



Claim No. CR – 2015 008462

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

CR-2015-008462

Mr Justice Snowden

18 March 2019

IN THE MATTER OF SCOTTISH WIDOWS PLC
and
IN THE MATTER OF SCOTTISH WIDOWS ANNUITIES LIMITED
and
IN THE MATTER OF SCOTTISH WIDOWS UNIT FUNDS LIMITED
and
IN THE MATTER OF PENSIONS MANAGEMENT (S.W.F.) LIMITED
and
IN THE MATTER OF CLERICAL MEDICAL MANAGED FUNDS LIMITED
and
IN THE MATTER OF HALIFAX LIFE LIMITED
and
IN THE MATTER OF ST ANDREW'S LIFE ASSURANCE PLC
and
IN THE MATTER OF SCOTTISH WIDOWS LIMITED
and
IN THE MATTER OF PART VII OF
THE FINANCIAL SERVICES AND MARKETS
ACT 2000

ORDER

UPON THE APPLICATION by the above-named Scottish Widows Limited ("**SWL**"), whose registered office at 25 Gresham Street, London, United Kingdom, EC2V 7HN, pursuant to the liberty to apply granted by the Court in the order of 26 November 2015;

AND UPON HEARING Martin Moore QC, Counsel for the Applicant, and Tom Weitzman QC, Counsel for the PRA and FCA;

AND UPON READING the Claim Form, including the amended Scheme, and the first witness statement of Michael Harris made on behalf of the SWL on 5 March 2019;

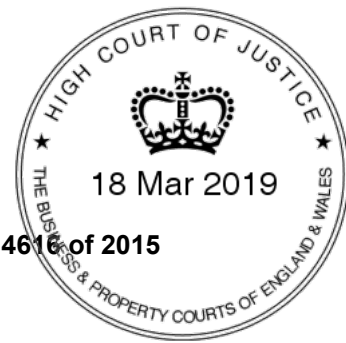
THIS COURT HEREBY consents pursuant to paragraph 42.2 of the Scheme to the amendments to the Scheme set out in the amended Scheme forming the Schedule hereto, such amendments to take effect on the date of this stamped Order or such later time and date as the Applicant may decide

(being a date and time falling after the making of this Order sanctioning the amendment to the Scheme).

SCHEDULE
2015 AMENDED SCHEME
[See 2015 Amended Scheme]



HERBERT
SMITH
FREEHILLS



No. 4616 of 2015

CR-2015-008462

SCOTTISH WIDOWS PLC
and
SCOTTISH WIDOWS ANNUITIES LIMITED
and
SCOTTISH WIDOWS UNIT FUNDS LIMITED
and
PENSIONS MANAGEMENT (S.W.F.) LIMITED
and
CLERICAL MEDICAL MANAGED FUNDS LIMITED
and
HALIFAX LIFE LIMITED
and
ST ANDREW'S LIFE ASSURANCE PLC
and
CLERICAL MEDICAL INVESTMENT GROUP LIMITED

SCHEME

pursuant to Part VII of, and Schedule 12 to, the
Financial Services and Markets Act 2000
(as amended by Order of the Court made on
18 March 2019)

Herbert Smith Freehills LLP

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**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 4616 of 2015

SCOTTISH WIDOWS PLC
and
SCOTTISH WIDOWS ANNUITIES LIMITED
and
SCOTTISH WIDOWS UNIT FUNDS LIMITED
and
PENSIONS MANAGEMENT (S.W.F.) LIMITED
and
CLERICAL MEDICAL MANAGED FUNDS LIMITED
and
HALIFAX LIFE LIMITED
and
ST ANDREW'S LIFE ASSURANCE PLC
and
CLERICAL MEDICAL INVESTMENT GROUP LIMITED
and
**IN THE MATTER OF PART VII OF
THE FINANCIAL SERVICES AND MARKETS
ACT 2000**

SCHEME

**for the transfer to Clerical Medical Investment Group Limited
of the whole of the long-term business of Scottish Widows
plc, Scottish Widows Annuities Limited, Scottish Widows Unit
Funds Limited, Pensions Management (S.W.F.) Limited,
Clerical Medical Managed Funds Limited, Halifax Life Limited
and St Andrew's Life Limited (pursuant to Part VII of the
Financial Services and Markets Act 2000)**

(as amended by Order of the Court made on 18 March 2019)

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, in respect of a Transferor's Board or the Transferee Board, in relation to each Fund, the relevant Transferor's Board or the Transferee Board 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 within any With Profits Fund, the With Profits Actuary relevant to that Fund; 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 relevant Transferor's Board or the Transferee 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 a Transferor (and comprised within the Transferred Business) or by the Transferee (as the context requires) including all rights, benefits and powers of the relevant Transferor or the Transferee under any Contract and all rights, including any right to repayment or recovery of tax relating to the Transferred Business or to the transfer thereof, claims and powers of the relevant 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 relevant Transferor or the Transferee has an interest in such asset or property, including beneficial ownership of such asset or property;

"Asset Shares" means asset shares determined at the relevant time by the Transferee Board, having taken account of Appropriate Actuarial Advice, in accordance with the relevant Transferee PPFM;

"Bailiwick of Guernsey" means the islands of Guernsey, Alderney, Sark, Herm, Jethou, Brecqhou and Lihou;

"Board" means, in relation to a Transferor, 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 and Edinburgh;

"Capital Fees" means fees of 0.3 per cent per annum deducted from the Asset Shares of Pre-SW Scheme Transferred With Profits Policies which are Conventional With Profits Policies, other than annuities in payment under Pensionplanner Contracts, where the fees shall be nil;

"Chief Actuary" means the person appointed by the relevant Transferor or the Transferee from time to time to perform (i) in the case of a Transferor, the "Actuarial" controlled function (CF12) or (ii) in the case of the Transferee, during the period prior to 7 March 2016, the "Actuarial" controlled function (CF12) and in the period after and including 7 March 2016, the "Chief Actuary" controlled function (SIMF20) or the equivalent successor function;

"Clerical Medical UWP Policy" means a Policy, or part of a Policy, in relation to which the benefits payable are determined by reference to With Profits Units in the Clerical Medical With Profits Fund, including for the avoidance of doubt policies written by HLL under the following classes:

- (a) "Personal Pension Plan"; or

(b) "Top-up Pension Plan",

and reassured prior to the Effective Date by HLL to the Clerical Medical With Profits Fund pursuant to a reinsurance agreement dated 3 February 1997 (as amended by an addendum dated 27 July 1998), and "Halifax Life With Profits Annuity Policies" written by HLL and transferred to CMIG pursuant to the HLL Scheme;

"Clerical Medical With Profits Fund" means the with profits fund established and maintained by the Transferee pursuant to the CMIG Scheme prior to the Effective Date and maintained pursuant to this Scheme following the Effective Date;

"Clerical Medical With Profits Policies" means those Policies:

- (a) that confer on the holder a right to share in bonuses declared in relation to the Clerical Medical 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 Clerical Medical With Profits Fund,

other than Deposit Administration Contracts and including, for the avoidance of doubt, Clerical Medical UWP Policies;

"Clerical Medical With Profits Fund PPFM" means the PPFM governing the Clerical Medical With Profits Fund, as in force from time to time;

"Closing Fund" has the meaning given to it in paragraph 20.6;

"CM Investment Element" in relation to a policy that is or becomes a Clerical Medical UWP Policy, means the With Profits Units by reference to which the benefits under the policy are measured;

"CM Investment Premium" in relation to a Policy that is or becomes a Clerical Medical UWP Policy, means such part or amount of any premium as has been applied or is applicable to the CM Investment Element in accordance with the terms of the Policy or (in the case of doubt) as the Transferee Board, having taken account of Appropriate Actuarial Advice, determines to have been applied or to be applicable to the CM Investment Element, reflecting the amount added to the CM Value of the Investment Element by the addition of such part or amount of such premium;

"CM Special Bonus Policy" means a Pre-CMIG Scheme Transferred With Profits Policy that was in-force at 11.59 pm on 22 March 1996 and at that time conferred on the holder a right to share in bonuses declared by CMGLAS out of surplus (except Deposit Administration Contracts);

"CM Switch" means any transaction effected by the holder of a Policy pursuant to which either:

- (a) in the case of Clerical Medical UWP Policy, the value of the Policy ceases to be measured (or becomes measured to a lesser or greater degree) by reference to With Profits Units and becomes measured (or becomes measured to a lesser or greater degree) by reference to units in any Linked Fund allocated to the Policy; or
- (b) in the case of a Policy other than a Clerical Medical UWP Policy, the value of the Policy ceases to be measured (or becomes measured to a lesser degree) by reference to units in any Linked Fund allocated to the Policy and becomes measured (or measured to a greater degree) by reference to With Profits Units of the Clerical Medical With Profits Fund;

"CM Value of the Investment Element" in relation to a Clerical Medical UWP Policy at any time, the aggregate of:

- (a) the bid value (as determined by the Transferee Board, having taken account of Appropriate Actuarial Advice) at that time of all initial With Profits Units comprised in the CM Investment Element, discounted in such manner as the Transferee

Board shall consider appropriate (having taken account of Appropriate Actuarial Advice); and

- (b) the bid value (as determined by the Transferee Board, having taken account of Appropriate Actuarial Advice) at that time of all other With Profits Units comprised in the CM Investment Element;

"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" means Clerical Medical Investment Group Limited, a company incorporated in England and Wales with registered number 03196171, which it is proposed should change its name to Scottish Widows Limited with effect from on or about the Effective Date;

"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);

"CMIG Scheme Effective Date" means 31 December 1996;

"CMMF" means Clerical Medical Managed Funds Limited, a company incorporated in England and Wales with registered number 01580284;

"CMMF Long Term Fund" means the Long Term Fund established and maintained by CMMF immediately prior to the Effective Date;

"CMMF Shareholder Fund" means the Assets and Liabilities of CMMF, other than those attributable to or represented by the CMMF Long Term Fund, and including, for the avoidance of doubt, CMMF's Intellectual Property Rights;

"CMMF Transferred Business" means the whole of the Long Term Business, undertaking and activities of CMMF carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the CMMF Shareholder Fund, but excluding the Excluded Policies;

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

"Code" means the US Internal Revenue Code of 1986;

"Combination Date" means the date (which shall not be earlier than the Effective Date) determined as follows:

- (a) in the event that the Effective Date falls before the Solvency II Implementation Date, the Solvency II Implementation Date;
- (b) in the event that the Effective Date coincides with or falls after the Solvency II Implementation Date, the Effective Date;

"Combined Fund" means (in respect of any period after the Combination Date) the assets and liabilities of the Transferee, other than those attributable to the With Profits Funds;

"Consultation Requirements" means the obligation to obtain, as relevant, assessments, reports, advice and/or recommendations in accordance with and in the circumstances described in COBS 20.5.5R, and for the avoidance of doubt, subject to paragraph 1.2.4(B);

"Contingent Loan" has the meaning given to it in paragraph 28.1;

"Contract" means any written contract, commitment, agreement (including a facility agreement), deed, indenture, note, bond, mortgage, loan, instrument, lease or licence as amended, supplemented, varied or substituted from time to time;

"Conventional With Profits Policies" means any With Profits Policy which is not a Unitised With Profits Policy;

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

"Cumulative Operative Charge" has the meaning given to it in paragraph 27.3;

"Deposit Administration Contracts" has the meaning given to it in Part A of Schedule 4;

"Effective Date" means the time and date on which the transfer pursuant to this Scheme shall take effect in accordance with paragraph 40;

"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:

- (a) all the shares in SWA and SWUF, and the membership rights and obligations in respect of PMSWF, in each case held by SW; and
- (b) all the shares in SAL, held by HLL;

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

- (a) written by a 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(3) of Schedule 12 to FSMA, an EEA State other than the United Kingdom is the State of the commitment; 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 4 of Schedule 12 to FSMA with respect to the relevant EEA State which is the State of the commitment;
- (b) written by a 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;
- (c) which are:
 - (i) Guernsey Policies (to the extent that and for so long only as the Guernsey Scheme has not yet received the requisite court approval and become effective in accordance with its terms); or
 - (ii) Jersey Policies (to the extent that and for so long only as the Jersey Scheme has not yet received the requisite court approval and become effective in accordance with its terms); or
- (d) written by a Transferor in the course of carrying on Long Term Business but which, prior to the Effective Date, the Transferors 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), (c) or (d) of this definition which has lapsed on or before the Effective Date but which the relevant policyholder is entitled to require the relevant Transferor to reinstate; and
- (ii) any proposal for a Policy received or issued by or on behalf of a 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), (c) or (d) of this definition were it to come into force,

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

"Excluded Policies Reassurance Arrangements" means each of the reinsurance arrangements to be implemented in respect of Excluded Policies pursuant to, and in accordance with, paragraph 6.1;

"Existing Schemes" means:

- (a) the SW Scheme;
- (b) the CMIG Scheme;
- (c) the HLL Scheme; and
- (d) SWAS Scheme.

"FATCA" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.;

"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;

"FEES" means the Fees Manual issued (or deemed to have been issued) by the FCA;

"Financial Year" means each 12 month period ending on 31 December (subject to paragraph 1.2.18);

"FSCS" means the Financial Services Compensation Scheme established pursuant to FSMA;

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

"Fund" means any or all (as the context requires) of:

- (a) the Long Term Funds maintained by a Transferor prior to the Effective Date;
- (b) the Long Term Funds maintained by the Transferee prior to the Combination Date;
- (c) the Combined Fund; or
- (d) the With Profits Funds;

"Fund Closure" has the meaning given to it in paragraph 20.6;

"Fund Closure Date" has the meaning given to it in paragraph 20.8;

"Fund Merger" has the meaning given to it in paragraph 20.1;

"Fund Merger Date" has the meaning given to it in paragraph 20.3;

"GENPRU" means (in respect of any period prior to the Solvency II Implementation Date) the General Prudential Sourcebook issued (or deemed to have been issued) by the PRA;

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

"Guaranteed Annuity Option" means a term of a Policy giving the holder the right to elect to convert a cash value into an annuity at a guaranteed rate;

"Guaranteed Commutation Option" means a term of a Policy giving the holder the right to elect to convert an annuity into a cash sum at a guaranteed rate;

"Guernsey Effective Date" means the time and date on which the transfer pursuant to the Guernsey Scheme becomes effective in accordance with its terms;

"Guernsey Policy" means a Policy of any of the Transferors comprised in the Transferred Business that was written under Guernsey law or issued to a resident of the Bailiwick of Guernsey or part of the insurance business of any of the Transferors carried on in or from within the Bailiwick of Guernsey and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law 2002;

"Guernsey Scheme" means the scheme of transfer referred to in paragraph 2.14.1;

"HLL" means Halifax Life Limited, a company incorporated in England and Wales with registered number 02233654;

"HLL Long Term Fund" means the Long Term Fund established and maintained by HLL immediately prior to the Effective Date;

"HLL Shareholder Fund" means the Assets and Liabilities of HLL, other than those attributable to or represented by the HLL Long Term Fund, and including, for the avoidance of doubt, HLL's Intellectual Property Rights;

"HLL Scheme" means the Scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (application no. 7629 of 2004), between HLL, SAL and the Transferee;

"HLL Transferred Business" means the whole of the Long Term Business, undertaking and activities of HLL carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the HLL Shareholder Fund, but excluding the Excluded Policies;

"ILD Policies" has the meaning given to it in Part B of Schedule 4;

"INSPRU" means (in respect of any period prior to the Solvency II Implementation Date) the Prudential Sourcebook for Insurers issued (or deemed to have been issued) by the PRA;

"Intellectual Property Rights" means each of the following, to the extent beneficially owned by the relevant 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 or the Long Term Business of the Transferee; and
- (d) all design rights, database rights, software, systems developed by the relevant Transferor or the Transferee and any other intellectual property rights (whether registrable or not in any country);

"Investment Element" means (in relation to a Policy which is or becomes a Unitised With Profits Policy):

- (a) in respect of Clerical Medical UWP Policies, the CM Investment Premium; or
- (b) in respect of other Unitised With Profits Policies, such percentage of any premium (including any amount derived by reason of a rebate of charges) as has been applied or is applicable to the allocation of With Profits Units after adjustments in accordance with the terms of the Policy (including any policy charges and bid/offer spread);

"IPRU(INS)" means (in respect of any period prior to the Solvency II Implementation Date) the Interim Prudential Sourcebook for Insurers issued (or deemed to have been issued) by the PRA;

"Jersey Effective Date" means the time and date on which the transfer pursuant to the Jersey Scheme becomes effective in accordance with its terms;

"Jersey Policy" means a Policy of any of the Transferors comprised in the Transferred Business carried on by any of the Transferors in or from within Jersey (as such expression is interpreted for the purposes of the Insurance Business (Jersey) Law 1996) and which the Royal Court of Jersey has jurisdiction to transfer pursuant to Article 27 of, and Schedule 2 to, the Insurance (Business) Jersey Law 1996;

"Jersey Scheme" means the scheme of transfer referred to in paragraph 2.14.2;

"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 any of the Transferors prior to the Effective Date or by the Transferee prior to or following the Effective Date for the purpose of calculating benefits payable under Linked Policies, other than (for the avoidance of doubt) benefits determined by reference to the value of With Profits Units;

"Linked Policies" means Policies of any of the Transferors or the Transferee under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the Policies) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified);

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

"Long Term Fund" means any fund established and maintained:

- (a) by each Transferor prior to the Effective Date; or
 - (b) by the Transferee prior to the Combination Date,
- pursuant to INSPRU 1.5.22R in respect of Long Term Business;

"Merger Trigger Fund" has the meaning given to it in paragraph 20.1;

"Minimum Capital Requirement" means, in relation to a PRA authorised entity, its Minimum Capital Requirement, as determined in accordance with the Solvency II Requirements;

"Notional Mutual Company" has the meaning given to it in paragraph 23;

"Ongoing Capital Requirement" means:

- (a) in respect of any period prior to the Solvency II Implementation Date, the capital resources requirements set out in GENPRU 2.1; or
- (b) in respect of any period following the Solvency II Implementation Date, the amount of capital required to be held by a relevant Transferor as determined by the Solvency Capital Requirement (or the Minimum Capital Requirement, if greater),

together with such amounts (if any) as the relevant Transferor's Board, having taken account of Appropriate Actuarial Advice, shall determine;

"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;

"Pensionplanner Contract" means a contract bearing a designation between Bond No. PW 1 and Bond No. PW9999, Bond P1 and Bond P9999, Bond P(W)1 and Bond P(W)9999, Bond WP1 and Bond WP9999, Bond CW1 and Bond CW9999 or Bond G1 and Bond G9999;

"PMSWF" means Pensions Management (S.W.F.) Limited, a company incorporated in Scotland with registered number SC045361;

"PMSWF Long Term Fund" means the Long Term Fund established by PMSWF immediately prior to the Effective Date;

"PMSWF Shareholder Fund" means the Assets and Liabilities of PMSWF, other than those attributable to or represented by the PMSWF Long Term Fund, and including, for the avoidance of doubt, PMSWF's Intellectual Property Rights;

