the Data Protection Legislation in connection with its processing of Personal Data which relates to the Transferred Business; and
- 3.4.5 if notified by the Transferor that the Transferor or any third party has received any complaint, notice or communication that relates directly or indirectly to the Transferee's compliance with the Data Protection Legislation, or any of the following in relation to the Transferee's processing of the Personal Data:
- (A) an enquiry from a Data Subject or the Information Commissioner;
  - (B) any complaint, notice or communication; or
  - (C) a request from a Data Subject for access to that Data Subject's Personal Data,
- deal with or respond to those enquiries, complaints, notices, communications or requests in accordance with the Data Protection Legislation.
- 3.5 The Transferee shall accept without investigation or requisition such title as the Transferor shall have at the Effective Date to each Transferred Asset and, at any Subsequent Transfer Date, to each relevant Residual Asset then transferred.
- 3.6 The Transferor and the Transferee shall take all such steps, and execute all such documents, as may be necessary or desirable:
- 3.6.1 to effect or perfect the transfer to and vesting in the Transferee of any Transferred Asset or Residual Asset pursuant to this Scheme;

- 3.6.2 to effect or perfect the transfer to and assumption by the Transferee of any Transferred Liability or Residual Liability pursuant to this Scheme; and
- 3.6.3 to correct any errors in the identity or amount of the Assets or Liabilities so transferred.
- 3.7 Unless and to the extent otherwise provided in the Order:
  - 3.7.1 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 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
  - 3.7.2 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.
- 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 On and with effect from the Effective Date, any proceedings or applications to any authority (including, without limitation, any complaint or claim to any ombudsman) whether pending, current or future, by, against or in relation to and/or in respect of which the Transferor 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) ("**Proceedings**") 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 the Transferee as if the Transferee was the original party thereto and the Transferee shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to the Transferor in relation to the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities and such Proceedings.
- 4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any Proceedings 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 the Transferee as if the Transferee was the original party thereto and the Transferee shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to that Transferor in relation to the Residual Assets and the Residual Liabilities. Until such Subsequent Transfer Date, the relevant Proceedings shall be commenced or continued by or against the Transferor provided that the Transferor shall consult with the Transferee and take account of any reasonable comments made by the Transferee in relation to such Proceedings.
- 4.3 Any judgment, settlement, order or award obtained by or against the Transferor 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 the Transferor immediately prior to such date, become enforceable by or against the Transferee (to the exclusion of the Transferor) as if it was originally made by or against the Transferee.
- 4.4 In respect of any Proceedings in relation to the Transferred Business 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 the Transferor prior to the Effective Date, the Transferee undertakes to comply with:

- 4.4.1 the relevant provisions of the Dispute Resolution (“**DISP**”) rules of the FCA Handbook that would apply to the handling of any complaints brought to the UK Financial Ombudsman Service that fall under its jurisdiction as, and to the extent that, such rules apply to the Transferred Business on the Effective Date; and
- 4.4.2 any valid judgment, settlement, order or award (or relevant part thereof) of the UK Financial Ombudsman Service, made under its jurisdiction as set out in DISP 2 of the FCA Handbook,

to the extent that such compliance is compatible with any rules or regulations issued by the CAA that are applicable to the Transferee.

## 5. **RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES AND CONTRACTS**

- 5.1 On and with effect from the Effective Date, the Transferee shall become entitled to all the rights, benefits and powers of the Transferor 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 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 the Transferor is required under any such terms, the consent of the Transferee 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 the Transferor, that power shall, with effect from the Effective Date, instead be treated as conferred on the Transferee.
- 5.3 Subject to the terms 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 other agreement with the Transferor relating to the Transferred Business shall on and with effect from the Effective Date become entitled, in succession to, and to the exclusion of, any rights which he may have had against the Transferor under any of the Transferred Policies or any other such agreement relating to the Transferred Business, to the same rights against the Transferee subject to the terms of this Scheme as were available to him against that Transferor under such Policies or such other agreement relating to the Transferred Business 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 the Transferee for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable.
- 5.4 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 Transferee's Board, having taken account of Appropriate Actuarial Advice, in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by the Transferee 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 the Transferee of such a Policy) subject to compliance with applicable law and regulation:

- (A) the Transferee or any other member of the Group shall be entitled to offer such person as an alternative (and, if accepted, in lieu thereof) a Policy which complies with the terms of such right or option; and
- (B) if the Transferee is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which the right or option refers, then the Transferee shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by the Transferee or any other member of the Group (as the case may be) which the Transferee considers to be the nearest equivalent Policy in accordance with the terms and conditions applicable to Policies of the Transferee or such other member of the Group (as the case may be) at that time,

provided that (i) the Transferee's Board is satisfied, having obtained Appropriate Actuarial Advice, that accepting such alternative Policy will not have a material adverse effect on the interests of the relevant person and (ii) the issue of such alternative Policy by the Transferee or such other member of the Group (as the case may be) would not in the opinion of the Transferee's Board (having taken account of Appropriate Actuarial Advice) result in a Liability or in an increase in the Liability to taxation of the holder of such Policy (or in the event that such Liability or increase in Liability would occur the Transferee shall have the option to indemnify the policyholder in full and to issue, or procure the issue by another member of the Group of, another Policy pursuant to this paragraph).