"PMSWF Transferred Business" means the whole of the Long Term Business, undertaking and activities of PMSWF carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the PMSWF Shareholder Fund, but excluding the Excluded Policies;

"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 (i) to a With Profits Fund and (ii) to the Transferee Non Profit Fund (with effect from the Effective Date) or to the Combined Fund (with effect from the Combination Date), each of such parts;

"PPFM" means the principles and practices of financial management document prepared and issued by an insurer in respect of a with profits fund as required by COBS 20.3;

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

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

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

"Pre-CMIG Scheme Transferred Policies" means those Policies (whether allocated (i) to the Clerical Medical With Profits Fund or (ii) to the Transferee Non Profit Fund (with effect from the Effective Date) and to the Combined Fund (with effect from the Combination Date), in each case in accordance with the terms of this Scheme) that were previously transferred to CMIG in accordance with the terms of the CMIG Scheme;

"Pre-CMIG Scheme Transferred With Profits Policies" means Clerical Medical With Profits Policies that were previously transferred to CMIG pursuant to the CMIG Scheme;

"Pre-SW Scheme Transferred Policies" means those Policies (whether allocated (i) to the Scottish Widows With Profits Fund or (ii) to the Transferee Non Profit Fund (with effect from the Effective Date) and to the Combined Fund (with effect from the Combination Date), in each case in accordance with the terms of this Scheme) that were previously transferred to SW in accordance with the SW Scheme;

"Pre-SW Scheme Transferred Pension Policies" means those Policies which are allocated to the Transferee Non Profit Fund (with effect from the Effective Date) and to the Combined Fund (with effect from the Combination Date) in accordance with the terms of this Scheme and were previously transferred to SWA in accordance with the SW Scheme;

"Pre-SW Scheme Transferred With Profits Policies" means those With Profits Policies that were previously transferred to SW in accordance with the SW Scheme;

"Prudential Regulation" means the principles for the valuation of Assets, Technical Provisions and other Liabilities of insurance companies carrying on business of the type

carried on by the Transferors and the Transferees prescribed by the Solvency II Requirements;

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

"Regulatory Liabilities" means, in relation to a Fund or any part thereof, the Technical Provisions and other Liabilities of that Fund determined in accordance with Prudential Regulation;

"Regulatory Requirements" means the FSMA, the PRA Handbook, the PRA Rulebook, the FCA Handbook and the Solvency II Requirements;

"Regulatory Return" means (in respect of any period prior to the Solvency II Implementation Date) the returns to the PRA required by Chapter 9, and in particular Rule 9.6, of IPRU(INS);

"Regulatory Value" means a value determined in accordance with Prudential Regulation;

"Relevant Date" means the Effective Date, except in the case of any Residual Asset or Residual Liability, in which case it means the applicable Subsequent Transfer Date;

"Relevant Liabilities" means those Liabilities under any arrangements equivalent to an internal reinsurance in place between the Funds immediately before the Effective Date;

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

"Required Amount" means the Regulatory Value of Assets which the Transferee Board determines, having taken account of Appropriate Actuarial Advice, is required to meet the TCF Requirements in respect of Policies allocated or reassured to the Scottish Widows With Profits Fund having regard to the fact that the investment and bonus policy of the Scottish Widows With Profits Fund may have regard to the existence of the Scottish Widows WPF Support Account and, in the case of Policies allocated or reassured that are not Pre-SW Scheme Transferred Policies, to the fact that the investment and bonus policy in respect of such policies may have regard to the Regulatory Value of Assets in excess of Regulatory Liabilities in the Combined Fund;

"Residual Asset" means in relation to the Transferred Business of a particular Transferor:

- (a) any Asset comprised in or relating to the Transferred Business of that Transferor, the transfer of which pursuant to this Scheme:
 - (i) is agreed by the relevant 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 relevant 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 relevant Transferor in any such Asset the transfer of which requires such steps and/or consent and/or waiver;

- (b) any interest of the relevant Transferor in any Asset comprised in the Transferred Business of that Transferor the transfer of which the relevant Transferor and the Transferee agree prior to the Effective Date is to be delayed until after the Effective Date;
- (c) any interest of the relevant Transferor in any Asset comprised in the Transferred Business which the relevant 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 relevant Transferor;
- (d) the Retained Capital Amount in respect of the relevant Transferor (including 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 that Retained Capital Amount); and
- (e) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, 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 of the relevant Transferor;

"Residual Liability" means in relation to the Transferred Business of a particular Transferor:

- (a) any Liability comprised in or relating to the Transferred Business of that Transferor, the transfer of which:
 - (i) is agreed by the relevant 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 relevant 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 relevant Transferor's Transferred Business, the transfer of which that Transferor and the Transferee agree prior to the Effective Date is to be delayed;
- (c) any other Liability comprised in the relevant Transferred Business which that 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 relevant 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 relevant 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 of that Transferor;

"Retained Capital Amount" means, in respect of a Transferor, such amount of Assets as the relevant Transferor's Board, having taken account of Appropriate Actuarial Advice, shall determine as sufficient to ensure that the relevant Transferor is able to continue to meet its Ongoing Capital Requirement at all times after the Effective Date for so long as it maintains a PRA authorisation;

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

"Return Adjustment" means an amount (which may be positive or negative) calculated by applying either:

- (a) where the Transferee Board, having taken account of Appropriate Actuarial Advice, decides in advance that in the interests of the prudent management of the Scottish Widows With Profits Fund it is appropriate to invest the Assets made available pursuant to paragraph 28 on a different basis from that on which the Assets or notional Assets backing the Asset Shares of the Scottish Widows With Profits Policies are invested at the relevant time, a rate of return equal to that earned on the Assets made available as they are invested or re-invested from time to time; or
- (b) otherwise the same average rate of return as is credited or debited to the Asset Shares of the Scottish Widows With Profits Policies (as determined by the Transferee Board, having taken account of Appropriate Actuarial Advice),

over the period during which the Assets were made available pursuant to paragraph 28, to the amount of any Contingent Loan (in the case of paragraph 28.1) or to the amount made available to the Scottish Widows With Profits Fund (in the case of paragraph 28.2), less an appropriate deduction for taxation or plus an appropriate addition for Tax Relief, if any, as is determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, in accordance with the principles set out in paragraph 39;

"SAL" means St Andrew's Life Assurance plc, a company incorporated in England and Wales with registered number 03104670;

"SAL Long Term Fund" means the Long Term Fund established and maintained by SAL immediately prior to the Effective Date;

"SAL Shareholder Fund" means the Assets and Liabilities of SAL, other than those attributable to or represented by the SAL Long Term Fund, and including, for the avoidance of doubt, SAL's Intellectual Property Rights;

"SAL Transferred Business" means the whole of the Long Term Business, undertaking and activities of SAL carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the SAL Shareholder Fund, but excluding the Excluded Policies;

"Scheme" means this Scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 42;

"Scottish Widows Additional Account" means the memorandum account having that name established pursuant to paragraph 11.2.1;

"Scottish Widows Retained Account" means the memorandum account having that name established pursuant to paragraph 11.2.2;

"Scottish Widows UWP Policy" means a Policy, or part of a Policy, in relation to which the benefits payable are determined by reference to With Profits Units in the Scottish Widows With Profits Fund;

"Scottish Widows With Profits Fund" or **"Scottish Widows WPF"** means the with profits fund established by the Transferee as of the Effective Date, pursuant to paragraph 11.1;

"Scottish Widows With Profits Fund PPFM" means the PPFM governing the Scottish Widows With Profits Fund, as in force from time to time;

"Scottish Widows WPF Further Support Account" means the memorandum account having that name established pursuant to paragraph 11.2.4;

"Scottish Widows With Profits Policies" means that part of any contract of insurance (excluding Investor Series 1 Policies) which at the relevant time confers on the holder a right to share in the profits of the Scottish Widows With Profits Fund and including:

- (a) a Scottish Widows UWP Policy; and
- (b) that part of any contract of insurance where either the benefits provided or the contribution required to be made vary by reference to bonuses declared on that Policy; and

together with any non-profit benefits attached to that contract of insurance for which no separate premium is identified;

"Scottish Widows WPF Policies" means those policies allocated to the Scottish Widows With Profits Fund that are:

- (a) Conventional With Profits Policies;
- (b) Pensionplaner Contracts; or
- (c) other Policies of a class which in the opinion of the Transferee Board, having taken account of Appropriate Actuarial Advice, may contain a Guaranteed Annuity Option or a Guaranteed Commutation Option; and

where there is any doubt as to whether or to what extent a Policy is a Scottish Widows WPF Policy the Transferee Board's determination (having taken account of Appropriate Actuarial Advice) shall be final;

"Scottish Widows WPF Support Account" means the memorandum account having that name established pursuant to paragraph 11.2.3;

"Shareholder Fund" means the Assets and Liabilities of a Transferor other than those attributable to or represented by its Long Term Fund(s);

"Solvency Capital Requirement" means the Solvency Capital Requirement determined in accordance with the Solvency II Requirements;

"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 Implementation Date" means 00:00:01 on 1 January 2016 or, if later, 00:00:01 on the date on which the Solvency II Directive is implemented in the United Kingdom;

"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;

"Statutory Deficit" in relation to the Scottish Widows With Profits Fund, a Statutory Deficit shall exist at any time when, and in the amount by which, the Transferee Board determines, having taken account of Appropriate Actuarial Advice, that the Regulatory Value of Assets of the Scottish Widows With Profits Fund fall short of the Regulatory Liabilities of the Scottish Widows With Profits Fund;

"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 relevant 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 relevant 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, the date on which the relevant Transferor's board of directors, having taken account of Appropriate Actuarial Advice, determines that such Residual Asset is no longer required to ensure that the relevant Transferor is able to continue to meet its Ongoing Capital Requirement;
 - (e) in respect of any Residual Asset falling within paragraph (e) 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 relevant Transferor or, in the case of a Residual Liability, the date on which such Liability is incurred by the relevant Transferor;
 - (f) in respect of any Excluded Policy falling within paragraph (a), (b) and (d) 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; and
 - (g) in respect of any Excluded Policy falling within paragraph (c) of the definition thereof, the Guernsey Effective Date or the Jersey Effective Date (as the case may be);

"SUP" means the Supervision Manual jointly issued (or deemed to have been issued) by the PRA and FCA;

"Surviving Fund" has the meaning given to it in paragraph 20.1;

"SW" means Scottish Widows plc, a company incorporated in Scotland with registered number SC199549, which it is proposed should change its name to Scottish Widows Finance plc with effect from on or about the Effective Date;

"SW Additional Account" means the "Additional Account" established and maintained by SW pursuant to the SW Scheme;

"SW Additional Account Amount" means the amount (immediately prior to the Effective Date) of the SW Additional Account;

"SW Further Support Account Amount" means the amount (immediately prior to the Effective Date) of the "Further Support Account" established and maintained by SW pursuant to the SW Scheme;

"SW NPF" means the non profit fund established and maintained by SW pursuant to the SW Scheme as the "Non Participating Fund";

"SW NPF Transferred Business" means the business allocated to the SW NPF immediately prior to the Effective Date;

"SW Relevant Employee" means those persons who immediately prior to the SW Scheme Effective Date were current or former employees of SWFLAS or any of its subsidiaries;

"SW Retained Account" means the "Retained Account" established and maintained by SW pursuant to the SW Scheme;

"SW Retained Account Amount" means the amount (immediately prior to the Effective Date) of the SW Retained Account;

"SW Scheme" means the Scheme pursuant to section 9 of, and Schedule 2C to, the Insurance Companies Act 1982 sanctioned by the Court of Session on 28 February 2000, between SWFLAS, SW and SWA, and which effected, among other things, the demutualisation of SWFLAS;

"SW Scheme Effective Date" means 11:59pm on 3 March 2000;

"SW Scheme Transferred Business" means the Business (as such term is defined in the SW Scheme) transferred from SWFLAS to SW in accordance with the SW Scheme;

"SW Scheme WPF Provision" means the amount of the provision made in accordance with Schedule 6 of the SW Scheme in respect of which the relevant liability has not yet been determined, together with the SW Scheme WPF Provision Previous Transfer;

"SW Scheme WPF Provision Previous Transfer" means the balance of any amounts transferred to the "Retained Account" (as such term is defined in accordance with the SW Scheme) pursuant to paragraph 20.5 of the SW Scheme, in each case immediately prior to the Effective Date;

"SW Shareholder Fund" means the Assets and Liabilities of SW, other than those attributable to or represented by the SW Long Term Fund, and including, for the avoidance of doubt, SW's Intellectual Property Rights;

"SW Shareholder Subsidiary" means:

- (a) Scottish Widows Trustees Limited (a company incorporated in Scotland with registered number SC099131);
- (b) SWUF;
- (c) Scottish Widows International Limited (a company incorporated In Jersey with registered number 67600);
- (d) Scottish Widows Services Limited (a company incorporated in Scotland with registered number SC189975);
- (e) Aberdeen Investment Solutions Limited (a company incorporated in Scotland with registered number SC106723, and formerly known as Scottish Widows Investment Management Ltd);
- (f) Scottish Widows Fund Management Limited (a company incorporated in Scotland with registered number SC074517); and
- (g) Scottish Widows Bank plc (a company incorporated in Scotland with registered number SC154554).

"SW Support Account Amount" means the amount (immediately prior to the Effective Date) of the "Support Account" established and maintained by SW pursuant to the SW Scheme;

"SW Transferred Business" means the whole of the Long Term Business, undertaking and activities of SW carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the SW Shareholder Fund, but excluding the Excluded Policies;

"SW With Profits Subsidiary" means any wholly-owned subsidiary of SW in relation to which the entire interest of SW in such subsidiary is allocated to the Scottish Widows With Profits Fund;

"SW WPF" means the with profits fund established and maintained by SW pursuant to the SW Scheme;

"SW WPF Transferred Business" means the business allocated to the SW WPF immediately prior to the Effective Date, including that part of any Scottish Widows UWP Policies invested in the SW WPF;

"SWA" means Scottish Widows Annuities Limited, a company incorporated in Scotland with registered number SC199550;

"SWA Long Term Fund" means the Long Term Fund established and maintained by SWA immediately prior to the Effective Date;

"SWA Shareholder Fund" means the Assets and Liabilities of SWA, other than those attributable to or represented by the SWA Long Term Fund, and including, for the avoidance of doubt, SWA's Intellectual Property Rights;

"SWA Transferred Business" means the whole of the Long Term Business, undertaking and activities of SWA carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the SWA Shareholder Fund, but excluding the Excluded Policies;

"SWAS Scheme" means the Scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (application no. 1233 of 2004), between Scottish Widows Administration Services Limited (formerly Lloyds TSB Life Assurance Company Limited), SW and SWA;

"SWAS Scheme Effective Date" means 11.59pm on 31 December 2004;

"SWFLAS" means Scottish Widows Fund and Life Assurance Society;

"SWUF" means Scottish Widows Unit Funds Limited, a company incorporated in Scotland with registered number SC074809;

"SWUF Long Term Fund" means the Long Term Fund established and maintained by SWUF immediately prior to the Effective Date;

"SWUF Shareholder Fund" means the Assets and Liabilities of SWUF, other than those attributable to or represented by the SWUF Long Term Fund, and including, for the avoidance of doubt, SWUF's Intellectual Property Rights;

"SWUF Transferred Business" means the whole of the Long Term Business, undertaking and activities of SWUF carried on immediately prior to the Effective Date, including (i) any proposals for insurance not yet accepted at the Effective Date and (ii) the SWUF Shareholder Fund, but excluding the Excluded Policies;

"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 any of the Transferors 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;

"TCF Deficit" in relation to the Scottish Widows With Profits Fund, a TCF Deficit shall exist at any time when, and in the amount by which, the Transferee Board determines, having taken account of Appropriate Actuarial Advice, that the Regulatory Value of Assets of the Scottish Widows With Profits Fund falls short of the Required Amount;

"TCF Requirements" means the requirement to pay due regard to the interests of customers and treat them fairly;

"Technical Provisions" means the value of technical provisions calculated in accordance with Technical Provisions Rules 2.4 to 4.2, 5 (and, to the extent applicable, 6 and 7) of the PRA Rulebook (which rules implement articles 77, 77a, 77b and 77d of the Solvency II Directive) including any transitional measures (and where under this Scheme a calculation of Technical Provisions falls to be made in respect of a part only of the Technical Provisions of a Transferor or the Transferee, such calculation shall be made taking account of Appropriate Actuarial Advice as to the fair and reasonable apportionment of the risk margin and transitional measures between different types of Policy);

"Terminal Bonus" means bonus declared or added on the termination, vesting or surrender (whether as a result of switching, early retirement or otherwise) of Policies and also bonus added from time to time on annuity payments from UWP Annuities, as the context requires;

"Transferee" means CMIG;

"Transferee Board" means the board of directors of the Transferee from time to time;

"Transferee Non Profit Fund" means (in respect of any period prior to the Combination Date) the non-profit sub-fund established and maintained by the Transferee;

"Transferee PPFM" means the Clerical Medical With Profits Fund PPFM and the Scottish Widows With Profits Fund PPFM;

"Transferee Shareholder Fund" means (in respect of any period prior to the Combination Date) the Assets and Liabilities of the Transferee, other than those attributable to the Transferee's Long Term Fund, and including, for the avoidance of doubt, the Transferee's Intellectual Property Rights;

"Transferor" means SW, SWA, SWUF, PMSWF, CMMF, HLL and SAL as the context requires, and "Transfers" and "relevant Transferor" shall be construed accordingly;

"Transferred Assets" means in relation to a Transferor, all Assets of that Transferor whatsoever and wheresoever situated comprised in or attributable to the Transferred Business of that Transferor (whether allocated to the relevant Transferor's Long Term Fund or its Shareholder Fund) immediately prior to the Effective Date including (without prejudice to the generality of the foregoing):

- (a) all rights, benefits and powers of that Transferor under or by virtue of the Transferred Policies;
- (b) all rights and claims (present or future, actual or contingent) against any third party in relation to the Transferred Business of that Transferor or arising as a result of that Transferor having carried on the relevant Transferred Business;
- (c) all rights, benefits and powers of that Transferor under or by virtue of Contracts (whether or not that Transferor is a party to such Contracts and including, without limitation, the Transferred Reassurance Agreements);
- (d) all rights, benefits and powers of that Transferor under or by virtue of the Transferred Scheme;
- (e) all Assets attributable to the Excluded Policies (except if and for so long as such Assets constitute a Residual Asset);

- (f) all Assets allocated at the Effective Date to that Transferor's Shareholder Fund;
and
- (g) all books, records, files and papers, whether in hard copy or computer format, relating to the relevant Transferred Business, 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) that Transferor's Residual Assets;
- (2) that Transferor's Excluded Assets; and
- (3) any rights, benefits and powers of that Transferor under or relating to the Excluded Policies or the Excluded Policies Reassurance Arrangements;

"Transferred Business" means the SW Transferred Business, the SWA Transferred Business, the SWUF Transferred Business, the PMSWF Transferred Business, the CMMF Transferred Business, the HLL Transferred Business and the SAL Transferred Business;

"Transferred Liabilities" means in relation to a Transferor, all Liabilities of that Transferor whatsoever and wheresoever situated comprised in or attributable to the Transferred Business of that Transferor (whether allocated to the relevant Transferor's Long Term Fund or its Shareholder Fund) immediately prior to the Effective Date including (without prejudice to the generality of the foregoing):

- (a) all Liabilities under or by virtue of the Transferred Policies;
- (b) all Liabilities under or by virtue of the Transferred Scheme;
- (c) all Liability to taxation attributable to the Transferred Business or to the transfer thereof, whensoever incurred; and
- (d) all Liabilities allocated at the Effective Date to that Transferor's Shareholder Fund,

but excluding:

- (1) the Residual Liabilities; and
- (2) any Liabilities under or relating to the Excluded Policies;

"Transferred Policies" means every Policy comprised in the Transferred Business written by a Transferor under which any Liability remains unsatisfied or outstanding at the Effective Date, including:

- (a) Policies written by a Transferor which have lapsed (or which have been treated by a Transferor as having lapsed) on or before the Effective Date and which are reinstated by the Transferee on or after the Effective Date;
- (b) all proposals for insurance received by or on behalf of a Transferor before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies; and
- (c) the Guernsey Policies (with effect from the Guernsey Effective Date only) and the Jersey policies (with effect from the Jersey Effective Date only),

but excluding the Excluded Policies;

"Transferred Reassurance Agreements" all contracts, agreements, policies and other arrangements of whatsoever nature made between a Transferor and a third party in the nature of reinsurance of the Transferred Business under or in connection with which any right or Liability remains unsatisfied or outstanding immediately prior to the Effective Date including those detailed in Schedule 1;

"Transferred Scheme" means the Scheme pursuant to Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Article 35 of the European Communities (Life Assurance) Framework Regulations 1994 in Ireland (application no. 125

of 2012) for the transfer to SAL of the life assurance business of Halifax Assurance Ireland Limited;

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

"Unitised With Profits Policy" means a Scottish Widows UWP Policy or a Clerical Medical UWP Policy;

"US" means the United States of America;

"UWP Annuities" means (i) an annuity contract or (ii) that part of any annuity contract, in either case in relation to which the benefits payable are determined by reference to the value of With Profits Units allocated to that Policy and "Halifax Life With Profits Annuity Policies" written by HLL and transferred to CMIG pursuant to the HLL Scheme;

"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 any With Profits Fund, the person appointed from time to time to perform the "With Profits Actuary" controlled function (during the period prior to 7 March 2016, CF12A, and in the period after and including 7 March 2016, SIMF21) or the equivalent successor function;

"With Profits Committee" or **"WPC"** means the With Profits Committee of the Transferee established in accordance with Regulatory Requirements;

"With Profits Fund" means the Scottish Widows With Profits Fund or the Clerical Medical With Profits Fund;

"With Profits Policies" means Clerical Medical With Profits Policies or Scottish Widows With Profits Policies, as the context requires;

"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 Transferors or Transferee for the purposes of calculating benefits payable under Policies;

"Working Capital" has the meaning given to it in paragraph 27.8; and

"Year End" means, subject to paragraph 1.2.18, the close of business on 31 December in any calendar year;

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 or the FCA shall be deemed to include a reference

- to such handbook, rules or regulations as amended or replaced from time to time; and
- 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 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;
- 1.2.8 headings are inserted for convenience only and shall not affect the construction of this Scheme;
- 1.2.9 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;
- 1.2.10 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;
- 1.2.11 any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- 1.2.12 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;
- 1.2.13 any reference to the Transferee Board or to the Board of any of the Transferors shall be deemed to include a reference to a duly constituted committee or duly authorised representative of the Transferee Board or such Board as appropriate;
- 1.2.14 any reference to **"includes"** or **"including"** shall mean **"includes without limitation"** or **"including without limitation"**;
- 1.2.15 the expression "variation" shall include any variation, supplement, deletion, replacement or termination, however effected;
- 1.2.16 references to a Transferor's Board or to the Transferee Board "having taken account of Appropriate Actuarial Advice" means, in relation to each Fund the relevant Transferor's Board or the Transferee 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);
- 1.2.17 references to a "certificate from an independent actuary" means a certificate appended to a reasoned actuarial report, prepared by an independent actuary; and
- 1.2.18 in the event that the Transferee changes the date to which it prepares its financial report and accounts from 31 December, and the period for which it prepares such report and accounts from a calendar year, the Transferee shall make such changes to the definitions of "Financial Year" and "Year End" as the Transferee Board, having taken account of Appropriate Actuarial Advice, may specify in order to ensure that such definitions continue to have the effect intended as at the

Effective Date. Such changes shall be notified in writing to the PRA and the FCA within ten Business Days after they have taken effect.

PART B

INTRODUCTION

2. INTRODUCTION

- 2.1 SW is a company incorporated in Scotland with registered number SC199549. The registered office of SW is at 69 Morrison Street, Edinburgh, Midlothian EH3 8YF.
- 2.2 SWA is a company incorporated in Scotland with registered number SC199550. The registered office of SWA is at 69 Morrison Street, Edinburgh, Midlothian EH3 8YF.
- 2.3 SAL is a company incorporated in England and Wales with registered number 03104670. The registered office of SAL is at 33 Old Broad Street, London EC2N 1HZ.
- 2.4 SWUF is a company incorporated in Scotland with registered number SC074809. The registered office of SWUF is at 69 Morrison Street, Edinburgh, Midlothian EH3 8YF.
- 2.5 PMSWF is a company incorporated in Scotland with registered number SC045361. The registered office of PMSWF is at 15 Dalkeith Road, Edinburgh EH16 5BU.
- 2.6 CMMF is a company incorporated in England and Wales with registered number 01580284. The registered office of CMMF is at 33 Old Broad Street, London EC2N 1HZ.
- 2.7 HLL is a company incorporated in England and Wales with registered number 02233654. The registered office of HLL is at Trinity Road, Halifax, West Yorkshire HX1 2RG.
- 2.8 The Transferee is a company incorporated in England and Wales with registered number 03196171. The registered office of the Transferee is at 33 Old Broad Street, London EC2N 1HZ.
- 2.9 Each of SW, SWA, SWUF, PMSWF, CMMF, HLL, SAL and the Transferee is an authorised person for the purposes of FSMA and each has a Part 4A permission under FSMA to carry on Long Term Business in the United Kingdom, as follows:
- 2.9.1 SW has permission in classes I, III, IV and VII;
 - 2.9.2 SWA has permission in classes I and III;
 - 2.9.3 SWUF has permission in classes I, II, III, IV, VI and VII;
 - 2.9.4 PMSWF has permission in classes I, III and VII;
 - 2.9.5 CMMF has permission in classes I, II, III, IV, VI and VII;
 - 2.9.6 HLL has permission in classes I, III and IV;
 - 2.9.7 SAL has permission in classes I, III and IV; and
 - 2.9.8 the Transferee has permission in classes I, II, III, IV, VI and VII,
- in each case, as set out in Part II of Schedule 1 to the RAO.
- 2.10 Each of SWA, SWUF, PMSWF and the Transferee is a wholly owned subsidiary of SW. CMMF and HLL are wholly owned subsidiaries of the Transferee. SAL is a wholly owned subsidiary of HLL.
- 2.11 The ultimate parent company of the Transferee and each Transferor is LBG. Prior to the Effective Date it is intended that the Transferee will become a wholly owned subsidiary of Scottish Widows Group Limited (which is itself an indirect subsidiary of LBG).
- 2.12 It is proposed that with effect from the Effective Date:
- 2.12.1 the whole of the Long Term Business carried on by SW, SWA, SWUF, PMSWF, CMMF, HLL and SAL all of which (including, for the avoidance of doubt, the Long Term Business constituted by the Jersey Policies and the Guernsey Policies) is carried on in the United Kingdom for the purposes of Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 other than the Excluded Policies shall, in accordance with this Scheme, be transferred to the Transferee;

- 2.12.2 the Assets and Liabilities allocated to the SW WPF shall, in accordance with this Scheme, be allocated to the Scottish Widows With Profits Fund;
 - 2.12.3 the Assets and Liabilities allocated to the SW NPF, SWA Long Term Fund, SWUF Long Term Fund, PMSWF Long Term Fund, CMMF Long Term Fund, HLL Long Term Fund and SAL Long Term Fund shall, in accordance with this Scheme, be allocated initially to the Transferee Non Profit Fund;
 - 2.12.4 the Assets and Liabilities allocated to the SW Shareholder Fund, SWA Shareholder Fund, SWUF Shareholder Fund, PMSWF Shareholder Fund, CMMF Shareholder Fund, HLL Shareholder Fund and SAL Shareholder Fund shall, in accordance with this Scheme, be allocated initially to the Transferee Shareholder Fund.
- 2.13 It is further proposed that, with effect from the Combination Date, this Scheme shall no longer require that the Transferee Non Profit Fund and Transferee Shareholder Fund be separately maintained, and that the Transferee shall maintain the Combined Fund in place of those Funds.
- 2.14 It is further proposed that:
- 2.14.1 the transfer of the Guernsey Policies to the Transferee shall only take place to the extent that the transfer of such Policies to the Transferee by a scheme of transfer pursuant to the Insurance Business (Bailiwick of Guernsey) Law 2002 has been approved by the Royal Court of Guernsey and has become effective; and
 - 2.14.2 the transfer of the Jersey Policies to the Transferee shall only take place to the extent that the transfer of such Policies to the Transferee by a scheme of transfer pursuant to the Insurance Business (Jersey) Law 1996 has been approved by the Royal Court of Jersey and has become effective.

PART C

TRANSFER

3. TRANSFER OF BUSINESS

- 3.1 Each part of the Transferred Business, 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 8, on and with effect from the Effective Date, each Transferred Asset and all interest of the relevant 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 relevant Transferor, subject to all Encumbrances (if any) affecting such Asset in accordance with this Scheme;
- 3.1.2 subject to paragraph 8, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all interest of the relevant 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 relevant 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 relevant Transferor and such Transferred Liability shall cease to be a Liability of the relevant 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 relevant Transferor and such Residual Liability shall cease to be a Liability of the relevant 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 a 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 a 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 a 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 a Transferor, or by a nominee or agent of or trustee for a 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 a 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 relevant Transferor in respect of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998;
- 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 Act 1998 in place of the relevant Transferor; and
- 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 relevant 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 relevant Transferor and which required the relevant Transferor not to use the personal data for marketing purposes,
- and in any consent given by a data subject in respect of such data as is mentioned in this paragraph 3.4, any reference to a Transferor shall be deemed to include a reference to the Transferee.
- 3.5 The Transferee shall accept without investigation or requisition such title as the relevant Transferor shall have at the Effective Date to each relevant Transferred Asset and, at any Subsequent Transfer Date, to each relevant Residual Asset then transferred.
- 3.6 Each 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 a 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) 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 relevant Transferor in relation to the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities and such proceedings or applications.

4.2 On and with effect from the Subsequent Transfer Date applicable thereto, 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 a 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) 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 relevant Transferor provided that the relevant 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 a 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 relevant Transferor immediately prior to such date, become enforceable by or against the Transferee (to the exclusion of the relevant Transferor) as if it was originally made by or against 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 relevant 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 a 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 a 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 a 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 a 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 or a Pre-CMIG Scheme 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 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)

- (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 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 or otherwise fail to satisfy the TCF Requirements in respect of the holder of such Policy (including in relation to the purpose for which such Policy was taken out) 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 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 a Transferor, its Board, its With Profits Committee, its Chief Actuary, its With Profits Actuary or any other officers, employees or agents of that Transferor shall from and after the Effective Date be read as references to the Transferee, the Transferee Board, the Transferee's With Profits Committee, the Transferee's Chief Actuary, the Transferee's With Profits Actuary 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 a Transferor, its Board, its With Profits Committee, its Chief Actuary, its With Profits Actuary 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 Board, the Transferee's With Profits Committee, the Transferee's Chief Actuary, the Transferee's With Profits Actuary or any other of its officers, employees or such agents. All references in a Transferred Policy to the group of companies of which a 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 relevant Transferor the administration and negotiation of proposals for insurance which would be Transferred Policies if a 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 a 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 Contracts comprising part of the Transferred Assets 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 relevant Transferor and be fully reassured with effect from the Effective Date on the following basis:
- 6.1.1 all Liabilities of the Transferors attributable to the Excluded Policies and all other amounts paid or payable by a 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 a 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 a 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 a 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 (calculated as if the Solvency II Requirements were in force as at the Effective Date) 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 such Assets or property shall be allocated in accordance with paragraph 13 of this Scheme; and
- (B) all subsequent premium payments and all other amounts received by a 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 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 relevant 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 relevant Transferor of such a Policy):

- (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 (**"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 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 or otherwise fail to satisfy the TCF Requirements in respect of the holder of such Policy (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 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 relevant Transferor.

6.3 If all consents, permissions or other requirements for the transfer of an Excluded Policy from the relevant 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.
- 6.5 Jersey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Jersey Effective Date, and shall, on the later of the Effective Date and the Jersey Effective Date, be transferred to and vested in the Transferee by the Order (in addition to any order of the Royal Court of Jersey).
- 6.6 Guernsey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Guernsey Effective Date, and shall, on the later of the Effective Date and the Guernsey Effective Date, be transferred to and vested in the Transferee by the Order (in addition to any order of the Royal Court of Guernsey).

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 and shall be allocated to the Fund to which the Policy to which they relate is allocated pursuant to paragraph 12 (or, in the case of Excluded Policies, to which they would have been allocated had they been Transferred Policies).
- 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 a 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 a 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 TRANSFERORS**

- 8.1 If:
- 8.1.1 any Asset of a 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 a 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 a Transferor,

then that 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 Transferors 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 relevant Transferor shall account to the Transferee for the proceeds of sale thereof), and the Transferee shall have authority to act as the attorney of each of the Transferors 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 a 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 relevant Transferor on demand against any costs incurred in making any such payment or transfer.
- 8.4 The Retained Capital Amount in respect of a relevant Transferor shall only be subject to the provisions of this paragraph 8 insofar as such provisions shall be consistent with the relevant Transferor continuing to satisfy its Ongoing Capital Requirement.

9. **INDEMNITIES IN FAVOUR OF THE TRANSFERORS**

- 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 relevant Transferor each Residual Liability (to the extent not reassured to the Transferee under the Excluded Policies Reassurance Arrangements) and 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 such 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 relevant Transferor against a third party which constitutes a Residual Asset, the undertaking in paragraph 9.1 shall apply only to the extent that the relevant 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 relevant 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 that Transferor in attempting to recover from a third party in accordance with this paragraph 9.2.

PART D

ALLOCATION AND MANAGEMENT OF TRANSFERRED POLICIES, TRANSFERRED ASSETS AND TRANSFERRED LIABILITIES

10. PURPOSE OF ALLOCATIONS

Any allocation of property or attribution of Liabilities, and any re-allocation or re-attribution of the same, which is made under the terms of this Scheme for the purpose of the maintenance of the Scottish Widows With Profits Fund, Clerical Medical With Profits Fund the Transferee Non Profit Fund, the Transferee Shareholder Fund or (following the Combination Date) the Combined Fund is for the purpose of establishing or recognising respective policyholder and shareholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of the Transferee to meet the Liabilities which it is obliged by law to meet.

11. ESTABLISHMENT OF FUNDS AND ACCOUNTS

11.1 On and with effect from the Effective Date, the Transferee shall establish the Scottish Widows With Profits Fund as a separate Fund and shall continue to maintain the Clerical Medical With Profits Fund in accordance with paragraph 15.

11.2 On and with effect from the Effective Date the Transferee shall establish:

11.2.1 a memorandum account designated as the Scottish Widows Additional Account within the Scottish Widows With Profits Fund;

11.2.2 a memorandum account designated as the Scottish Widows Retained Account within the Scottish Widows With Profits Fund;

11.2.3 a memorandum account designated as the Scottish Widows WPF Support Account within the Transferee Non Profit Fund;

11.2.4 a memorandum account designated as the Scottish Widows WPF Further Support Account within the Transferee Non Profit Fund.

11.3 On and with effect from the Effective Date, the Transferee shall ensure that the amount of:

11.3.1 the Scottish Widows Additional Account is equal to the SW Additional Account Amount;

11.3.2 the Scottish Widows Retained Account is equal to the SW Retained Account Amount;

11.3.3 the Scottish Widows WPF Support Account is equal to the SW Support Account Amount (which, for the avoidance of doubt, may be zero); and

11.3.4 the Scottish Widows WPF Further Support Account is equal to the SW Further Support Account Amount (which, for the avoidance of doubt, may be zero).

11.4 On and with effect from the Combination Date, the Transferee shall establish the Combined Fund as a separate Fund.

12. ALLOCATION OF POLICIES

12.1 On and with effect from the Effective Date all of the Transferred Policies which immediately prior to the Effective Date are allocated to the SW WPF shall be allocated to the Scottish Widows With Profits Fund.

12.2 On and with effect from the Effective Date:

12.2.1 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the SW NPF;

12.2.2 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the SWA Long Term Fund;

- 12.2.3 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the SWUF Long Term Fund;
 - 12.2.4 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the PMSWF Long Term Fund;
 - 12.2.5 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the CMMF Long Term Fund;
 - 12.2.6 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the HLL Long Term Fund; and
 - 12.2.7 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the SAL Long Term Fund,
- shall be allocated to the Transferee Non Profit Fund.
- 12.3 On and with effect from the Guernsey Effective Date (if later than the Effective Date), each Guernsey Policy shall be allocated in the same way as it would have been allocated in accordance with the provisions of paragraphs 12.1 and 12.2 had it been a Transferred Policy on the Effective Date, provided that if the Guernsey Effective Date falls after the Combination Date each Guernsey Policy which would have been allocated to the Transferee Non Profit Fund had it been a Transferred Policy on the Effective Date shall be allocated to the Combined Fund.
 - 12.4 On and with effect from the Jersey Effective Date (if later than the Effective Date), each Jersey Policy shall be allocated in the same way as it would have been allocated in accordance with the provisions of paragraphs 12.1 and 12.2 had it been a Transferred Policy on the Effective Date, provided that if the Jersey Effective Date falls after the Combination Date each Jersey Policy which would have been allocated to the Transferee Non Profit Fund had it been a Transferred Policy on the Effective Date shall be allocated to the Combined Fund.
- 13. ALLOCATION OF ASSETS**
- 13.1 On and with effect from the Effective Date, there shall be allocated to the Transferee Shareholder Fund:
 - 13.1.1 all of the Transferred Assets allocated immediately prior to the Effective Date to the SW Shareholder Fund, SWA Shareholder Fund, SWUF Shareholder Fund, PMSWF Shareholder Fund, CMMF Shareholder Fund, HLL Shareholder Fund and SAL Shareholder Fund; and
 - 13.1.2 the beneficial interest in all Assets held on trust pursuant to paragraph 8.1 and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 13.1.
 - 13.2 On and with effect from the Effective Date, the following shall be allocated to the Transferee Non Profit Fund:
 - 13.2.1 all of the Transferred Assets allocated immediately prior to the Effective Date to the SW NPF, SWA Long Term Fund, SWUF Long Term Fund, PMSWF Long Term Fund, CMMF Long Term Fund, HLL Long Term Fund and SAL Long Term Fund; and
 - 13.2.2 to the extent that the same relate to the SW NPF Transferred Business, the SWA Transferred Business, the SWUF Transferred Business, the PMSWF Transferred Business, the CMMF Transferred Business, the HLL Transferred Business or the SAL Transferred Business:
 - (A) all rights and benefits arising under the Excluded Policies Reassurance Arrangements; and

- (B) the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 13.2.
- 13.3 On and with effect from the Effective Date, the following shall be allocated to the Scottish Widows With Profits Fund:
 - 13.3.1 all of the Transferred Assets allocated immediately prior to the Effective Date to the SW WPF, and for such purposes:
 - (A) all those Transferred Assets that were notionally allocated to the SW Additional Account shall be notionally allocated to the Scottish Widows Additional Account; and
 - (B) all those Transferred Assets that were notionally allocated to the SW Retained Account shall be notionally allocated to the Scottish Widows Retained Account; and
 - 13.3.2 to the extent that the same relate to the SW WPF Transferred Business:
 - (A) all rights and benefits arising under the Excluded Policies Reassurance Arrangements; and
 - (B) the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 13.3.
- 13.4 On and with effect from the applicable Subsequent Transfer Date, each Residual Asset to which that Subsequent Transfer Date relates shall be allocated in the same way as it would have been allocated in accordance with the provisions of paragraphs 13.1 to 13.3 had it been a Transferred Asset, provided that if the applicable Subsequent Transfer Date falls after the Combination Date, each Residual Asset which would have been allocated to either the Transferee Non Profit Fund or the Transferee Shareholder Fund had it been a Transferred Asset shall be allocated to the Combined Fund.