- 5.5 All references in any Transferred Policy to the Transferor, its Board, or any other officers, employees or agents of the Transferor shall from and after the Effective Date be read as references to the Transferee, the Transferee's Board or any other officers or employees of the Transferee or, where appropriate, agents of the Transferee to which the administration or investment management of the relevant part of the business carried on by the Transferee has been delegated. In particular, but without limitation, all rights and duties exercisable or expressed to be exercisable or responsibilities to be performed by the Transferor, its Board or any other officers, employees or agents of that Transferor in relation to any of the Transferred Policies or other agreements relating to the Transferred Business shall, from and after the Effective Date, be exercisable or required to be performed by the Transferee, the Transferee's Board or any other of its officers, employees or such agents. All references in a Transferred Policy to the group of companies of which the Transferor is or has been a member shall, where the context requires, be read and construed with effect from the Effective Date as references to the Group.
- 5.6 The Transferee shall on and with effect from the Effective Date, as principal, take over from the Transferor the administration and negotiation of proposals for insurance which would be Transferred Policies if the Transferor had determined to accept them (but whether or not the Transferee does so determine). The Transferee shall on and with effect from the Effective Date bear all expenses and Liabilities in relation thereto and any expenses and Liability in relation to interim death benefits. Nothing contained herein shall oblige the Transferee to accept any proposal for insurance received by or on behalf of the Transferor before the Effective Date but not accepted by that Transferor by then.
- 5.7 The provisions of paragraphs 5.1 to 5.6 shall apply, mutatis mutandis, to all Transferred Contracts or otherwise relating or referring to the Transferred Business or any part thereof.

## 6. EXCLUDED POLICIES

- 6.1 Subject to paragraphs 6.3 and 6.4, the Excluded Policies shall not be transferred to the Transferee by this Scheme and all Liabilities attributable to the Excluded Policies shall remain Liabilities of the Transferor and be fully reassured with effect from the Effective Date on the following basis:
- 6.1.1 all Liabilities of the Transferor attributable to the Excluded Policies and all other amounts paid or payable by the Transferor in respect of such Excluded Policies (including amounts paid or payable in connection with the surrender of any such Excluded Policy) shall be reassured in their entirety to the Transferee on and with

effect from the Effective Date (or in the case of Liabilities arising in respect of any Policy issued by the Transferor pursuant to paragraph 6.2, on and with effect from the date on which such Policy is issued);

6.1.2 the Liability of the Transferee on and with effect from the Effective Date shall be such that the rights, benefits and powers provided to holders of Excluded Policies (including any Policy issued by the Transferor pursuant to paragraph 6.2) shall, to the extent possible, be the same as the rights, benefits and powers which would have been provided to such holders if the Excluded Policies had been Transferred Policies;

6.1.3 the premiums payable by the Transferor to the Transferee in connection with the provision of the reinsurance described in this paragraph 6.1 shall comprise an amount equal to:

(A) the greater of zero and the aggregate amount of the Technical Provisions relating to those Excluded Policies immediately prior to the Effective Date, provided that such amounts shall be deemed to have been satisfied by the transfer to the Transferee of the appropriate proportion of the Transferred Assets; and

(B) all subsequent premium payments and all other amounts received by the Transferor in respect of such Excluded Policies at any time after the Effective Date, which premiums and other amounts shall be paid to the Transferee as soon as practicable after they are received and credited in accordance with paragraph 7.1 of this Scheme.

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

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

6.2.2 it is appropriate in the opinion of the Transferee's Board, having taken account of Appropriate Actuarial Advice, in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by the Transferor 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 the Transferor of such a Policy), subject to compliance with applicable law and regulation:

(A) the Transferee or any other member of the Group shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) a Policy which complies with the terms of such right or option (a "Replacement Policy"); and

(B) if the Transferee is not at the time of the exercise of such right or option writing Replacement Policies, then the Transferee or any other member of the Group shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by the Transferee or such other member of the Group (as the case may be) which the Transferee considers to be the nearest equivalent Policy to a Replacement Policy, in accordance with the terms and conditions applicable to Policies of the Transferee or such other member of the Group (as the case may be) at that time,

provided that (i) the Transferee's Board is satisfied, having obtained Appropriate Actuarial Advice, that accepting such alternative Policy will not have a material adverse effect on the interests of the relevant person (including in relation to the purpose for which such Policy was taken out) and (ii) the issue of such Policy by the Transferee or such other member of the Group (as the case may be) would not, in the opinion of the Transferee's Board (having taken account of Appropriate Actuarial Advice) result in a Liability, or an increase in the

Liability, to taxation of the holder of such Policy (or in the event that such Liability or increase in Liability would occur the Transferee shall have the option to indemnify the policyholder in full and to issue, or procure the issue by another member of the Group of, another Policy pursuant to this paragraph) which would not have resulted had such Policy been issued by the Transferor.