14. **ALLOCATION OF LIABILITIES**

- 14.1 On and with effect from the Effective Date, there shall be allocated to the Transferee Shareholder Fund all of the Transferred Liabilities allocated immediately prior to the Effective Date to the SW Shareholder Fund, SWA Shareholder Fund, SWUF Shareholder Fund, PMSWF Shareholder Fund, CMMF Shareholder Fund, HLL Shareholder Fund and SAL Shareholder Fund.
- 14.2 On and with effect from the Effective Date, the following shall be allocated to the Transferee Non Profit Fund:
 - 14.2.1 all Transferred Liabilities allocated immediately prior to the Effective Date to the SW NPF, SWA Long Term Fund, SWUF Long Term Fund, PMSWF Long Term Fund, CMMF Long Term Fund, HLL Long Term Fund and SAL Long Term Fund;
 - 14.2.2 to the extent that the same relate to the SW NPF Transferred Business, the SWA Transferred Business, the SWUF Transferred Business, the PMSWF Transferred Business, the CMMF Transferred Business, the HLL Transferred Business or the SAL Transferred Business, all Liabilities attributable to the Excluded Policies Reassurance Arrangements;

- 14.2.3 the Liability to indemnify the relevant Transferor pursuant to paragraph 8.3 to the extent that the payment or Asset to which such indemnity relates is allocated by paragraph 13 to the Transferee Non Profit Fund; and
- 14.2.4 the Liability to discharge Liabilities on the relevant Transferor's behalf pursuant to paragraph 9, to the extent that such Liability relates to the Transferee Non Profit Fund.
- 14.3 On and with effect from the Effective Date, the following shall be allocated to the Scottish Widows With Profits Fund:
 - 14.3.1 all Transferred Liabilities allocated to the SW WPF immediately prior to the Effective Date;
 - 14.3.2 to the extent that the same relate to the SW WPF Transferred Business, all Liabilities attributable to the Excluded Policies Reassurance Arrangements;
 - 14.3.3 the Liability to indemnify the relevant Transferor pursuant to paragraph 8.3 to the extent that the payment or Asset to which such indemnity relates is allocated by paragraph 13 to the Scottish Widows With Profits Fund; and
 - 14.3.4 the Liability to discharge Liabilities on the relevant Transferor's behalf pursuant to paragraph 9, to the extent that such Liability relates to the Scottish Widows With Profits Fund.
- 14.4 On and with effect from the applicable Subsequent Transfer Date, each Residual Liability to which that Subsequent Transfer Date relates shall be allocated in the same way as it would have been allocated in accordance with paragraphs 14.1 to 14.3 had it been a Transferred Liability, provided that if the applicable Subsequent Transfer Date falls after the Combination Date, each Residual Liability which would have been allocated to either the Transferee Non Profit Fund or the Transferee Shareholder Fund had it been a Transferred Liability shall be allocated to the Combined Fund.
- 14.5 If any doubt or difference shall arise as to the allocation or attribution of any Transferred Asset, Transferred Liability, Residual Asset or Residual Liability in accordance with this Scheme, the same shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice provided that if the Transferee Board, having obtained such advice, considers the doubt or difference to be material the Transferee Board shall:
 - 14.5.1 obtain a report from an independent actuary confirming that, in their opinion, the allocation or attribution that the Transferee Board proposes to make will not have a material adverse effect on the security and benefit expectations of holders of the Transferred Policies to which the allocation or attribution relates, or any other policyholders of the Transferee; and
 - 14.5.2 not make any such allocation or attribution unless the PRA and FCA have been notified and either not made any comment within 30 Business Days or, if any adverse comments have been made within 30 Business Days, they are subsequently resolved to the satisfaction of the PRA or FCA (as relevant).

PART E

OPERATION OF FUNDS: GENERAL

15. MAINTENANCE OF FUNDS AND ACCOUNTS

15.1 On and with effect from the Effective Date:

15.1.1 the Scottish Widows With Profits Fund shall be, and the Clerical Medical With Profits Fund, Transferee Non Profit Fund and Transferee Shareholder Fund shall continue to be, separately maintained as separate Funds; and

15.1.2 the Transferee shall procure that separate accounting records for the Scottish Widows With Profits Fund, Clerical Medical With Profits Fund, Transferee Non Profit Fund and Transferee Shareholder Fund, shall be, or shall continue to be, maintained which shall be sufficient to enable the separate identification of the Policies, Assets and Liabilities respectively allocated to the Scottish Widows With Profits Fund, the Clerical Medical With Profits Fund, Transferee Non Profit Fund and Transferee Shareholder Fund.

15.2 With effect from the Effective Date, there shall continue to be allocated to the Clerical Medical With Profits Fund, Transferee Non Profit Fund and Transferee Shareholder Fund all of the Policies, Assets and Liabilities that were allocated to the Clerical Medical With Profits Fund, Transferee Non Profit Fund and Transferee Shareholder Fund, immediately prior to the Effective Date.

15.3 With effect from the Combination Date:

15.3.1 the Transferee Non Profit Fund shall no longer be required to be separately maintained and the Transferee shall no longer be required to maintain separate accounting records in respect of the Transferee Non Profit Fund;

15.3.2 the Transferee Shareholder Fund shall no longer be required to be separately maintained and the Transferee shall no longer be required to maintain separate accounting records in respect of the Transferee Shareholder Fund; and

15.3.3 the Combined Fund shall be separately maintained as a separate Fund, initially comprising the Policies, Assets and Liabilities previously allocated to the Transferee Non Profit Fund and the Transferee Shareholder Fund, and the Transferee shall procure that separate accounting records for the Combined Fund shall be maintained which shall be sufficient to enable the separate identification of the Policies, Assets and Liabilities allocated to the Combined Fund.

15.4 Subject to clause 42.3.3, in the event that the Combination Date does not occur at 00:00:01 on 1 January 2016, prior to the Combination Date all the provisions of this Scheme:

15.4.1 which are dependent for their interpretation on the Solvency II Requirements shall be interpreted in accordance with the equivalent former provisions of the SW Scheme and CMIG Scheme (as the context requires) from which such provisions are derived and in the event of any doubt as to whether such former provisions are equivalent, the Transferee Board's determination (having taken account of Appropriate Actuarial Advice) shall be final; and

15.4.2 which refer to the Combined Fund shall be interpreted as a reference to the Transferee Non Profit Fund, the Transferee Shareholder Fund or to both the Transferee Non Profit Fund and Transferee Shareholder Fund (as the context requires) in accordance with the equivalent former provisions of the SW Scheme and CMIG Scheme (as the context requires) from which such provisions are derived.

- 15.5 Nothing in this Scheme shall at any time prevent the Transferee from establishing and maintaining other Funds and writing in or reassuring to any such other Funds any Long Term Business.
- 15.6 On and with effect from the Effective Date, and subject to the provisions of this Scheme, the Transferee shall maintain, or continue to maintain:
- 15.6.1 a memorandum account designated as the Scottish Widows Additional Account within the Scottish Widows With Profits Fund;
 - 15.6.2 a memorandum account designated as the Scottish Widows Retained Account within the Scottish Widows With Profits Fund;
 - 15.6.3 a memorandum account designated as the Scottish Widows WPF Support Account within the Transferee Non Profit Fund (and, with effect from the Combination Date, the Combined Fund); and
 - 15.6.4 a memorandum account designated as the Scottish Widows WPF Further Support Account within the Transferee Non Profit Fund (and, with effect from the Combination Date, the Combined Fund).
- 15.7 None of the provisions for the separation of the Scottish Widows With Profits Fund, the Clerical Medical With Profits Fund, Transferee Non Profit Fund, Transferee Shareholder Fund and (with effect from the Combination Date) the Combined Fund shall prevent the exchange of Assets between the Scottish Widows With Profits Fund, the Clerical Medical With Profits Fund, Transferee Non Profit Fund, Transferee Shareholder Fund, the Combined Fund, or any other Fund established by the Transferee from time to time at fair market value and subject to Regulatory Requirements.

16. NEW BUSINESS AND REASSURANCE: WITH PROFITS FUNDS

- 16.1 The Transferee shall not be entitled to write or reassure any Policy in or to the Scottish Widows With Profits Fund or the Clerical Medical With Profits Fund unless it is required to do so in accordance with the terms of a Pre-SW Scheme Transferred Policy or Pre-CMIG Scheme Transferred Policy or, in the opinion of the Transferee Board, having taken account of Appropriate Actuarial Advice, to do so will not fail to satisfy the TCF Requirements in respect of the holders of Pre-SW Scheme Transferred Policies, Pre-SW Scheme Transferred Pension Policies or Pre-CMIG Scheme Transferred Policies.

17. LINKED FUNDS

- 17.1 On and with effect from the Effective Date, the Assets and any associated Liabilities comprised in each Linked Fund of a Transferor shall be allocated to and become comprised in a new corresponding Linked Fund established by the Transferee within the Fund to which they are allocated in accordance with paragraphs 13 and 14, comprising immediately following the Effective Date the same number and value of units as were comprised within the relevant Linked Fund of the relevant Transferor immediately prior to the Effective Date.
- 17.2 On and with effect from the Effective Date:
- 17.2.1 subject always to the provisions of this paragraph 17, 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 17.1, 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 relevant Transferor in relation to the corresponding Linked Fund of the relevant Transferor immediately prior to the Effective Date; and
 - 17.2.2 benefits under any Transferred Policy which, immediately prior to the Effective Date, were linked to any one or more Linked Fund(s) of a 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 relevant Transferor which were allocated to the Transferred Policy immediately prior to the Effective Date.

- 17.3 If any Asset comprised in a Linked Fund of any 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.
- 17.4 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 each Transferor shall be allocated to the Linked Fund of the Transferee to which it would have been allocated pursuant to this paragraph 17 had it been a Transferred Asset or Transferred Liability (as the case may be), provided that if the applicable Subsequent Transfer Date falls after the Combination Date, each Residual Asset or Residual Liability (as the case may be) which would have been allocated to either the Transferee Non Profit Fund or the Transferee Shareholder Fund had it been a Transferred Asset or Transferred Liability (as the case may be) shall be allocated to the Combined Fund.

18. **MERGER AND CLOSURE OF LINKED FUNDS**

- 18.1 Unless precluded by Regulatory Requirements and/or the terms of the relevant Policies, the Transferee 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.
- 18.2 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 18.1 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 18.2 shall apply separately in respect of each such fund that is the subject of closure under paragraph 18.1.

19. **DELAY IN ALLOCATION OR MISALLOCATION TO THE FUNDS**

- 19.1 If:
- 19.1.1 there is, for any reason any delay (for which provision is not expressly made in this Scheme) in the allocation of any receipt, payment or other item to any Fund in accordance with this Scheme; or
- 19.1.2 there has been, for any reason, any incorrect allocation of any receipts, payment or other item to any Fund which occurred but was not remedied prior to the Effective Date of this Scheme;

the Transferee Board, having taken account of Appropriate Actuarial Advice, may make such adjustment between the Funds as it considers appropriate in accordance with the principles underlying this Scheme (and, in the case of paragraph 19.1.2, the SW Scheme or the CMIG Scheme) to take account of such delay or incorrect allocation (which may include, in the event that the Transferee Board considers, having taken account of Appropriate Actuarial Advice, that any group of policyholders may have been disadvantaged financially by any such delay or incorrect allocation, the provision of appropriate compensation to the relevant Fund).

20. **MERGER AND CLOSURE OF FUNDS**

With Profits Fund Merger

20.1 If the Technical Provisions of:

20.1.1 the Clerical Medical With Profits Fund fall below £500m; or

20.1.2 the Scottish Widows With Profits Fund fall below £500m,

(and provided that neither With Profits Fund has been closed in accordance with paragraph 20.6) then the Transferee Board, having taken account of Appropriate Actuarial Advice, may (but shall not be obliged to) by resolution determine that the With Profits Fund in which Technical Provisions have fallen below the level specified in paragraphs 20.1.1 or 20.1.2 (as relevant) or, if the Technical Provisions in both With Profits Funds have fallen below such levels, the With Profits Fund with the lower Technical Provisions (the "**Merger Trigger Fund**") shall be transferred to and become part of the other With Profits Fund (the "**Surviving Fund**") on a specified date (a "**Fund Merger**") and may make any amendments to the terms of this Scheme, without the consent of the Court, as are considered by the Transferee Board to be necessary, related to such Fund Merger and equitable to holders of Policies affected by the amendments ("**Consequential Merger Amendments**") (provided that such Fund Merger and the terms and proposed timing of such Consequential Merger Amendments are notified to the PRA and FCA and the PRA and the FCA have not objected thereto within 60 Business Days of notification, and subject to paragraphs 20.2 to 20.5).

20.2 The Transferee shall only carry out a Fund Merger and Consequential Merger Amendments if the Transferee Board has:

20.2.1 obtained a certificate from an independent actuary (such independent actuary to be appointed by the Transferee Board, subject to the PRA not 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 Fund Merger and Consequential Merger Amendments will not have a material adverse effect on the security and benefit expectations of the holders of Policies allocated to the Clerical Medical With Profits Fund, the Scottish Widows With Profits Fund or the Combined Fund; and

20.2.2 complied with the Consultation Requirements.

20.3 The Fund Merger shall occur on the date determined by the Transferee Board (the "**Fund Merger Date**"), having taken account of Appropriate Actuarial Advice, being no more than 12 months following the notification of the PRA and the FCA referred to in paragraph 20.1, and the Consequential Merger Amendments (if any) shall be made on the Fund Merger Date, or such later date as may be determined by the Transferee Board (subject to the non-objection of the PRA and the FCA in accordance with paragraph 20.1).

20.4 On the Fund Merger Date, the Transferee shall re-allocate all Policies, Assets and Liabilities allocated to the Merger Trigger Fund to the Surviving Fund and shall amend the PPFM for the Surviving Fund in order to take account of any provisions of the PPFM for the Merger Trigger Fund which it is necessary or desirable to reproduce in the PPFM for the Surviving Fund.

20.5 On and with effect from the Fund Merger Date:

20.5.1 the references in this Scheme to the Merger Trigger Fund shall be disregarded, apart from the references in paragraphs 20.1 to 20.4 and this paragraph 20.5;

20.5.2 the requirement to maintain the Merger Trigger Fund as a separate Fund shall cease;

20.5.3 each Policy allocated or reassured to the Merger Trigger Fund immediately prior to the Fund Merger Date shall be deemed to be amended with effect from the Fund Merger Date to reflect the relevant provisions of this paragraph 20.

Closure of With Profits Funds

20.6 If:

20.6.1 the Technical Provisions of the Clerical Medical With Profits Fund fall below £500m; or

20.6.2 the Technical Provisions of the Scottish Widows With Profits Fund fall below £500m,

(for the avoidance of doubt, including either With Profits Fund where it is a Surviving Fund for the purposes of paragraph 20.1) then the Transferee Board, having taken account of Appropriate Actuarial Advice, may (but shall not be obliged to) by resolution determine that the With Profits Fund in which Technical Provisions have fallen below the level specified in paragraph 20.6.1 or 20.6.2 (as relevant) (the "**Closing Fund**") is to be closed (in accordance with paragraphs 20.7 to 20.10) on the Fund Closure Date on terms that such policies shall no longer participate in a profit, or otherwise on such terms as it shall determine (having taken account of Appropriate Actuarial Advice) (a "**Fund Closure**") and may make any amendments to the terms of this Scheme, without the consent of the Court, as are considered by the Transferee Board to be necessary, related to such Fund Closure and equitable to holders of Policies affected by the amendments ("**Consequential Closure Amendments**"), (provided that such Fund Closure and the terms and proposed timing of such Consequential Closure Amendments are notified to the PRA and the FCA and the PRA and the FCA have not objected thereto within 60 Business Days of notification, and subject to paragraphs 20.7 to 20.10).

20.7 The Transferee shall only carry out a Fund Closure and Consequential Closure Amendments if the Transferee Board has:

20.7.1 obtained a certificate from an independent actuary (such independent actuary to be appointed by the Transferee Board, subject to the PRA not 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 Fund Closure and Consequential Closure Amendments will not have a material adverse effect on the security and benefit expectations of the holders of Policies allocated to the Closing Fund (having considered, without limitation, the terms of the Fund Closure and in particular the fact that the holders of Policies allocated to the Closing Fund will no longer participate in a profit) or any other Fund; and

20.7.2 complied with the Consultation Requirements.

20.8 The "**Fund Closure Date**" shall be the date determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, being no more than 12 months following the notification of the PRA and the FCA referred to in paragraph 20.6, and the Consequential Closure Amendments (if any) shall be made on the Fund Closure Date, or such later date as may be determined by the Transferee Board (subject to the non-objection of the PRA and the FCA in accordance with paragraph 20.6).

20.9 On the Fund Closure Date, the Transferee shall re-allocate any remaining Policies and Assets then allocated to the Closing Fund and Liabilities relating to such Assets or Policies to the Combined Fund.

20.10 On and with effect from the Fund Closure Date:

20.10.1 the references in this Scheme to the Closing Fund shall be disregarded apart from the references in paragraphs 20.6 to 20.9 and this paragraph 20.10;

20.10.2 each Policy allocated or reassured to the Closing Fund immediately prior to the Fund Closure Date shall be deemed to be amended with effect from the Fund Closure Date to reflect the relevant provisions of this paragraph 20.

20.11 For the avoidance of doubt, the Transferee shall be at liberty to apply to the Court pursuant to paragraph 42.2 for consent to make any amendments to the terms of this Scheme in

consequence of a Fund Merger or Fund Closure either in addition to or as an alternative to making amendments under paragraphs 20.1 or 20.6 (as the case may be).

21. UNITISED WITH PROFITS POLICIES

- 21.1 Any premium received by the Transferee on or after the Effective Date in respect of a Scottish Widows UWP Policy or a Clerical Medical UWP Policy shall be credited to the Combined Fund and the Investment Element in respect thereof shall be transferred from the Combined Fund and credited to the relevant With Profits Fund and applied in allocating With Profits Units in the relevant With Profits Fund in respect of that Policy.
- 21.2 Upon any event which, under the terms of any Scottish Widows UWP Policy or Clerical Medical UWP Policy, gives rise to the cancellation of With Profits Units attaching to such Scottish Widows UWP Policy or Clerical Medical UWP Policy (whether arising by reason of death, disability, maturity, switch, surrender, the making of a charge or other event giving rise to such cancellation) but excluding switches to other types of With Profits Units in the relevant With Profits Fund, an amount shall be transferred from the relevant With Profits Fund and credited to the Combined Fund equal to the amount which the terms of the relevant Policy and the Scottish Widows With Profits Fund PPFM or Clerical Medical With Profits Fund PPFM (as applicable) provide shall be payable or, in the case of a switch, transferred into units in a Linked Fund of the Transferee, on cancellation of With Profits Units in such circumstances after taking account of any market level adjustment in accordance with the terms of the relevant Policy but before any other deductions or charges.
- 21.3 Where a payment is required to be made under the terms of a UWP Annuity, an amount equal to the value of that payment shall be transferred from the relevant With Profits Fund and credited to the Combined Fund.
- 21.4 From time to time there shall be debited from the Scottish Widows With Profits Fund and credited to the Combined Fund an amount in respect of management charges with respect to Pre-SW Scheme Transferred With Profits Policies which are Scottish Widows UWP Policies, equal to the aggregate of the fees on the scales set out in Schedule 3.
- 21.5 From time to time there shall be debited from the Clerical Medical With Profits Fund and credited to the Combined Fund an amount in respect of management charges with respect to Pre-CMIG Scheme Transferred With Profits Policies which are Clerical Medical UWP Policies in accordance with Schedule 3.
- 21.6 From time to time there shall be debited:
- 21.6.1 from the Scottish Widows With Profits Fund and credited to the Combined Fund an amount in respect of management charges with respect to those Scottish Widows UWP Policies that are not Pre-SW Scheme Transferred With Profits Policies; and
 - 21.6.2 from the Clerical Medical With Profits Fund and credited to the Combined Fund an amount in respect of management charges with respect to those Clerical Medical UWP Policies that are not Pre-CMIG Scheme Transferred With Profits Policies,
- properly attributable to the relevant With Profits Fund taking account of policy documentation and the TCF Requirements.

22. WITH PROFITS ACTUARY DUTIES

- 22.1 The With Profits Actuary shall advise the Transferee Board and the With Profits Committee as to the proper operation of the With Profits Funds in accordance with the provisions of this Scheme and, in particular, as to any constraints which he may determine to be necessary in the operation of the With Profits Funds in order to safeguard the interests of, and TCF Requirements in respect of, the holders of Policies allocated to the With Profits Funds.

- 22.2 If the With Profits Actuary shall determine that the Transferee Board is taking or failing to take, or has taken or failed to take any action and that such action, or failure to take action, is or may in his opinion be prejudicial to the proper implementation of this Scheme or may fail to satisfy the TCF Requirements in respect of the holders of With Profits Policies, and he is dissatisfied with the reasons given by the Transferee Board for such action or failure to take action, he shall, having sought such guidance from the Institute and Faculty of Actuaries as he thinks appropriate, be obliged to report his concerns in writing to the PRA and the FCA.
- 22.3 The obligations and duties imposed on the With Profits Actuary by this Scheme shall be in addition to his duties under Regulatory Requirements.
- 22.4 The With Profits Actuary shall, in respect of every Financial Year arising after the Effective Date, certify to the Transferee Board whether or not, in his opinion, the provisions of this Scheme have been complied with and been given effect to in all material respects in relation to the Scottish Widows With Profits Fund and Clerical Medical With Profits Fund.

PART F

OPERATION OF FUNDS: SCOTTISH WIDOWS WITH PROFITS FUND

23. PRINCIPLES OF FINANCIAL MANAGEMENT

23.1 The Transferee Board, having taken account of Appropriate Actuarial Advice, shall manage the Scottish Widows With Profits Fund in a sound and prudent manner and in accordance with the SW WPF's established principles and practices as updated from time to time. In addition, the Transferee Board, having taken account of Appropriate Actuarial Advice, will apply the following principles which, in the event of a conflict, shall prevail:

23.1.1 the investment policy shall have regard to the nature of the liabilities of the Scottish Widows With Profits Fund and shall seek to optimise the investment return earned on the investments of the Scottish Widows With Profits Fund whilst recognising the need to safeguard the financial security of the Scottish Widows With Profits Fund;

23.1.2 the investment policy for the Assets or notional Assets backing the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies, the Scottish Widows Additional Account and the Scottish Widows Retained Account (such investment policy to be determined separately for the Assets or notional Assets backing the Asset Shares and each account), and the bonus philosophy in respect of the Pre-SW Scheme Transferred With Profits Policies:

(A) shall (until such time as the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies fall below £1,000 million at three consecutive Year Ends and the Transferee Board, having taken account of Appropriate Actuarial Advice, determines that following the provisions of this paragraph 23.1.2(A) would not be in the best interests of the holders of Pre-SW Scheme Transferred With Profits Policies) be determined as if the Pre-SW Scheme Transferred With Profits Policies and the Assets or notional Assets backing the Asset Shares of such Policies, the Scottish Widows Retained Account and the Scottish Widows Additional Account, together with Assets equal in value to the amount of the Scottish Widows WPF Support Account (but in relation to the Scottish Widows WPF Support Account only to the extent that there are Assets in the Combined Fund exceeding the Regulatory Liabilities of the Combined Fund with a Regulatory Value equal to the amount of such account for the time being) comprised a *Notional Mutual Company* subject to such constraints as may be necessary to ensure that such Notional Mutual Company would remain solvent in reasonably foreseeable circumstances and on the assumption that such Notional Mutual Company is not required to maintain its Solvency Capital Requirement and for this purpose the Scottish Widows WPF Support Account shall be assumed to be invested in Assets of the same mix as those representing the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies;

(B) shall have regard to the TCF Requirements in respect of the holders of Pre-SW Scheme Transferred With Profits Policies (as modified by this Scheme);

(C) shall recognise that the Scottish Widows WPF Support Account is a memorandum account which, in this context, exists only to support the investment policy and bonus policy for Pre-SW Scheme Transferred With Profits Policies;

- (D) Asset Share records shall be maintained and referred to in setting Terminal Bonus rates in order to ensure equity between different groups of holders of Pre-SW Scheme Transferred With Profits Policies. Asset Shares shall be accumulated in a manner consistent with SW's asset share methodology immediately prior to the Effective Date, by reference to the financial position, performance and experience of the Pre-SW Scheme Transferred With Profits Policies, the assets backing the Asset Shares of those Policies and Policies from time to time allocated to the Scottish Widows With Profits Fund that are not Scottish Widows With Profits Policies, provided that:
- (1) no deduction shall be made from the Asset Shares of Pre-SW Scheme Transferred With Profits Policies in respect of the Combined Fund's entitlement to distributions of amounts from the Scottish Widows With Profits Fund pursuant to paragraph 29;
 - (2) no deduction shall be made from the Asset Shares of Pre-SW Scheme Transferred With Profits Policies in respect of any charge, transfer or bonuses paid from the Scottish Widows With Profits Fund in respect of Policies which are not Pre-SW Scheme Transferred Policies; and
 - (3) Capital Fees shall continue to be deducted from the Asset Shares of Pre-SW Scheme Transferred With Profits Policies which are Conventional With Profits Policies;

23.1.3 profits and losses arising on Policies from time to time allocated to the Scottish Widows With Profits Fund that are not Scottish Widows With Profits Policies may be allocated to the Asset Shares of Scottish Widows With Profits Policies, or to the Scottish Widows Additional Account, in such manner as the Transferee Board, having taken account of Appropriate Actuarial Advice, considers appropriate;

23.1.4 the actuarial principles adopted by the Transferee Board in determining bonuses payable on Pre-SW Scheme Transferred With Profits Policies shall be such as shall satisfy the TCF Requirements (in respect of the holders of Pre-SW Scheme Transferred With Profits Policies) in accordance with the bonus philosophy for Pre-SW Scheme Transferred With Profits Policies, and shall be determined, inter alia, by the experience of the Scottish Widows With Profits Fund. The principles adopted in determining the appropriate bonus levels shall not be changed in the future as a direct result of the implementation of this Scheme;

23.1.5 subject to such smoothing as is consistent with the TCF Requirements in respect of the holders of Pre-SW Scheme Transferred With Profits Policies, payouts at maturity and the value of benefits on vesting on Pre-SW Scheme Transferred With Profits Policies shall in aggregate, allowing for the bonus policy for Pre-SW Scheme Transferred With Profits Policies, be targeted on Asset Shares (after deducting charges as are made from time to time, consistent with the TCF Requirements, for guarantees) with the addition of any enhancement to reflect the distribution, in accordance with paragraphs 24 and 25, of the Scottish Widows Additional Account and the Scottish Widows Retained Account; and

23.1.6 payments on surrender (including on switching, early retirement or otherwise) for Pre-SW Scheme Transferred With Profits Policies shall have regard to the TCF Requirements in respect of the holders of those policies, taking into account the basis used by SW immediately prior to the Effective Date.

24. **SCOTTISH WIDOWS ADDITIONAL ACCOUNT**

24.1 The Scottish Widows Additional Account may cease to be maintained at the discretion of the Transferee Board, having taken account of Appropriate Actuarial Advice, if:

- 24.1.1 the balance standing to the credit of the Scottish Widows Additional Account is below £50 million for a period in excess of six months; or
 - 24.1.2 the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies fall below £1,000 million at three consecutive Year Ends,
- at which time an amount equal to the amount attributable to the Scottish Widows Additional Account shall be added to the Asset Shares of the remaining Pre-SW Scheme Transferred With Profits Policies in such manner as shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice.
- 24.2 To the extent that the Scottish Widows Additional Account is not required to be debited as described in paragraph 24.5, the balance standing to the credit from time to time of the Scottish Widows Additional Account shall be distributed over time as Terminal Bonus or amounts added to surrender values (whether as a result of switching, early retirement or otherwise) on Pre-SW Scheme Transferred With Profits Policies in accordance with paragraph 24.3.
 - 24.3 The pattern of distribution referred to in paragraph 24.2 shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, and shall be as fair and equitable as is practicable, having regard to the need to ensure that a prudent amount is retained in respect of the potential for amounts required to be debited from the Scottish Widows Additional Account pursuant to paragraph 24.5.
 - 24.4 The Scottish Widows Additional Account shall from time to time be increased by:
 - 24.4.1 an amount equal to the investment income and gains (net of taxation) on the Assets from time to time notionally representing the Scottish Widows Additional Account;
 - 24.4.2 to the extent not covered by paragraphs 24.4.3, an amount equal to any charges for guarantees deducted from the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies;
 - 24.4.3 where the amount in paragraph 24.5.2(B) exceeds the amount in paragraph 24.5.2(A), the amount of any such excess;
 - 24.4.4 amounts added to the Scottish Widows Additional Account pursuant to paragraphs 25.4;
 - 24.4.5 an amount equal to any profits on Policies from time to time allocated to the Scottish Widows With Profits Fund which are not Scottish Widows With Profits Policies and which the Transferee Board, having taken account of Appropriate Actuarial Advice, determines shall be allocated to the Scottish Widows Additional Account; and
 - 24.4.6 an amount equal to the Capital Fees deducted from the Asset Shares of Pre-SW Scheme Transferred With Profits Policies in accordance with paragraph 23.1.2(D)(3).
 - 24.5 The Scottish Widows Additional Account shall from time to time be decreased by:
 - 24.5.1 an amount equal to any investment losses (net of Tax Relief) on and investment management charges (calculated in accordance with paragraph 32) relating to the Assets from time to time notionally representing the Scottish Widows Additional Account;
 - 24.5.2 where the amount in paragraph 24.5.2(A) exceeds the amount in paragraph 24.5.2(B), an amount equal to:
 - (A) the value of claim payments made pursuant to Pre-SW Scheme Transferred With Profits Policies, including the value of any guaranteed benefits but excluding any part of the claim payments that represents a distribution from the Scottish Widows Retained Account; less
 - (B) the corresponding Asset Shares at the time of claim,

except where such claim payment results from the death of the relevant life assured, and for the purposes of this paragraph 24.5.2 the value of any annuity benefits to be provided from the Scottish Widows With Profits Fund shall be the cost of providing any such benefits, including the cost of capital to the Scottish Widows With Profits Fund, as determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, at the date of vesting;

- 24.5.3 an amount equal to any transfers to the Combined Fund in accordance with paragraph 29.1 to the extent that such transfers relate to Pre-SW Scheme Transferred Policies;
- 24.5.4 an amount equal to the amount by which any of the following exceed the amount of any provision or reserve maintained in respect of them and included in the SW Scheme WPF Provision and, if relevant, the amounts available to meet such Liability pursuant to paragraph 25.4, to the extent that the same may not, consistently with the TCF Requirements, be charged to the Asset Shares of the Scottish Widows With Profits Policies to which they relate:
 - (A) amounts which are charged to the Scottish Widows With Profits Fund pursuant to paragraphs 31.3.1, 31.4 and 31.6 and which, in the case of amounts chargeable pursuant to paragraph 31.3.1, represent a percentage of the levies chargeable pursuant to paragraph 31.3.1 equal to the percentage of the premium income earned by the Transferee during the period by reference to which the relevant levy is made which is represented by the premium income (net of inter fund reinsurance premiums) earned on the Pre-SW Scheme Transferred Conventional With Profits Policies;
 - (B) amounts which are charged to the Scottish Widows With Profits Fund pursuant to paragraph 34 to the extent that they are attributable to Pre-SW Scheme Transferred With Profits Policies;
- 24.5.5 an amount equal to any losses on (i) Pre-SW Scheme Transferred Policies from time to time allocated to the Scottish Widows With Profits Fund which are Scottish Widows WPF Policies but which are not Scottish Widows With Profits Policies; and (ii) Policies under which annuity benefits provided for in Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies are provided, which the Transferee Board, having taken account of Appropriate Actuarial Advice determines, shall be allocated to the Scottish Widows Additional Account; and
- 24.5.6 any distribution pursuant to paragraph 24.2 to the extent that the Scottish Widows Additional Account has not otherwise been decreased by such an amount pursuant to paragraph 24.5.
- 24.6 To the extent that the balance of the Scottish Widows Additional Account applied in accordance with paragraph 24.5 is insufficient to satisfy the Liabilities referred to in paragraph 24.5, such Liabilities shall be met from the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies to the extent that the Transferee Board, having taken account of Appropriate Actuarial Advice, determines that such action is not inconsistent with the TCF Requirements. In the event the Transferee Board, having taken account of Appropriate Actuarial Advice, determines that such action would be inconsistent with the TCF Requirements, such Liabilities shall be met from the Combined Fund.

25. **SCOTTISH WIDOWS RETAINED ACCOUNT**

- 25.1 The Scottish Widows Retained Account may cease to be maintained at the discretion of the Transferee Board, having taken account of Appropriate Actuarial Advice, if:
 - 25.1.1 the balance standing to the credit of the Scottish Widows Retained Account is below £50 million for a period in excess of six months; or

- 25.1.2 the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies fall below £1,000 million at three consecutive Year Ends,
at which time an amount equal to the amount attributable to the Scottish Widows Retained Account shall be added to the Asset Shares of the remaining Pre-SW Scheme Transferred With Profits Policies in such manner as shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice.
- 25.2 An amount equal to the balance of the Scottish Widows Retained Account shall be distributed over time as Terminal Bonus or amounts added to surrender values (whether as a result of switching, early retirement or otherwise) on Pre-SW Scheme Transferred With Profits Policies in accordance with paragraph 25.3.
- 25.3 The pattern of distribution of the Scottish Widows Retained Account shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice.
- 25.4 To the extent that any provision included in the SW Scheme WPF Provision is in excess of the amount of the relevant Liability, an amount equal to such excess shall be transferred to the Scottish Widows Retained Account, or if such account has ceased to exist, the Scottish Widows Additional Account, or if both the Scottish Widows Retained Account and the Scottish Widows Additional Account have ceased to exist, to the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies. The SW Scheme WPF Provision Previous Transfer Amount, together with any amount transferred to the Scottish Widows Retained Account, the Scottish Widows Additional Account or Asset Shares of the Pre-SW Scheme Transferred With Profits Policies pursuant to this paragraph 25.4 may be used to meet any Liability in respect of which a provision has been included in the SW Scheme WPF Provision to the extent that such provision proves to be less than the relevant Liability.
- 25.5 The Scottish Widows Retained Account shall from time to time be increased by:
- 25.5.1 amounts to be transferred to the Retained Account pursuant to paragraph 25.4;
- 25.5.2 an amount equal to the investment income and gains (net of Tax), on the investments from time to time notionally representing the Scottish Widows Retained Account.
- 25.6 The Scottish Widows Retained Account shall from time to time be decreased by:
- 25.6.1 an amount equal to the value of any Terminal Bonus or addition to surrender values (whether as a result of switching, early retirement or otherwise) as provided in paragraph 25.2;
- 25.6.2 an amount equal to the investment losses (net of Tax Relief) on the investments from time to time notionally representing the Scottish Widows Retained Account;
- 25.6.3 an amount equal to the investment management fees pursuant to paragraph 32 and Schedule 2 relating to the management of investments notionally representing the Scottish Widows Retained Account; and
- 25.6.4 any amounts used pursuant to paragraph 25.4 to meet any Liability in respect of which a provision which has been included in the SW Scheme WPF Provision proves to be less than the relevant Liability.
- 25.7 Save as specified in this paragraph 25, the Scottish Widows Retained Account shall not be applied other than in the declaration of Terminal Bonuses or additions to surrender value whether on switching, early retirement or otherwise on Pre-SW Scheme Transferred With Profits Policies.
- 26. SCOTTISH WIDOWS WPF SUPPORT ACCOUNT**
- 26.1 The Scottish Widows WPF Support Account may (at the discretion of the Transferee Board, having taken account of Appropriate Actuarial Advice), cease to be maintained if the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies fall below £1,000 million at three consecutive Year Ends and the Transferee Board, having taken account of Appropriate Actuarial Advice, determines pursuant to paragraph 23.1.2(A) that the

provisions of that paragraph would not be in the interests of the holders of Pre-SW Scheme Transferred With Profits Policies.