- 6.3 If all consents, permissions or other requirements for the transfer of an Excluded Policy from the Transferor to the Transferee are obtained:
- 6.3.1 such Excluded Policy shall promptly be transferred to the Transferee, and shall thereafter be treated in all respects, as if it were a Transferred Policy; and
- 6.3.2 any Liability attributable to such Excluded Policy shall be transferred to the Transferee, and shall thereafter be treated in all respects, as if it were a Transferred Liability.
- 6.4 If any Excluded Policy is novated to the Transferee the Assets and Liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to the Transferee and such Policy shall thereafter be dealt with by the Transferee under the provisions of this Scheme in all respects as if such Excluded Policy were a Transferred Policy.

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

- 7.1 All premiums attributable or referable to the Transferred Policies or the Excluded Policies shall on and after the Effective Date be payable to the Transferee and shall be receivable and received by the Transferee.
- 7.2 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 the Transferor under or in respect of any of the Transferred Policies or the Excluded Policies shall thereafter take effect as if it had provided for and authorised such payment to the Transferee.
- 7.3 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by the Transferor under any of the Transferred Policies or the Excluded Policies shall, on and from the Effective Date, continue in force as an effective authority to the Transferee.

## **8. DECLARATION OF TRUST BY THE TRANSFEROR**

- 8.1 If:
- 8.1.1 any Asset of the Transferor comprised in or attributable to the Transferred Business is not, or is not capable of being, transferred to and vested in the Transferee by the Order on the Effective Date by reason of such Asset being a Residual Asset or being outside the jurisdiction of the Court or otherwise; or
- 8.1.2 any Residual Asset is not, or is not capable of being, transferred to and vested in the Transferee by the Order on the Subsequent Transfer Date applicable thereto; or
- 8.1.3 the transfer of any Asset of the Transferor which is outside the jurisdiction of the Court and attributable to the Transferred Business but which transfer is not recognised by the laws of the jurisdiction in which such Asset is situated; or
- 8.1.4 in any circumstances (and subject to Regulatory Requirements) the Transferee 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 the Transferor,
- then the Transferor shall, from the Effective Date, hold any Asset referred to in paragraphs 8.1.1 to 8.1.4 as trustee for the Transferee.
- 8.2 The Transferor shall be subject to the Transferee's directions in respect of any Asset referred to in paragraphs 8.1.1 to 8.1.4 from the Effective Date until the relevant Asset is



transferred to or otherwise vested in the Transferee or is disposed of (whereupon the Transferor shall account to the Transferee for the proceeds of sale thereof), and the Transferee shall have authority to act as the attorney of the Transferor 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 the Transferor 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, that Transferor shall, as soon as is reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such Asset or right to, or in accordance with the directions of, the Transferee and the Transferee shall indemnify the Transferor on demand against any costs incurred in making any such payment or transfer.

## 9. INDEMNITIES IN FAVOUR OF THE TRANSFEROR

- 9.1 With effect from the Effective Date, until the relevant Liability is transferred to the Transferee, the Transferee shall discharge on behalf of the Transferor each Residual Liability and (to the extent not reassured to the Transferee under the Excluded Policies Reassurance Arrangements) any other claim arising under the Transferred Policies and the Excluded Policies or otherwise in connection with the Transferred Business (other than regulatory capital costs), together with any reasonable costs, claims, charges and other Liabilities reasonably incurred by the Transferor in connection with the foregoing.

- 9.2 Where such Residual Liabilities are the subject of a policy of indemnity insurance or a claim or right of recovery of the Transferor against a third party which constitutes a Residual Asset, the undertaking in paragraph 9.1 shall apply only to the extent that the Transferor, having made a claim under such a policy or against such third party, shall have failed to recover any such amount pursuant to rights it may have under such policy, claim or right of recovery (having used all reasonable endeavours to do so), provided, always, that the Transferor shall:

9.2.1 promptly notify the Transferee of the existence of such a right of recovery upon becoming aware of it; and

9.2.2 pay to the Transferee, as soon as reasonably practicable after receipt, an amount equal to the amount recovered from the third party after deduction of any costs and expenses reasonably incurred by the Transferor in attempting to recover from a third party in accordance with this paragraph 9.2.