- 26.2 The Scottish Widows WPF Support Account shall be credited with:
- 26.2.1 an amount representing the same positive rate of return (if any) as the average rate of return credited to the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies from time to time; and
 - 26.2.2 any amounts credited to it in accordance with paragraph 26.4.1 or 27.
- 26.3 The Scottish Widows WPF Support Account shall be debited with:
- 26.3.1 an amount representing the same negative rate of return (if any) as the average rate of return debited from the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies from time to time; and
 - 26.3.2 any amounts debited from it in accordance with paragraph 26.4.2 or 27.
- 26.4 At each Year End arising after the Effective Date:
- 26.4.1 if (as at the relevant Year End) the aggregate amount of the Scottish Widows WPF Support Account and the Scottish Widows Additional Account is less than 10% of the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies, an amount equal to the value of such shortfall shall be credited to the Scottish Widows WPF Support Account and debited from the Scottish Widows WPF Further Support Account;
 - 26.4.2 to the extent that:
 - (A) the aggregate amount of the Scottish Widows WPF Support Account and the Scottish Widows Additional Account exceeds 20% of the Asset Shares of the Pre-SW Scheme Transferred With Profits Policies (as at the relevant Year End); and
 - (B) the Notional Mutual Company would not thereafter be insolvent on a statutory basis (as determined in accordance with paragraph 26.5),
an amount not exceeding the value of such excess may be debited from the Scottish Widows WPF Support Account and credited to the Scottish Widows WPF Further Support Account.
- 26.5 The Notional Mutual Company shall be insolvent on a statutory basis if the Regulatory Liabilities of the Notional Mutual Company exceed the Regulatory Value of Assets of the Notional Mutual Company.

27. **SCOTTISH WIDOWS FURTHER WPF SUPPORT ACCOUNT**

- 27.1 The Transferee shall maintain the Scottish Widows WPF Further Support Account on and with effect from the Effective Date, until 31 December 2030.
- 27.2 The amount of the Scottish Widows WPF Further Support Account from time to time shall be determined in accordance with the following provisions:
- 27.2.1 the Scottish Widows WPF Further Support Account shall be debited with any amounts debited from it pursuant to this paragraph 27 and paragraph 26.4;
 - 27.2.2 the Scottish Widows WPF Further Support Account shall be credited with any amounts credited to the Further Support Account pursuant to this paragraph 27 and paragraph 26.4;
 - 27.2.3 subject to the Transferee Board, having taken account of Appropriate Actuarial Advice being satisfied that such reduction would not result in the capital support available to the Scottish Widows With Profits Fund (having regard to the level of Assets allocated to the Scottish Widows With Profits Fund and the existence of the Scottish Widows WPF Support Account in accordance with paragraph 26) being less than that required to meet the TCF Requirements in respect of holders of Pre-SW Scheme Transferred Policies allocated or reassured to the Scottish

Widows With Profits Fund, the Scottish Widows WPF Further Support Account shall be debited by an amount equal to or less than such amount as will reduce the amount standing to the credit of the Scottish Widows WPF Further Support Account at each Year End arising after the Effective Date to an amount equal to:

$$(16 - n) / (17 - n) \times (FSA_{n-1} - (a)_n + (b)_n)$$

n is the number of complete years elapsed since 31 December 2014;

FSA_n is the amount standing to the credit of the Scottish Widows WPF Further Support Account on 31 December in the year (2014+n);

FSA₀ is the SW Further Support Account Amount;

(a)_n is the amount debited to the Scottish Widows WPF Further Support Account pursuant to this paragraph 27 in the year (2014+n); and

(b)_n is the amount credited to the Scottish Widows WPF Further Support Account pursuant to this paragraph 27 in the year (2014+n).

- 27.3 The Transferee shall determine from time to time the "**Cumulative Operative Charge**", which shall be calculated as:
- 27.3.1 the total deductions from the Scottish Widows Additional Account under paragraph 24.5.4 which result from Liabilities allocated to the Scottish Widows With Profits Fund under paragraph 31.4; plus
 - 27.3.2 a best estimate provision, determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, for future such deductions from the Scottish Widows Additional Account; less
 - 27.3.3 the amount of the Scottish Widows Retained Account, subject to a minimum of zero.
- 27.4 On the first occasion (after the Effective Date) that the Transferee Board, having taken account of Appropriate Actuarial Advice considers the Cumulative Operative Charge to be material, an amount equal to the Cumulative Operative Charge shall be credited to the Scottish Widows WPF Support Account and debited from the Scottish Widows WPF Further Support Account.
- 27.5 After any amount has been credited to the Scottish Widows WPF Support Account pursuant to paragraph 27.4, any further increase in the Cumulative Operative Charge that the Transferee Board, having taken account of Appropriate Actuarial Advice considers to be material shall be credited to the Scottish Widows WPF Support Account and debited from the Scottish Widows WPF Further Support Account, and any decrease in the Cumulative Operative Charge that the Transferee Board, having taken account of Appropriate Actuarial Advice considers to be material shall be debited from the Scottish Widows WPF Support Account and credited to the Scottish Widows WPF Further Support Account.
- 27.6 On each occasion that an amount is credited to the Scottish Widows WPF Support Account and debited from the Scottish Widows WPF Further Support Account under paragraphs 27.4 or 27.5, such amount shall be limited to a maximum of the lower of:
- 27.6.1 the balance of the Scottish Widows WPF Further Support Account less the proportion of:
 - (A) the value of any Assets then being made available under paragraphs 28.1, 28.2 or 28.6; and
 - (B) any accrued investment return arising pursuant to any arrangement under paragraphs 28.1, 28.2 or 28.6 and retained in the Scottish Widows With Profits Fund,which the Transferee Board, having taken account of Appropriate Actuarial Advice, considers may reasonably be attributed to Pre-SW Scheme Transferred With Profits Policies; and

- 27.6.2 the Working Capital in the Combined Fund in excess of the Scottish Widows WPF Support Account.
- 27.7 Where the amount of Assets credited to the Scottish Widows WPF Support Account and debited from the Scottish Widows WPF Further Support Account under paragraph 27.6 is limited by reason of the amount of Working Capital of the Combined Fund, any further Working Capital which subsequently emerges in the Combined Fund shall be credited to the Scottish Widows WPF Support Account until the total of all amounts to be credited to the Scottish Widows WPF Support Account pursuant to paragraph 27.4 or 27.5 or the full amount referred to in paragraph 27.6.1 (whichever is less) has been credited to the Scottish Widows WPF Support Account.
- 27.8 For the purpose of paragraphs 27.6 and 27.7, "**Working Capital**" which shall be calculated by the Transferee Board, having taken account of Appropriate Actuarial Advice, shall mean the excess of the Regulatory Value of the Assets of the Combined Fund over the aggregate of:
- 27.8.1 the Regulatory Liabilities of the Combined Fund; and
- 27.8.2 the Solvency Capital Requirement of the Transferee less that part of the Scottish Widows With Profits Fund's allocated Solvency Capital Requirement which is covered by Assets of the Scottish Widows With Profits Fund in excess of that Fund's Regulatory Liabilities, and less that part of the Clerical Medical With Profits Fund's allocated Solvency Capital Requirement which is covered by Assets of the Clerical Medical With Profits Fund in excess of that Fund's Regulatory Liabilities.
- 27.9 The provisions of this paragraph 27 shall not in any way restrict the distribution of the Scottish Widows Retained Account in accordance with paragraph 25.
28. **SUPPORT TO THE SCOTTISH WIDOWS WITH PROFITS FUND**
- Statutory Test**
- 28.1 If a Statutory Deficit is determined by the Transferee Board, having taken account of Appropriate Actuarial Advice (and having regard to the TCF Requirements), to have arisen in the Scottish Widows With Profits Fund then, subject to paragraphs 28.3 and 28.6, the Combined Fund may make Assets available to the Scottish Widows With Profits Fund on a contingent basis (a "**Contingent Loan**") such that:
- 28.1.1 the Regulatory Value of the Assets made available shall be at least equal to the amount of the Statutory Deficit;
- 28.1.2 making such Assets available shall not give rise to a Liability of the Scottish Widows With Profits Fund or an asset of the Combined Fund;
- 28.1.3 repayments of a Contingent Loan shall occur only in accordance with paragraph 28.5; and
- 28.1.4 amounts from time to time representing the balance of a Contingent Loan shall be increased or, as the case may be, decreased by Return Adjustments.

TCF Test

- 28.2 The Transferee Board shall, taking account of Appropriate Actuarial Advice, determine at least once in every calendar year whether a TCF Deficit has arisen in the Scottish Widows With Profits Fund. If a TCF Deficit is determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, to have arisen in the Scottish Widows With Profits Fund then, subject to paragraphs 28.3 and 28.6, the Combined Fund shall make Assets available to the Scottish Widows With Profits Fund on a basis such that:
- 28.2.1 the Regulatory Value of the Assets made so available shall be at least equal to the amount of the TCF Deficit;
- 28.2.2 repayments of the Assets made so available shall occur only in accordance with paragraph 28.4; and

- 28.2.3 amounts from time to time representing the balance of the Assets made so available shall be increased or, as the case may be, decreased by Return Adjustments.

Limitation on Support

- 28.3 Assets need not be made available in accordance with the requirements of paragraph 28.1 or 28.2 to the extent that making such Assets available would result in a Combined Fund Deficit. For this purpose a Combined Fund Deficit which shall be calculated by the Transferee Board, having taken account of Appropriate Actuarial Advice, shall exist if the Regulatory Liabilities of the Combined Fund plus the Solvency Capital Requirement of the Transferee (less that part of the Scottish Widows With Profits Fund's allocated Solvency Capital Requirement which is covered by Assets of the Scottish Widows With Profits Fund in excess of that Fund's Regulatory Liabilities and less that part of the Clerical Medical With Profits Fund's allocated Solvency Capital Requirement which is covered by Assets of the Clerical Medical With Profits Fund in excess of that Fund's Regulatory Liabilities) exceed the Regulatory Value of the Assets allocated to the Combined Fund and outstanding amounts previously made available pursuant to paragraph 28.6 shall be deemed (however in fact provided) to have been made available by the Combined Fund to the extent that corresponding Assets are made available from the Combined Fund to another member of the Group without reducing the Assets of the Combined Fund.

Transfer of Assets to the Combined Fund

- 28.4 Assets made available to the Scottish Widows With Profits Fund on the basis described in paragraph 28.2 shall be transferred to the Combined Fund either in whole or in part to the extent that the Transferee Board, having taken account of Appropriate Actuarial Advice, determines that following such Assets being transferred the value of the Assets allocated to the Scottish Widows With Profits Fund is greater than or equal to the Required Amount.
- 28.5 Assets made available to the Scottish Widows With Profits Fund on the basis described in paragraph 28.1 shall be transferred to the Combined Fund either in whole or in part to the extent that the Transferee Board, having taken account of Appropriate Actuarial Advice, determines that, following such Assets being transferred:
- 28.5.1 a Statutory Deficit would not result as a result of such transfer (provided that such determination shall be made on the basis that any bonus which is to be declared on the basis of the relevant valuation of the Scottish Widows With Profits Fund is deemed to have been declared prior to such Assets ceasing to be made available); and
- 28.5.2 a TCF Deficit would not occur as a result of such transfer.
- 28.6 Where Assets are to be made available to the Scottish Widows With Profits Fund under paragraph 28.1 or 28.2, LBG may procure instead that Assets are made available to the Scottish Widows With Profits Fund, sufficient to fulfil the requirements under this paragraph 28, in any manner that it in its absolute discretion sees fit, provided that the Transferee Board, having taken account of Appropriate Actuarial Advice, shall be satisfied that any arrangements (which may include, without limitation, the making of a loan from the Combined Fund to any member of the Group) do not fail to satisfy the TCF Requirements in respect of the policyholders of the Transferee.

29. SCOTTISH WIDOWS WITH PROFITS FUND: DISTRIBUTIONS TO COMBINED FUND

- 29.1 The Combined Fund shall be entitled to an amount which does not exceed one ninth of the aggregate of:
- 29.1.1 the cost of all bonuses including Terminal Bonuses, cash bonuses and reversionary bonuses allocated to Conventional With Profits Policies in the Scottish Widows With Profits Fund after the Effective Date which without limitation shall include the full amount of the reversionary bonuses or cash bonuses declared at the Effective Date; and

29.1.2 (to the extent not included within paragraph 29.1.1) all other amounts which the Transferee Board, having taken account of Appropriate Actuarial Advice, considers to be equivalent to those distributions referred to in paragraph 29.1.1 (including by way of bonus, reduction, rebate or suspension of premium or otherwise),

save for any Terminal Bonuses or other amounts paid pursuant to paragraphs 24 or 25.

29.2 On and after the date on which an amount equal to the balance of the Scottish Widows Additional Account is added to the Asset Shares of Pre-SW Scheme Transferred With Profits Policies pursuant to paragraph 24.1, payments to the Combined Fund pursuant to paragraph 29.1 shall, so far as practicable, be calculated so that the bonuses and other amounts in respect of which the Combined Fund is entitled to one ninth do not include bonuses or other amounts resulting from the addition to Asset Shares of Pre-SW Scheme Transferred With Profits Policies pursuant to paragraph 24.1.

30. **RESTRICTIONS ON DIVIDENDS**

30.1 No dividend or other distribution shall be paid by the Transferee from the Combined Fund if the effect of the payment of such dividend or other distribution would be:

30.1.1 to reduce the excess of the Regulatory Value of the Assets allocated to the Combined Fund over the Regulatory Liabilities allocated to the Combined Fund; below the aggregate value of the Scottish Widows WPF Support Account and the Scottish Widows WPF Further Support Account less that part of the value of (i) any Assets made available under paragraphs 28.1, 28.2 or 28.6 and (ii) any Return Adjustments arising pursuant to any arrangement under paragraphs 28.1, 28.2 or 28.6, and retained in the Scottish Widows With Profits Fund, which the Transferee Board, having taken account of Appropriate Actuarial Advice, considers may reasonably be attributed to the Pre-SW Scheme Transferred With Profits Policies.

30.1.2 to reduce the Regulatory Value of the Assets allocated to the Combined Fund below that which the Transferee Board, having taken account of Appropriate Actuarial Advice, believes should be retained within the Combined Fund in order to ensure that the Transferee has sufficient Assets to satisfy the TCF Requirements in relation to holders of Policies of the Transferee in the light of the Transferee's Liabilities under in force business and the new business that the Transferee expects to write over the next year.

31. **SCOTTISH WIDOWS WITH PROFITS FUND: OTHER PROVISIONS**

31.1 Save as expressly specified in this Scheme, the Transferee may not after the Effective Date enter into any transaction (including reinsurance or loan arrangements) between the Scottish Widows With Profits Fund and (i) the Combined Fund, (ii) the Clerical Medical With Profits Fund, (iii) any member of the Group, or (iv) a transaction which otherwise affects the Assets, Liabilities or Policies allocated to the Scottish Widows With Profits Fund, on terms which in the opinion of the Transferee Board, having taken account of Appropriate Actuarial Advice, are less favourable to the Scottish Widows With Profits Fund than arm's length commercial terms.

31.2 The Transferee Board may decide to provide the benefits payable on a Scottish Widows WPF Policy that is a deferred annuity contract, following the vesting of that contract, from the Combined Fund or procure that the benefits are provided by another member of the Group on terms that require a transfer from the Scottish Widows With Profits Fund of an amount equal to the Purchase Price of the benefits to be provided. The Purchase Price is to be determined by the Transferee Board (having taken account of Appropriate Actuarial Advice) but, in the case of a deferred annuity contract where all or part of the benefits are expressed in terms of an amount of annuity payable from the retirement date (including without limitation benefits payable pursuant to the exercising of a Guaranteed Annuity Option), shall not be greater than the cost of providing the benefits, including the cost of

capital to the Scottish Widows With Profits Fund, as determined by the Transferee Board at the date of vesting, having taken account of Appropriate Actuarial Advice.

- 31.3 Notwithstanding the provisions of paragraphs 14.1 to 14.5:
- 31.3.1 a proportion of any levies payable by the Transferee in relation to the FSCS (and as described in Class C1, FEES 6 Annex 3A) after the Effective Date shall be allocated to the Scottish Widows With Profits Fund equal to the proportion which the amount of premium income earned (net of inter fund reinsurance premiums) on the Policies allocated to the Scottish Widows With Profits Fund bears to the total premium income of the Transferee during the period by reference to which the relevant levy is made; and
 - 31.3.2 any other levies, other than those described in paragraph 31.3.1, shall be allocated between the Scottish Widows With Profits Fund and the Combined Fund on such basis as the Transferee Board shall determine, having taken account of Appropriate Actuarial Advice and subject to Regulatory Requirements, provided that any such costs shall not be allocated to the Asset Shares of Pre-SW Scheme Transferred With Profits Policies nor to the Scottish Widows Additional Account or the Scottish Widows Retained Account.
- 31.4 Notwithstanding the provisions of Paragraphs 14.1 to 14.5 and 31.3 and save to the extent that such allocation would be prohibited by the provisions of COBS 20.2 (taking into account any applicable transitional provisions), the Scottish Widows With Profits Fund shall have allocated to it any Liability, cost or other amount payable (save to the extent that such Liability, cost or other amount results from any act or omission of the Transferee) in respect of:
- 31.4.1 actual or alleged mis-selling of Policies by SWFLAS or any SW Shareholder Subsidiary or PMSWF (whether or not Scottish Widows With Profits Policies) written prior to the SW Scheme Effective Date;
 - 31.4.2 actual or alleged negligence, breach of contract or fraud prior to the SW Scheme Effective Date by SWFLAS or any SW Shareholder Subsidiary or PMSWF (including, without limitation, vicarious Liability for such negligence, breach of contract or fraud);
 - 31.4.3 fines (whenever imposed) imposed on the Transferee, SWFLAS, SW, SWA or any SW Shareholder Subsidiary or PMSWF, by the FCA, PRA or any other regulator in respect of the business formerly carried on by SWFLAS, any SW Shareholder Subsidiary or PMSWF with respect to any act or omission, or any event occurring or circumstance subsisting, prior to the SW Scheme Effective Date;
 - 31.4.4 all losses or Liabilities which relate to or arise out of any act, fault or omission prior to the SW Scheme Effective Date by SWFLAS or any SW Shareholder Subsidiary or PMSWF in relation to, or in connection with, any contract or employment, employment relationship or collective agreement which shall be deemed to include:
 - (A) any cessation of employment of a SW Relevant Employee before the SW Scheme Effective Date;
 - (B) any failure by SWFLAS or any such subsidiary to comply with any legal obligation to a trade union, staff association or employee representative before the SW Scheme Effective Date and which any member of the Group incurred in relation to such contract of employment, employment relationship or collective agreement concerning one or more of the SW Relevant Employees or in connection with one or more of the SW Relevant Employees;

- (C) any claim by a SW Relevant Employee in connection with the transfer of the SW Scheme Transferred Business to the Group and pursuant to regulation 5(5) of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as in force at the SW Scheme Effective Date); and
- (D) emoluments, outgoings, salaries, wages, bonuses, commissions, PAYE, National Insurance contributions, pension contributions and holiday remuneration accrued as at the SW Scheme Effective Date in respect of SW Relevant Employees;

save to the extent that such Liability was caused or crystallised by any action of, or refraining from action by, SW, SWA or SWFLAS (other than the transfer of the SW Scheme Transferred Business) at the request of or with the consent of any member of the Group except where such request is made or consent is given pursuant to a duty or obligation of any member of the Group (whether or not having the force of law) or where such action is necessary in order to prevent material harm to the reputation of the Group; and

- 31.4.5 any Liability provided for in the SW Scheme WPF Provision (whether or not such Liability ultimately exceeds the amount of such provision) other than a Liability to Taxation.
- 31.5 All Liabilities of the Transferee not specifically allocated to the Scottish Widows With Profits Fund pursuant to paragraph 14, paragraphs 31.3 to 31.4 or paragraph 34 (other than paragraphs 34.1.1 or 34.1.2 to the extent that those paragraphs refer to paragraphs 14 or 31) shall be allocated to the Combined Fund.
- 31.6 If any subsidiary of LBG (other than an SW With Profits Subsidiary or the Transferee) makes any payment in respect of any liability specifically allocated to the Scottish Widows With Profits Fund pursuant to paragraph 14 or paragraphs 31.3 to 31.4, an amount equal to that payment shall within the same or the next Financial Year of the Transferee be reallocated from the Scottish Widows With Profits Fund to the Combined Fund following which the liability of the Scottish Widows With Profits Fund in respect of the relevant liability shall be satisfied.
- 31.7 If in the opinion of the Transferee Board, having taken account of Appropriate Actuarial Advice, the allocation of any liability as between the Scottish Widows With Profits Fund and the Combined Fund for the purposes of this paragraph 31 is uncertain, the liability shall be allocated to the Scottish Widows With Profits Fund and the Combined Fund (or proportionately to those Funds) in such manner as the Transferee Board shall decide, having taken account of Appropriate Actuarial Advice.