## 10. SPECIFIED CF ASSETS BALANCING AMOUNT

- 10.1 Prior to the Effective Date, the Transferor shall calculate and notify to the Transferee its estimate of the Specified CF Assets Amount using the information available to the Transferor at the time of estimation.

- 10.2 On a date selected by the Transferee which is not more than 90 Business Days after the Effective Date, the Transferee shall, having regard to Appropriate Actuarial Advice, determine and certify to the Transferor:

10.2.1 the Specified CF Assets Amount;

10.2.2 the Asset Value as at the Effective Date of the Specified CF Assets; and

10.2.3 the amount by which the figure certified under paragraph 10.2.1 exceeds the figure certified under paragraph 10.2.2 (such amount, which may be positive or negative, being the "**Specified CF Assets Balancing Amount**").

- 10.3 On and with effect from the date falling 5 Business Days after the certification by the Transferee of the Specified CF Assets Balancing Amount:

10.3.1 if the Specified CF Assets Balancing Amount is positive, then the Specified CF Assets Balancing Assets and all interest of the Transferor therein shall, by the Order and without any further act or instrument, be transferred from the

- Transferor Combined Fund to, and be vested in, the Transferee, subject to all Encumbrances (if any) affecting such Specified CF Assets Balancing Assets; or
- 10.3.2 if the Specified CF Assets Balancing Amount is negative, then the Specified CF Assets Balancing Assets and all interest of the Transferee therein shall, by the Order and without any further act or instrument, be transferred from the Transferee to, and be vested in, the Transferor Combined Fund, subject to all Encumbrances (if any) affecting such Specified CF Assets Balancing Assets.

11. **SPECIFIED WP ASSETS BALANCING AMOUNT**

- 11.1 Prior to the Effective Date, the Transferor shall calculate and notify to the Transferee its estimate of the Specified WP Assets Amount using the information available to the Transferor at the time of estimation.
- 11.2 On a date selected by the Transferor which is not more than 90 Business Days after the Effective Date, the Transferor shall, having regard to Appropriate Actuarial Advice, determine and certify to the Transferee:
- 11.2.1 the Specified WP Assets Amount;
- 11.2.2 the Asset Value as at the Effective Date of the Specified WP Assets; and
- 11.2.3 the amount by which the figure certified under paragraph 11.2.1 exceeds the figure certified under paragraph 11.2.2 (such amount, which may be positive or negative, being the "**Specified WP Assets Balancing Amount**").
- 11.3 On and with effect from the date falling 5 Business Days after the certification by the Transferor of the Specified WP Assets Balancing Amount (the "**Balancing WP Assets Transfer Date**"):
- 11.3.1 if the Specified WP Assets Balancing Amount is positive, then the Specified WP Assets Balancing Assets and all interest of the Transferor therein shall, by the Order and without any further act or instrument, be transferred from the Transferor With Profits Fund to, and be vested in, the Transferee, subject to all Encumbrances (if any) affecting such Specified WP Assets Balancing Assets; or
- 11.3.2 if the Specified WP Assets Balancing Amount is negative, then the Specified WP Assets Balancing Assets and all interest of the Transferee therein shall, by the Order and without any further act or instrument, be transferred from the Transferee to, and be vested in, the Transferor With Profits Fund, subject to all Encumbrances (if any) affecting such Specified WP Assets Balancing Assets.

## PART D

### ONGOING MANAGEMENT OF TRANSFERRED POLICIES, TRANSFERRED ASSETS AND TRANSFERRED LIABILITIES

#### 12. **NO REQUIREMENT TO ESTABLISH SEPARATE FUND IN RESPECT OF POLICIES, ASSETS AND LIABILITIES**

Subject to paragraph 13, and without prejudice to any relevant Regulatory Requirements, nothing in this Scheme shall require the Transferee to establish or maintain any separate fund in order to receive or hold, or to keep separate accounts in respect of all or any of, the Policies, Assets and Liabilities transferred to it by this Scheme.

#### 13. **LINKED FUNDS**

13.1 On and with effect from the Effective Date, all the Transferred Assets and any associated Transferred Liabilities comprised in each Linked Fund of the Transferor shall be allocated to and become comprised in a new corresponding Linked Fund established by the Transferee, comprising immediately following the Effective Date the same number and value of units as were comprised within the Linked Fund of the Transferor immediately prior to the Effective Date.

13.2 On and with effect from the Effective Date:

13.2.1 in relation to any rights, powers and benefits under Transferred Policies which are linked to a Linked Fund established by the Transferee pursuant to paragraph 13.1, the Transferee shall become entitled to the same rights, powers and benefits and be subject to the same duties and liabilities as applied to the Transferor in relation to the corresponding Linked Fund of the Transferor immediately prior to the Effective Date; and

13.2.2 benefits under any Transferred Policy which, immediately prior to the Effective Date, were linked to any one or more Linked Fund(s) of the Transferor shall become linked to the corresponding new Linked Fund(s) of the Transferee and the Transferee shall as at the Effective Date allocate to each such Transferred Policy the same number and classes of units in the corresponding new Linked Fund(s) of the Transferee as the number and classes of units in the relevant Linked Fund(s) of the Transferor which were allocated to the Transferred Policy immediately prior to the Effective Date.

13.3 If any Asset comprised in a Linked Fund of the Transferor falls within the provisions of paragraph 8.1, all interests and rights in relation to such Asset shall be allocated to the relevant Linked Fund established by the Transferee to which such Asset would have been allocated had it been a Transferred Asset.

13.4 On and with effect from the relevant Subsequent Transfer Date each Residual Asset and each Residual Liability which is comprised in a Linked Fund of the Transferor shall be allocated to the Linked Fund of the Transferee to which it would have been allocated pursuant to this paragraph 13 had it been a Transferred Asset or Transferred Liability (as the case may be).

#### 14. **MERGER AND CLOSURE OF LINKED FUNDS**

14.1 Unless precluded by Regulatory Requirements and/or the terms of the relevant Policies, the Transferee's Board shall be at liberty at any time and from time to time, having taken account of Appropriate Actuarial Advice to close existing Linked Funds, to amalgamate any Linked Fund or any part or parts thereof with any other Linked Fund or any part or parts thereof or to divide any Linked Fund into one or more Linked Funds, or to effect any combination of the aforesaid.

14.2 Where any policyholder whose Policy is linked (in whole or in part) to a Linked Fund which is to be closed in accordance with paragraph 14.1 is entitled under the terms of his Policy to switch from the fund to which his policy is linked into one or more other funds, any switching charge that would otherwise apply to the exercise of such switching right during the period from the date when he receives notification that the Linked Fund to which the relevant Policy is linked is to be closed 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. If such a policy is linked to two or more funds, this paragraph 14.1 shall apply separately in respect of each such fund that is the subject of closure under paragraph 14.1.

## 15. **MERGER AND CLOSURE OF TRANSFEROR WITH PROFITS FUND**

15.1 Paragraph 20 of the SW 2015 Scheme provides that the Transferor With Profits Fund can be closed in the circumstances, and on the terms, set out in the SW 2015 Scheme.

15.2 The Transferor and Transferee may by mutual consent given in writing make any amendments to the terms of this Scheme, without the consent of the Court, as are considered by the Transferor's Board and the Transferee's Board to be necessary, related to closure of the Transferor With Profits Fund and any related impact on the Transferee ("**Consequential Closure Amendments**"), (provided that the terms and proposed timing of such Consequential Closure Amendments are notified to the PRA, the FCA and the CAA at least 60 Business Days prior to such amendment(s) taking effect).

15.3 For the avoidance of doubt, the Transferor and Transferee shall be at liberty to apply to the Court pursuant to paragraph 20.2 for consent to make any amendments to the terms of this Scheme in consequence of such a fund closure either in addition to or as an alternative to making amendments under paragraph 15.2.

## 16. **DUTIES OF CHIEF ACTUARY, TRANSFEROR AND TRANSFEE IN RESPECT OF THE IFS WITH PROFITS POLICIES AND IFS WP ANNUITIES**

16.1 The Chief Actuary of the Transferee shall advise the Transferee's Board as to the proper operation of the Transferee in accordance with the provisions of this Scheme and applicable Regulatory Requirements, in particular, as to any bonus distribution appropriate in respect of IFS With Profits Policies and IFS WP Annuities and any constraints which he/she may determine to be necessary in the operation of the Transferee in order to safeguard the interests of the holders of IFS With Profits Policies and IFS WP Annuities. The Transferor shall procure that the Chief Actuary of the Transferee has sufficient access, on reasonable notice, to all appropriate information within the power or control of the Transferor which the Chief Actuary of the Transferee reasonably requires for this purpose.

16.2 The obligations and duties imposed on the Chief Actuary by this Scheme shall be in addition to his duties under Regulatory Requirements.

16.3 The Transferor shall ensure that it complies at all times after the Effective Date with Part G of the SW 2015 Scheme ("Operation of Funds: Clerical Medical With Profits Fund") and any other provisions of the SW 2015 Scheme which are capable of applying, immediately prior to the Effective Date, to the Transferred Business, in each case on the basis that the rights and interests of the Transferee as cedant under the New Reinsurance Agreement will succeed to the rights and interests under the SW 2015 Scheme of the holders of IFS With Profits Policies and IFS WP Annuities immediately prior to the Effective Date.