32. EXPENSES AND CHARGES

Except as specifically provided for elsewhere in this Scheme, there shall be charged to the Scottish Widows With Profits Fund in respect of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies, the Scottish Widows Retained Account and the Scottish Widows Additional Account only such amounts in respect of expenses and charges as are determined in accordance with Schedule 2.

33. CREDITS TO THE SCOTTISH WIDOWS WITH PROFITS FUND

- 33.1 On and with effect from the Effective Date there shall be credited to the Scottish Widows With Profits Fund all of the following:
 - 33.1.1 all property allocated to the Scottish Widows With Profits Fund in accordance with Part D;

- 33.1.2 all Residual Assets allocated to the Scottish Widows With Profits Fund in accordance with paragraph 13.4 on an applicable Subsequent Transfer Date;
- 33.1.3 all amounts paid to the Transferee pursuant to the Excluded Policies Reassurance Arrangements in respect of any Excluded Policy which, had such Excluded Policy been a Transferred Policy, would have been allocated to the Scottish Widows With Profits Fund;
- 33.1.4 all amounts paid, and all property or rights transferred, by SW to the Transferee pursuant to paragraph 8.3 to the extent that such amounts, property or rights relate to assets transferred or allocated to the Scottish Widows With Profits Fund;
- 33.1.5 all amounts received by the Transferee pursuant to Policies allocated or reassured to the Scottish Widows With Profits Fund;
- 33.1.6 such amounts as are to be transferred in accordance with the relevant Policy conditions in relation to switches from unit linked benefits to with profits benefits;
- 33.1.7 all amounts paid to the Transferee in consideration of or in connection with the transfer or novation to the Transferee at any time on or after the Effective Date of any Excluded Policy which, had such Excluded Policy been a Transferred Policy, would have been allocated to the Scottish Widows With Profits Fund;
- 33.1.8 all amounts received under reassurance arrangements in respect of liabilities allocated to the Scottish Widows With Profits Fund which are reassured;
- 33.1.9 all investment gains, earnings, income and profits arising from the property or business allocated to the Scottish Widows With Profits Fund;
- 33.1.10 such property as is transferred to the Scottish Widows With Profits Fund pursuant to any transfer, exchange or reallocation of assets or other transaction pursuant to paragraph 31;
- 33.1.11 any amounts in respect of Taxation which are credited to the Scottish Widows With Profits Fund pursuant to paragraph 39;
- 33.1.12 such amounts as are transferred to the Scottish Widows With Profits Fund from the Combined Fund in accordance with paragraph 21;
- 33.1.13 any amount transferred from the Combined Fund to the Scottish Widows With Profits Fund pursuant to paragraph 28;
- 33.1.14 any amounts resulting from the sale of any assets allocated to the Scottish Widows With Profits Fund;
- 33.1.15 amounts receivable by the Transferee pursuant to paragraph 7.2 or 7.3 which relate to Policies allocated to the Scottish Widows With Profits Fund;
- 33.1.16 any payments from third parties arising from any proceedings continued by or against the Transferee to the extent that such proceedings relate to Policies, assets or liabilities allocated to the Scottish Widows With Profits Fund;
- 33.1.17 amounts transferred to the Scottish Widows With Profits Fund under paragraph 24; and
- 33.1.18 any other amounts which are required by this Scheme to be credited to or received by the Scottish Widows With Profits Fund or which are determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, in accordance with the principles underlying this Scheme to be properly attributable to the Scottish Widows With Profits Fund.

33.2 Except as provided for in paragraph 33.1, no sum or amount shall be credited to the Scottish Widows With Profits Fund as at or after the Effective Date.

34. DEBITS FROM THE SCOTTISH WIDOWS WITH PROFITS FUND

34.1 On and with effect from the Effective Date there shall be debited and charged to the Scottish Widows With Profits Fund all of the following:

- 34.1.1 amounts to be met from the Scottish Widows With Profits Fund pursuant to paragraphs 14 or 31,
- 34.1.2 all payments in respect of Residual Liabilities allocated to the Scottish Widows With Profits Fund in accordance with paragraph 14 after the relevant Subsequent Transfer Date;
- 34.1.3 the amount of all payments made by the Transferee in respect of the Excluded Policies Reassurance Arrangements in respect of any Excluded Policy which, had such Excluded Policy been a Transferred Policy, would have been allocated to the Scottish Widows With Profits Fund;
- 34.1.4 any amounts paid to SW by the Transferee pursuant to the indemnities contained in paragraph 9 to the extent that such payments relate to rights or property which are allocated to the Scottish Widows With Profits Fund;
- 34.1.5 all amounts payable in respect of Policies allocated or reassured to the Scottish Widows With Profits Fund arising by reason of surrender, death, annuity vesting or payment, disability or maturity or other event giving rise to a claim;
- 34.1.6 such amounts as are to be transferred in accordance with the relevant Policy conditions in relation to switches from with profits benefits to unit linked benefits;
- 34.1.7 all amounts paid by the Transferee in consideration of or in connection with the transfer or novation to the Transferee at any time on or after the Effective Date of any Excluded Policy which, had such Excluded Policy been a Transferred Policy, would have been allocated to the Scottish Widows With Profits Fund;
- 34.1.8 all premiums and other amounts paid under reassurance arrangements in respect of Policies allocated to the Scottish Widows With Profits Fund which are reassured;
- 34.1.9 all costs and losses arising from the property or business allocated to the Scottish Widows With Profits Fund (not including amounts payable in connection with the investment management of the Scottish Widows With Profits Fund);
- 34.1.10 such property as is transferred from the Scottish Widows With Profits Fund pursuant to any transfer, exchange or reallocation of assets or other transaction pursuant to paragraph 31;
- 34.1.11 any amounts which are debited or charged to the Scottish Widows With Profits Fund in accordance with paragraph 24 or 39;
- 34.1.12 such amounts as are transferred from the Scottish Widows With Profits Fund to the Combined Fund in accordance with paragraph 21;
- 34.1.13 such amounts as are transferred to the Combined Fund from the Scottish Widows With Profits Fund pursuant to paragraph 28;
- 34.1.14 the amounts of any payments for assets purchased for the Scottish Widows With Profits Fund;

- 34.1.15 any payments to third parties arising from proceedings continued by or against the Transferee to the extent such proceedings relate to Policies, assets or liabilities allocated to the Scottish Widows With Profits Fund;
 - 34.1.16 such charges and expenses as are allocated to the Scottish Widows With Profits Fund in accordance with paragraph 32 or 21.4;
 - 34.1.17 the initial and renewal commission, other expenses and other charges in respect of Policies for the time being allocated to the Scottish Widows With Profits Fund, other than Pre-SW Scheme Transferred Policies (in relation to which the provisions of paragraph 32 apply), which are properly attributable to the Scottish Widows With Profits Fund in accordance with the principles underlying this Scheme and with the TCF Requirements;
 - 34.1.18 the investment management fees and charges in respect of Policies for the time being allocated to the Scottish Widows With Profits Fund, other than Pre-SW Scheme Transferred Policies (in relation to which the provisions of paragraph 32 apply), which are properly attributable to the Scottish Widows With Profits Fund in accordance with the principles underlying this Scheme and with the TCF Requirements;
 - 34.1.19 charges in respect of Scottish Widows UWP Policies for the time being allocated or reassured to the Scottish Widows With Profits Fund, other than Pre-SW Scheme Transferred Policies (in relation to which the provisions of paragraph 32 apply), which are properly attributable to the Scottish Widows With Profits Fund in accordance with the principles underlying this Scheme and with the TCF Requirements;
 - 34.1.20 the value of claim payments in respect of Scottish Widows WPF Policies, including without limitation the value of any guaranteed benefits, to the extent that they are to be applied in consideration for a Policy which will be allocated to the Combined Fund;
 - 34.1.21 dealing and management costs relating to the assets of the Scottish Widows With Profits Fund to the extent that costs of the same type have previously been charged to the SW WPF; and
 - 34.1.22 any other amounts which are required by this Scheme to be debited or charged to the Scottish Widows With Profits Fund or which are determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, to be in accordance with the TCF Requirements and in accordance with the principles underlying this Scheme to be properly attributable to the Scottish Widows With Profits Fund.
- 34.2 Except as provided for in paragraph 34.1, no sum or amount shall be debited or charged to the Scottish Widows With Profits Fund on or after the Effective Date.

PART G

OPERATION OF FUNDS: CLERICAL MEDICAL WITH PROFITS FUND

35. PRINCIPLES OF FINANCIAL MANAGEMENT

- 35.1 The Transferee shall manage the Clerical Medical With Profits Fund in a sound and prudent manner and in accordance with the Fund's established principles and practices as updated from time to time. In addition, it will apply the following principles which, in the event of a conflict, shall prevail:
- 35.1.1 the TCF Requirements of Pre-CMIG Scheme Transferred With Profits Policies shall at all relevant times be interpreted by the Transferee Board, having taken account of Appropriate Actuarial Advice, by reference to the financial position, performance and experience of the Clerical Medical With Profits Fund at the time or times when such requirements fall to be interpreted;
- 35.1.2 in fulfilling the requirements of paragraph 35.1.1 in respect of Pre-CMIG Scheme Transferred With Profits Policies:
- (A) no allowance shall be made for profits arising from business attributed to the Combined Fund;
 - (B) allowance shall be made for the remaining part of the aggregate uplift of £160,000,000 that was to be made to the Asset Shares of CM Special Bonus Policies under the CMIG Scheme;
 - (C) no deduction from Asset Shares shall be made in respect of any withdrawal from the Clerical Medical With Profits Fund pursuant to paragraph 36; and
 - (D) the investment and bonus policy followed by the Transferee in respect of the Clerical Medical With Profits Fund shall have regard to the interests of holders of Clerical Medical With Profits Policies, and shall not be constrained in any way other than by the financial position of the Clerical Medical With Profits Fund or by Regulatory Requirements.
- 35.1.3 the Clerical Medical With Profits Fund may accept financial assistance on terms under which the interests of the provider of the assistance are subordinated to the interests of policyholders of the Clerical Medical With Profits Fund, as if the Clerical Medical With Profits Fund constituted the whole business of a separate mutual life assurance company trading in the UK. The Clerical Medical With Profits Fund may provide financial assistance provided that the interests of the policyholders of the Clerical Medical With Profits Fund are not prejudiced thereby.

36. CLERICAL MEDICAL WITH PROFITS FUND: DISTRIBUTIONS TO COMBINED FUND

- 36.1 The Combined Fund shall be entitled to an amount which does not exceed one ninth of the aggregate of:
- 36.1.1 the cost of all bonuses including Terminal Bonuses, cash bonuses and reversionary bonuses allocated to Conventional With Profits Policies in the Clerical Medical With Profits Fund after the Effective Date which without limitation shall include the full amount of the reversionary bonuses or cash bonuses declared at the Effective Date; and
- 36.1.2 (to the extent not included within paragraph 36.1.1) all other amounts which the Transferee Board, having taken account of Appropriate Actuarial Advice, considers to be equivalent to those distributions referred to in paragraph 36.1.1

(including by way of bonus, reduction, rebate or suspension of premium or otherwise).

37. CREDITS TO THE CLERICAL MEDICAL WITH PROFITS FUND

37.1 On and from the Effective Date the following shall be credited to the Clerical Medical With Profits Fund:

37.1.1 the amount of all premiums received by the Transferee in respect of Policies that are allocated to the Clerical Medical With Profits Fund;

37.1.2 the amount of all CM Investment Premiums received by the Transferee in respect of Clerical Medical UWP Policies;

37.1.3 the amount of all other premiums received by CMIG in respect of all other business undertaken in the Clerical Medical With Profits Fund, including reinsurance business, not specifically covered by 37.1.1 and 37.1.2 above;

37.1.4 such amount or value as is required as a consequence of any CM Switch in accordance with the terms of any policy or (in case of doubt) as the Transferee Board, having taken account of Appropriate Actuarial Advice, determines to be appropriate as a consequence of any CM Switch;

37.1.5 amounts received under reinsurance arrangements made in respect of liabilities of the Clerical Medical With Profits Fund that are reassured;

37.1.6 such assets as are transferred to the Clerical Medical With Profits Fund pursuant to any transfer or exchange of assets between the Clerical Medical With Profits Fund and the Combined Fund or between the Clerical Medical With Profits Fund and any other Fund of the Transferee;

37.1.7

(A) the amount or value (in whatever form or manner it is received) of any financial assistance or support given to the Clerical Medical With Profits Fund by the Combined Fund or any other Fund of the Transferee; and

(B) the amount or value of the consideration (in whatever form or manner it is received) received by the Clerical Medical With Profits Fund in respect of any financial assistance or support given by the Clerical Medical With Profits Fund to the Combined Fund or any other Fund of the Transferee;

37.1.8 investment gains, earnings, income and profits arising from the business or assets within the Clerical Medical With Profits Fund;

37.1.9 any amounts in respect of Taxation which are credited to the Clerical Medical With Profits Fund pursuant to paragraph 39; and

37.1.10 all other income and receipts required by this Scheme to be allocated to the Clerical Medical With Profits Fund or otherwise properly attributable to or properly received and arising from the business or assets of the Clerical Medical With Profits Fund.

38. DEBITS FROM THE CLERICAL MEDICAL WITH PROFITS FUND

38.1 On and from the Effective Date the following shall be debited and charged to the Clerical Medical With Profits Fund:

38.1.1 the amounts of all claims and other amounts payable in respect of Policies allocated to the Clerical Medical With Profits Fund or in respect of which the

benefits payable are determined by reference to With Profits Units in the Clerical Medical With Profits Fund (including Clerical Medical UWP Policies) arising by reason of surrender, death, annuity, disability or maturity or other event giving rise to the claim (and, for the avoidance of doubt, in respect of claims arising under Clerical Medical UWP Policies, where any market value adjustment (but no other adjustment) resulting in a deduction from the nominal bid value of units falls to be made under the policy conditions, the amount payable shall be net of any such deductions insofar as it relates to With Profits Units (such determination to be made by the Transferee Board, having taken account of Appropriate Actuarial Advice));

- 38.1.2 any amounts that fall to be met in consequence of any reinsurance obligation relating to benefits to be provided from the Clerical Medical With Profits Fund;
- 38.1.3 such amount or value as is required as a consequence of any CM Switch in accordance with the terms of any Policy or (in case of doubt) as the Transferee Board, having taken account of Appropriate Actuarial Advice, determines to be appropriate as a consequence of any CM Switch;
- 38.1.4 where any liability of the Clerical Medical With Profits Fund is reassured, the amount of the reinsurance premium payable, and any other sums payable in respect of the reinsurance of that liability;
- 38.1.5 commissions payable to intermediaries and other third parties in respect of Policies allocated to the Clerical Medical With Profits Fund (excluding, for the avoidance of doubt, Clerical Medical UWP Policies);
- 38.1.6 such costs, liabilities and expenses (including insurance industry levies, subject to Schedule 5) attributable to the Clerical Medical With Profits Fund, as the Transferee Board, having taken account of Appropriate Actuarial Advice, determines to be fair and equitable;
- 38.1.7 management charges at the rates specified in paragraph 21.6 or determined in accordance with Schedule 3;
- 38.1.8 any charge in respect of any Clerical Medical UWP Policy that falls to be paid in accordance with the terms of any such Policy by cancellation of units, except insofar as such charge has been deducted elsewhere in establishing a CM Investment Premium;
- 38.1.9 save to the extent that such debiting and charging would be prohibited by the provisions of COBS 20.2 (taking into account any applicable transitional provisions), all amounts payable pursuant to Schedule 5 or Schedule 6;
- 38.1.10 such assets as may be transferred from the Clerical Medical With Profits Fund pursuant to any transfer or exchange of assets between the Clerical Medical With Profits Fund and the Combined Fund or between the Clerical Medical With Profits Fund and any other fund of the Transferee;
- 38.1.11
 - (A) the amount of value (in whatever form or manner it is given) of any financial assistance or support given by the Clerical Medical With Profits Fund to the Combined Fund or any other fund of the Transferee;
 - (B) the amount or value (in whatever form or manner it is given) of the consideration given by the Clerical Medical With Profits Fund in respect of any financial assistance or support given to the Clerical Medical With Profits Fund by the Combined Fund or by any other fund of the Transferee;
 - (C) such costs, liabilities and expenses incurred by the Transferee in respect of the acquisition, holding or disposal of any property comprised in the Clerical Medical With Profits Fund, as the Transferee Board,

having taken account of Appropriate Actuarial Advice, determines to be fair and equitable; and

- (D) such commissions, expenses and investment management or other charges or liabilities arising under and properly attributable to the Clerical Medical With Profits Fund or properly attributable to any property comprised in the Clerical Medical With Profits Fund or to the business carried on in the Clerical Medical With Profits Fund, as the Transferee Board, having taken account of Appropriate Actuarial Advice, determines to be fair and equitable.