16.4 In relation to any bonus declaration, determination of market value adjustment or similar matter, the Transferee's Board shall (save in a case where, having taken into account Appropriate Actuarial Advice and in the light of that advice paying due regard to policyholders' collective best interests, and having received a non-objection to this course from the CAA, it considers that to do so would be inappropriate), when making equivalent decisions in relation to IFS With Profits Policies and IFS WP Annuities, follow the decision of the Transferor Board.

## 17. **NEW REINSURANCE AGREEMENT**

- 17.1 Save as provided in paragraph 20.3, after the date on which this Scheme is sanctioned by the Court, the Transferor and Transferee shall not make any amendment or modification of the New Reinsurance Agreement.

**PART E**  
**TAXATION**

**18. TAXATION**

**18.1 Management of Tax Affairs**

18.1.1 Save as otherwise provided in this Scheme or the SW 2015 Scheme, the Taxation affairs of the Transferee after the Effective Date (including the conduct of negotiations and disputes with Taxation authorities anywhere in the world) shall be managed so as to ensure, so far as reasonably practicable, that all appropriate allowances, reliefs and actions which are available to it and have the effect of reducing Tax charges levied against IFS With Profits Policies and IFS WP Annuities in accordance with the provisions of this Scheme and the SW 2015 Scheme, are claimed or taken (as appropriate). However, nothing in this paragraph 18.1.1 shall require the Transferee to take any action or refrain from taking any action which could, in the opinion of the Transferee acting in good faith have a material adverse effect on the Tax charges attributable to any other member of the LBG group where the Tax (in whole or in part) is directly or indirectly derived from, related to, or attributable to the shares or debentures of the Transferor or to the business, assets or liabilities of the Transferee.

18.1.2 In making any decision to act or refrain from acting in accordance with paragraph 18.1.1, the Transferee shall seek and take into account the views of the Board having taken account of Appropriate Actuarial Advice with regard to applicable Regulatory Requirements in respect of the holders of Policies and shall consider in good faith obtaining expert advice from sources independent of the Transferee.

**18.2 Timing of Settlement of Tax liabilities**

Whenever any amount is payable by the Transferee on account of Taxation before the liability for the relevant period is determined, the amount of such payment which is attributable to the IFS With Profits Policies and IFS WP Annuities shall be calculated on a fair and equitable basis determined by the Board, having taken account of Appropriate Actuarial Advice having regard to the policies, assets or liabilities in respect of which the relevant Tax is payable or arises.

## PART F

### MISCELLANEOUS PROVISIONS

#### 19. EFFECTIVE DATE

- 19.1 Except as provided in this paragraph and paragraph 19.2, this Scheme shall become effective at 22.59 GMT on 29 March 2019 or such later time and date as the Transferor and the Transferee may agree and have notified to the PRA and FCA (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 19.2.
- 19.2 Unless all the provisions of this Scheme shall have become effective on or before 30 June 2019 or such later date and/or time, if any, as the Transferor and the Transferee may approve and the Court may allow (but in any case no later than 30 September 2019) this Scheme shall lapse. In the event that an application is made to the Court pursuant to this paragraph 19.2:
- 19.2.1 the PRA and the FCA shall be given no less than 5 Business Days' notice of and shall have the right to be heard at any hearing of the Court at which such application is considered; and
- 19.2.2 such application shall be accompanied by:
- (A) a certificate from an independent actuary to the effect that in his opinion the security and benefit expectations of the holders of Transferred Policies and Policies of the Transferee will not be adversely affected by the delay to the Effective Date beyond 30 June 2019; and
  - (B) such financial information which has been approved by the Transferee's Board as the Transferee may agree with the PRA is necessary in order to support such application.

#### 20. MODIFICATIONS, AMENDMENTS OR ADDITIONS

- 20.1 The Transferor and the Transferee may together consent for and on behalf of themselves and all other persons concerned (other than the PRA and the FCA) to any modification of or addition to this Scheme or the New Reinsurance Agreement or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose.
- 20.2 At any time after the sanction of this Scheme by the Court either the Transferor or the Transferee shall, with the consent of the other, be at liberty to apply to the Court for consent to amend the terms of this Scheme, provided that in any such case:
- 20.2.1 the CAA shall have been given such prior and reasonable notice of the application as has been agreed by the CAA in advance with the Transferee and shall have the right to be heard at any hearing of the Court at which such application is considered;
- 20.2.2 each of the PRA and the FCA shall have been given such prior and reasonable notice of the application as has been agreed by both the PRA and the FCA in advance with the Transferor and shall have the right to be heard at any hearing of the Court at which such application is considered; and
- 20.2.3 such application shall be accompanied by a certificate from an independent actuary to the effect that in his opinion the proposed amendment will not have a material adverse effect on the security or benefit expectations of the policyholders of the Transferor or the Transferee; and
- if such consent is granted, the Transferee may amend the terms of this Scheme in accordance with such consent.

- 20.3 Following the sanction of this Scheme by the Court, the consent of the Court shall not be required in relation to:
- 20.3.1 any amendment to this Scheme for which specific provision is made in paragraph 15.2, provided that such specific provision is fully complied with;
- 20.3.2 minor and/or non-material technical amendments to the terms of this Scheme or the New Reinsurance Agreement (including amendments to correct manifest errors), provided that:
- (A) each of the PRA and the FCA has been notified of the same by the Transferor and has not objected thereto within 30 Business Days of such notification; and
  - (B) the CAA has been notified of the same by the Transferee and has not objected thereto within 30 Business Days of such notification,
- and each of the Transferor's Board and the Transferee's Board, where appropriate, has taken account of Appropriate Actuarial Advice and/or legal advice, as relevant, in relation to the amendments; or
- 20.3.3 amendments to the terms of the Scheme or the New Reinsurance Agreement which are reasonably considered by the Transferor's Board and the Transferee's Board, having taken account of Appropriate Actuarial Advice, to be required as a consequence of a variation to Regulatory Requirements or to the basis on which life assurance companies are subject to taxation in Luxembourg provided that:
- (A) such proposed amendments shall only be carried out if the Transferee's Board has obtained a certificate from an independent actuary (such independent actuary to be appointed by the Transferee's Board, subject to neither the PRA nor the CAA having objected to such appointment within 30 Business Days of the notification of the same) to the effect that, in the opinion of the independent actuary, the proposed amendments will not have a material adverse effect on the security or benefit expectations of the policyholders of the Transferor or the Transferee; and
  - (B) each of the PRA and the FCA has been notified in advance of the proposed amendments by the Transferor (such notification to include the certificate described in paragraph 20.3.3(A)) and has not objected thereto within 45 Business Days of such notification; and
  - (C) the CAA has been notified in advance of the proposed amendments by the Transferee (such notification to include the certificate described in paragraph 20.3.3(A)) and has not objected thereto within 45 Business Days of such notification.
- 20.3.4 any other amendments to the terms of the New Reinsurance Agreement not referred to elsewhere in this paragraph 20.3 provided that:
- (A) such proposed amendments shall only be carried out if the Transferee's Board has obtained a certificate from an independent actuary (such independent actuary to be appointed by the Transferee's Board, subject to neither the PRA nor the CAA having objected to such appointment within 30 Business Days of the notification of the same) to the effect that, in the opinion of the independent actuary, the proposed amendments will not have a material adverse effect on the security or benefit expectations of the policyholders of the Transferor or the Transferee;
  - (B) each of the PRA and the FCA has been notified in advance of the proposed amendments by the Transferor (such notification to include



the certificate described in paragraph 20.3.4(A) and has not objected thereto within 45 Business Days of such notification; and

- (C) the CAA has been notified in advance of the proposed amendments by the Transferee (such notification to include the certificate described in paragraph 20.3.4(A) and has not objected thereto within 45 Business Days of such notification.

**21. EVIDENCE OF TRANSFER**

- 21.1 The production of a copy of the Order with any modifications, amendments and/or additions made under paragraph 20, shall for all purposes be evidence of the transfer to, and vesting in, the Transferee:
  - 21.1.1 on and with effect from the Effective Date, of the Transferred Business, the Transferred Assets, the Transferred Liabilities and the Transferred Policies; and
  - 21.1.2 with effect from each relevant Subsequent Transfer Date, of the Residual Assets and Residual Liabilities.

**22. COSTS AND EXPENSES**

To the extent that such costs have not already been paid, the costs and expenses of the carrying into effect of this Scheme shall following the Effective Date be borne by the Transferor Combined Fund.

**23. SUCCESSORS AND ASSIGNS**

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

**24. THIRD PARTY RIGHTS**

- 24.1 Subject to paragraph 24.2, 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.
- 24.2 Policyholders of the Transferred Policies may enforce the provisions of paragraph 4.4 against the Transferee. Neither the Transferor nor the Transferee shall require the consent of any such policyholders to amend this Scheme pursuant to paragraph 20.

**25. GOVERNING LAW**

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

Dated this 5 March 2019

**SCHEDULE 1 -  
IFS POLICIES**

(A)	(B)	(C)
Group	Product Name	Product Code
<b>German Endowments</b>	Wealthmaster Classic Life	WCL
	Wealthmaster Leben	WML
	Kapitallebensversicherung	GFP
	Wealthmaster Classic	GIP
	Wealthbuilder Essential	WBE
	Kapitallebensversicherung	GWP
	Performancemaster Classic Life	PML
	Performancemaster Life Plan	GPP
	Performancemaster Leben	PFL
	Wealthmaster Leben	WLE
	Performancemaster Leben	PLE
	Performancemaster Leben	PLB
<b>German Endowments (Feeder Plan)</b>	Lebensversicherung	GJP
	Lebensversicherung	GCP
<b>German Endowments Single Premium</b>	Wealthmaster Noble	GBA
	Wealthmaster Noble	GGA
	Kapitallebensversicherung	GWA
	Performancemaster Noble	PGA
	Wealthmaster Noble	WNO
	Performancemaster Noble	PNO
	Performancemaster Noble	PMN
<b>German Deferred Annuity</b>	Wealthmaster Classic Annuity	WDA
	Wealthmaster Rente	WMR
	Performancemaster Classic Annuity	PCA
	Performancemaster Rente	PFR
	Wealthmaster Rente	WRE
	Performancemaster Noble Rente	PNR
	Performancemaster Rente	PRE
<b>German Basic Pension</b>	Wealthmaster Basisrente	WMB
	Retirement Growth Plan	RGP
	Retirement Performance Plan	RPP
	Performancemaster Basisrente	PFB
	Wealthmaster Basisrente	WBA
	Performancemaster Basisrente	PBA

(A)	(B)	(C)
Group	Product Name	Product Code
	Performancemaster Basisrente	PNB
<b>German Occupational Pensions</b>	Direktversicherung	DVP
	Direktversicherung	IDV
	Direktzusage	IDZ
	Direktzusage - SP	SDZ
<b>Austrian Endowments</b>	Wealthmaster Classic	GIP
	Kapitallebensversicherung	GWP
	Performancemaster Planner	PMP
	Wealthmaster Classic	WMC
	Performancemaster Planner	PUP
	Performancemaster Planner	PFP
	Wealthmaster Classic	WEC
<b>Austrian Endowments Single Premium</b>	Wealthmaster Noble	GBA
	Wealthmaster Noble	GGA
	Performancemaster Investor	GPA
	Kapitallebensversicherung	GWA
	Performancemaster Investor	PFI
	Wealthmaster Noble	WEN
<b>Austrian Deferred Annuity</b>	Pensionmaster Investor	PIN
	Pensionmaster Planner	PPL
	Pensionmaster Planner	PUL
<b>Italian Endowments</b>	Clerical Medical Freedom	TFP
	Clerical Medical Freedom Plus	TSP
	6 Unico	TRP
	Evolution Soluzione Accumulo	TTP
<b>Italian and Belgian Whole of Life investment single premium</b>	Premier Account	BCA
	Clerical Medical Premier Account	TAA
	CM Premier Account	TBA
	Guaranteed Growth Choice	TCA
	CM Premier Account	TDA
	Guaranteed Growth Choice	TEA
	Clerical Medical Evolution	TGA
	GGC Limited Edition	TNA
	CM New Generation (Plus)	TOA
	CM Evolution Plus	TPA
	UBS Unit Linked Solutions	UBA
<b>Luxembourg</b>	Premier Account	BAA
	Premier Account	BBA
	Kapitallebensversicherung	GWP

(A)	(B)	(C)
Group	Product Name	Product Code
	Wealthmaster Noble	GCA

**SCHEDULE 2 -  
LINKED FUNDS**

Internal Fund Number	Fund Name
5630	CMIG Multi-Assets Global
6101	CMIG UK Equity
6102	CMIG UK Equity Index Tracking
6202	CMIG US Equity Index Tracking
6203	CMIG US Bond
6205	CMIG US Dollar Currency Reserve
6219	CMIG Pacific Basin Enhanced Equity
6240	CMIG US Enhanced Equity
6401	CMIG Japan Enhanced Equity
6602	CMIG Continental European Equity
6604	CMIG Euro Bond
6605	CMIG Euro Currency Reserve
6606	CMIG Euro Index Tracking
6630	CMIG Global Multi-Assets
6650	CMIG Euro Cautious Managed
6651	CMIG Euro Balanced Managed
6652	CMIG Euro Adventurous Managed
6680	CMIG Guaranteed Access 80%
6681	CMIG European Enhanced Equity
6683	CMIG GA 70% Flexible
6684	CMIG GA 80% Flexible
6685	CMIG GA 90% Flexible
7000/7001/7002	CMIG Flexible Retirement Fund

No. CR-2018-003310

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

**SCOTTISH WIDOWS LIMITED**

and

**SCOTTISH WIDOWS EUROPE AG**

and

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

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**SCHEME**

**for the transfer to Scottish Widows Europe  
SA of part of the long-term business of  
Scottish Widows Limited (pursuant to Part VII  
of the Financial Services and Markets Act  
2000)**

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