- 38.1.12 any liabilities payable in connection with the investment management of the Clerical Medical With Profits Fund;
 - 38.1.13 any liabilities arising from investments of the Clerical Medical With Profits Fund;
 - 38.1.14 all losses arising upon the realisation of property comprised in the Clerical Medical With Profits Fund, and the amount of any provisions which falls to be made in respect of unrealised losses in the Clerical Medical With Profits Fund;
 - 38.1.15 any distribution made in accordance with paragraph 36.1;
 - 38.1.16 any amounts which are debited or charged to the Clerical Medical With Profits Fund in accordance with paragraph 39;
 - 38.1.17 any amounts as are required to be transferred from the Clerical Medical With Profits Fund by Court order pursuant to section 112 of FSMA; and
 - 38.1.18 all other amounts required by this Scheme to be met from the Clerical Medical With Profits Fund or determined by the Transferee Board, having taken account of Appropriate Actuarial Advice, to be properly payable from the Clerical Medical With Profits Fund, having regard to the terms of this Scheme.
- 38.2 Except as specifically provided for in paragraph 38.1 no sum or amount shall be debited or charged to the Clerical Medical With Profits Fund on or after the Effective Date.

PART H
TAXATION

39. TAXATION

39.1 Scottish Widows With Profits Fund

39.1.1 Basis of Taxation

- (A) In relation to the assets, liabilities and operations of the Scottish Widows With Profits Fund as they relate to Pre-SW Scheme Transferred With Profits Policies, an amount of Tax shall be charged or Tax Relief credited to the Scottish Widows With Profits Fund calculated on the basis that the Pre-SW Scheme Transferred With Profits Policies and the assets representing the Asset Shares of such policies, together with the notional assets of the Scottish Widows Additional Account and the Scottish Widows Retained Account comprise a separate mutual life assurance company (the "**Separate Mutual Company**"). In making the calculation of the Tax attributable to the Separate Mutual Company the following provisions of this paragraph 39.1.1(A) shall apply:
- (1) where Tax Reliefs or other items are allocated to the Scottish Widows With Profits Fund under paragraph 39.3.4(A) they shall be allocated to the Separate Mutual Company for the purposes of this paragraph 39;
 - (2) there shall be disregarded any Tax in respect of assets made available to the Scottish Widows With Profits Fund pursuant to paragraph 28.1, 28.2 or 28.6;
 - (3) to the extent that for any accounting period any Tax Relief which is attributable to the Separate Mutual Company is in fact used to reduce any Tax attributable to the Scottish Widows With Profits Fund apart from the Separate Mutual Company, the amount of any such reduction shall be attributable to the Separate Mutual Company and not to the Scottish Widows With Profits Fund apart from the Separate Mutual Company.
- (B) In relation to the assets, liabilities and operations of the Scottish Widows With Profits Fund apart from the Separate Mutual Company, Taxation shall be charged to the Scottish Widows With Profits Fund on a fair and equitable basis determined by the Transferee Board, having taken account of Appropriate Actuarial Advice to satisfy the TCF Requirements in respect of the holders of Scottish Widows With Profits Policies that are not Pre-SW Scheme Transferred With Profits Policies. However, the Transferee Board shall attribute Taxation to the Scottish Widows With Profits Fund only to the extent that the Transferee Board, having taken account of Appropriate Actuarial Advice, is satisfied that such attribution shall not adversely affect in relation to Taxation the TCF Requirements in respect of policyholders who are holders of Pre-SW Scheme Transferred With Profits Policies, and in all other respects shall not adversely affect the TCF Requirements as modified by the SW Scheme and this Scheme, of the holders of Pre-SW Scheme Transferred Policies.

39.1.2 Management of Tax Affairs

- (A) Save as otherwise provided in this 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 Pre-SW Scheme Transferred With Profits Policies in accordance with the provisions of this Scheme, are claimed or taken (as appropriate). However, nothing in this paragraph 39.1.2(A) shall require any member of LBG (including for the avoidance of doubt the Transferee) to take any action or refrain from taking any action which could, in the opinion of LBG acting in good faith have a material adverse effect on the Tax charges attributable:

- (1) in the case of a Tax charge to the Transferee, to the Combined Fund; or
 - (2) to any other member of LBG where the Tax (in whole or in part) is directly or indirectly derived from, related to, or attributable to the shares or debentures of Scottish Widows Group Limited, Scottish Widows Financial Services Holdings Limited, SW, SWA or CMIG or to the business, assets or liabilities of the Transferee or any of the Transferee's subsidiaries.
- (B) In making any decision to act or refrain from acting in accordance with paragraph 39.1.2(A), LBG shall seek and take into account the views of the Transferee Board having taken account of Appropriate Actuarial Advice with regard to the TCF Requirements in respect of the holders of Policies and shall consider in good faith obtaining expert advice from sources independent of LBG.

39.2 Clerical Medical With Profits Fund

Subject to paragraph 39.3.2, on and from the Effective Date the Clerical Medical With Profits Fund shall be debited or charged in respect of any liability to Taxation with an amount determined by the Transferee Board having taken account of Appropriate Actuarial Advice on the basis of Tax law and practice prevailing at the time, to be the amount that would have been the amount of the liability of the Transferee to taxation in respect of the Clerical Medical With Profits Fund if the Clerical Medical With Profits Fund had constituted the whole long term funds of a separate mutual life assurance company with no business other than the business then carried on in the Clerical Medical With Profits Fund and if all appropriate allowances and reliefs that would in such circumstances have been available had been claimed and received.

39.3 Both With Profits Funds

39.3.1 Deferred Tax

Deferred tax, other than any amounts included in paragraph 39.3.4(A)(2), calculated on the same basis as that applied to the Transferee generally for the accounting period shall be attributed to the relevant With Profits Fund, but only to the extent that it relates to the assets, liabilities and operations of that With Profits Fund.

39.3.2 Change in Law

If there is a material change in the basis on which life assurance companies are subject to taxation in the UK, paragraphs 39.1.1(A), (B) and 39.2 shall be amended to the extent that the Transferee Board (having notified the PRA and the FCA, provided that the PRA and the FCA have not objected thereto within 45 Business Days of such notification), considers necessary or desirable to ensure that the effect of these paragraphs continues to be that intended as at the

Effective Date PROVIDED THAT no such amendment shall be made unless the Transferee Board has:

- (A) obtained a certificate from an independent actuary (such independent actuary to be appointed by the Transferee Board) to the effect that the amendments proposed to the terms of this Scheme in accordance with paragraph 39.3.2 will not have a material adverse effect on the security and benefit expectations of the holders of Clerical Medical With Profits Policies or Scottish Widows With Profits Policies; and
- (B) complied with the Consultation Requirements.

39.3.3 **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 a With Profits Fund shall be calculated on a fair and equitable basis determined by the Transferee 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. When the final amount of the liability to such Taxation is determined the relevant provisions of this paragraph 39 shall be applied to the final amount of such Taxation and, to the extent necessary, a balancing payment shall be made between With Profits Funds or between the relevant With Profits Fund and the Combined Fund (as the case may be).

39.3.4 **Tax Reliefs**

- (A) Tax Reliefs or other items available to the Transferee or Transferors immediately before the Effective Date shall be allocated to a With Profits Fund or the Combined Fund on the following basis:
 - (1) acquisition expenses of CMIG or SW unrelieved for the purposes of paragraph 33 of Schedule 17 to Finance Act 2012 or Section 79 of the Finance Act 2012 shall be allocated between the relevant With Profits Funds and the Combined Fund on a fair and equitable basis determined by the Transferee Board, having taken account of Appropriate Actuarial Advice and having regard to the Policies in respect of which the relevant expenses were incurred;
 - (2) acquisition expenses of the Transferors (other than SW) unrelieved for the purposes of paragraph 33 of Schedule 17 to Finance Act 2012 or Section 79 of the Finance Act 2012 shall be allocated to the Combined Fund;
 - (3) any Tax or Tax Relief on gains or losses deemed to accrue to the Transferee in accordance with Section 213(5) Taxation of Chargeable Gains Act 1992 that will arise in future periods shall be allocated to the Combined Fund but only to the extent that the business giving rise to the gains or losses have been allocated to the Combined Fund and otherwise to the relevant With Profits Fund; and
 - (4) any other Tax Reliefs shall be allocated between the With Profits Funds and the Combined Fund on a fair and equitable basis determined by the Transferee Board, having taken account of Appropriate Actuarial Advice and having regard to the Policies,

assets or liabilities in respect of which the relevant Tax Reliefs were obtained or arose.

- (B) To the extent that any Tax Relief attributable to the assets, liabilities or operations of a With Profits Fund is used to reduce any Tax attributable to the assets, liabilities or operations of the Combined Fund, the amount of any such reduction shall be attributed to that With Profits Fund in making the allocation referred to in paragraphs 39.1.1 and 38.1.17 for the accounting period in which the reduction occurs. The amount of such reduction shall be calculated using the rate of corporation tax which would have applied to the source of profits, income or gains being relieved by the Tax Relief had that amount of profits, income or gain arisen in a mutual life assurance company.
- (C) To the extent that any Tax Relief attributable to the assets, liabilities or operations of the Combined Fund is used to reduce any Tax attributable to the assets, liabilities or operations of a With Profits Fund, the amount of any such reduction shall be attributed to the Combined Fund in making the allocation referred to in paragraphs 39.1.1 and 39.2 for the accounting period in which the reduction occurs.
- (D) For the purposes of paragraph 39.3.4(B) and paragraph 39.3.4(C) Tax Relief attributable to the assets, liabilities or operations of a With Profits Fund or the Combined Fund shall be treated as used in any accounting period to relieve Tax of that fund before it is regarded as available for use to reduce the Tax attributable to the assets, liabilities or operations of another fund.

39.4 **SWAS Scheme**

- 39.4.1 The Transferee undertakes to reimburse any holder of a Transferred SWplc Policy (as defined in the SWAS Scheme) or an Excluded SWplc Policy (as defined in the SWAS Scheme) that was comprised in the participating business of Scottish Widows Administration Services Limited and in force on the SWAS Scheme Effective Date for any additional Tax suffered as a result of the modification of that Policy under the SWAS Scheme if and when the relevant Tax liability arises.
- 39.4.2 The Transferee undertakes to reimburse any holder of a Transferred SWA Policy (as defined in the SWAS Scheme) or an Excluded SWA Policy (as defined in the SWAS Scheme) that was comprised in the participating business of Scottish Widows Administration Services Limited and in force on the SWAS Scheme Effective Date for any additional Tax suffered as a result of the modification of that Policy under the SWAS Scheme if and when the relevant Tax liability arises.

PART I

MISCELLANEOUS PROVISIONS

40. EFFECTIVE DATE

40.1 Except as provided in this paragraph and paragraph 40.2, this Scheme shall become effective at 23:59 GMT on 31 December 2015 or such later time and date as the Transferors and the Transferee may agree (being a date and time falling after the making of the Order sanctioning this Scheme) and in any case no later than the date referred to in paragraph 40.2.

40.2 Unless all the provisions of this Scheme shall have become effective on or before 31 March 2016 or such later date and/or time, if any, as the Transferors and the Transferee may approve and the Court may allow (but in any case no later than 23:59 GMT on 30 June 2016) this Scheme shall lapse. In the event that an application is made to the Court pursuant to this paragraph 40.2:

40.2.1 the PRA and the FCA shall be given no less than 20 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

40.2.2 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 31 March 2016; and

(B) such financial information which has been approved by the Transferee Board as the Transferee may agree with the PRA is necessary in order to support such application.

41. CONTINUITY WITH PREVIOUS SCHEMES AND ORDERS

41.1 Subject to paragraphs 41.2 and 41.3 and without prejudice to any Liabilities thereunder which arise prior to the Effective Date, the Existing Schemes shall cease to have effect at the Effective Date.

41.2 The SW Scheme shall continue to have effect solely to the extent necessary to give effect to the transfer of any Residual Non-Pension Asset or Residual Pension Asset (in each case, as such terms are defined in the SW Scheme), in accordance with paragraph 4 of the SW Scheme.

41.3 The contingent loan advanced by the SW NPF to the SW WPF pursuant to paragraph 22A of the SW Scheme shall be extinguished and of no further effect, and for the avoidance of doubt:

41.3.1 such contingent loan shall not be:

(A) a Transferred Liability of the SW WPF; nor

(B) a Transferred Asset of the SW NPF; and

41.3.2 neither the SW NPF, the Transferee Non Profit Fund nor the Combined Fund shall have any right to repayment of such contingent loan pursuant to paragraph 21 of the SW Scheme;

41.3.3 no transfer of surplus from either the Transferee Non Profit Fund or the Combined Fund to the SW WPF shall be payable pursuant to paragraph 21.1 of the SW Scheme.

42. **MODIFICATIONS, AMENDMENTS OR ADDITIONS**

42.1 The Transferors 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 to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose.

42.2 At any time after the sanction of this Scheme by the Court the Transferee shall be at liberty to apply to the Court for consent to amend the terms of this Scheme, provided that in any such case:

42.2.1 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 Transferee and shall have the right to be heard at any hearing of the Court at which such application is considered;

42.2.2 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 Transferee; and

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

42.3 Following the sanction of this Scheme by the Court, the consent of the Court shall not be required in relation to:

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

42.3.2 minor and/or non-material technical amendments to the terms of this Scheme (including amendments to correct manifest errors), provided that each of the PRA and the FCA has been notified of the same by the Transferee and has not objected thereto within 30 Business Days of such notification and the Transferee Board, where appropriate, has taken account of appropriate actuarial and legal advice, as relevant, in relation to the amendments; or

42.3.3 amendments to the terms of the Scheme which are reasonably considered by the Transferee Board, having taken account of Appropriate Actuarial Advice, to be necessary to ensure the provisions of this Scheme operate in the intended manner in circumstances where the provision to which the proposed variation applies will be materially affected:

(A) by a variation to Regulatory Requirements or to the basis on which life assurance companies are subject to taxation in the UK; or

(B) by the Combination Date not having occurred by 31 March 2016;

provided that:

(C) such proposed amendments shall only be carried out if the Transferee Board has obtained a certificate from an independent actuary (such independent actuary to be appointed by the Transferee Board, subject to the PRA not having objected to such appointment within 30 Business Days of the notification of the same, unless, in the case of amendments proposed under paragraph 42.3.3(B) only, the independent actuary proposed to be appointed has already been approved by the PRA pursuant to section 109(2) of FSMA in respect of the original sanction of this Scheme, in which case the PRA shall not be entitled to object to such appointment) 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 Transferee; and

- (D) each of the PRA and the FCA has been notified in advance of the proposed amendments by the Transferee (such notification to include the certificate described in paragraph 42.3.3(C)) and has not objected thereto within 45 Business Days of such notification.

43. EVIDENCE OF TRANSFER

- 43.1 The production of a copy of the Order with any modifications, amendments and/or additions made under paragraph 42, shall for all purposes be evidence of the transfer to, and vesting in, the Transferee:
 - 43.1.1 on and with effect from the Effective Date, of the Transferred Business, the Transferred Assets, the Transferred Liabilities and the Transferred Policies; and
 - 43.1.2 with effect from each relevant Subsequent Transfer Date, of the Residual Assets and Residual Liabilities.

44. 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 Combined Fund.

45. SUCCESSORS AND ASSIGNS

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

46. TERMINATION OF THIS SCHEME IN RESPECT OF PRE-SW SCHEME TRANSFERRED POLICIES AND PRE-SW SCHEME TRANSFERRED PENSION POLICIES

- 46.1 Each part of this Scheme which imposes restrictions or obligations on the Transferee in respect of the Pre-SW Scheme Transferred Policies or Pre-SW Scheme Transferred Pension Policies shall cease to be binding on the Transferee when all of the Pre-SW Scheme Transferred Policies and the Pre-SW Scheme Transferred Pension Policies, respectively, cease to be in force.

47. THIRD PARTY RIGHTS

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.

48. GOVERNING LAW

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

Dated this 1st day of July 2015

SCHEDULE 1
TRANSFERRED REASSURANCE AGREEMENTS
PART I
INTRA-GROUP

Ref	Initial Cedant	Initial Reassurer	Final Cedant	Final Reassurer	Effective date	Business covered
Int_01	CMIG	CMMF	CMIG	CMIG	30 November 2012	Direct unit linked property fund investment
Int_03	CMMF	CMIG	CMIG	CMIG	16 January 1985	Pensions Annuity business
Int_04	CMMF	CMIG	CMIG	CMIG	30 November 2012	Retrocession of ELAS pensions business
Int_05	CMMF	CMIG	CMIG	CMIG	30 November 2012	All Managed Fund business except that relating to the Property Fund
Int_06	HLL	CMIG	CMIG	CMIG	03 February 1997	UWP Fund access arrangement for Personal Pension Plan, Top Up Pension Plan and Bonus Bond
Int_11	PM	SW	CMIG	CMIG	30 April 1972	Annuities in payment and reversionary annuities
Int_07	SAL	HLL	CMIG	CMIG	01 January 2002	Personal Investment Plan and Flexible Protection Plan
Int_08	SW	SWUF	CMIG	CMIG	01 April 2001	UL liabilities for pensions business
Int_09	SW	CMIG	CMIG	CMIG	20 January 2009	Protection for Life ("P4L") business from 20 January 2009 to 31 December 2012 and Group Creditor life business
Int_10	SWA	SW	CMIG	CMIG	01 January 2013	Annuities in payment and pensions term assurances

PART II EXTERNAL HLL TREATIES TO BE TRANSFERRED TO CMIG

Ref	Reassurer	Effective date	Business covered
E_64S	General Reinsurance Life UK Ltd	09 April 2001	Temporary Assurance Plan Policy Ref: 27042

PART III EXTERNAL SAL TREATIES TO BE TRANSFERRED TO CMIG

Ref	Reassurer	Effective date	Business covered
E_58S	General Reinsurance Life UK Ltd	01 February 2000	Secure Life Plan Policy Ref: 29614/11.901
E_55S	General Reinsurance Life UK Ltd	17 June 2002	Halifax Life Flexible Assurance Plan Policy Ref: 27048
E_65S	General Reinsurance Life UK Ltd	01 October 2002	Halifax Life Protection Plan Halifax Life Loan Protection Plan Policy Ref: 27049
E_56S	General Reinsurance Life UK Ltd	01 October 2002	Halifax Life Protection Plan, Life Loan Protection Plan and Flexible Assurance Plan Policy Ref: 27050
E_66S	General Reinsurance Life UK Ltd	24 May 2004	Guaranteed Life Policy Ref: 27083/27077
E_67S	General Reinsurance Life UK Ltd	24 May 2004	Reviewable CIC Policy Ref: 27084/27078
E_59S	General Reinsurance Life UK Ltd	01 July 2008	Level Term Assurance, Decreasing Term Assurance and Family Income Benefit Policy Ref: 33618
E_51S	General Reinsurance Life UK Ltd	31 December 2010	TMPP existing business written from 1 March 2004 to closure on 18 July 2010. Business written out of St Andrews Life Assurance plc Policy Ref: Gen Re 38369 001
E_12H/1	Munich Reinsurance Company United Kingdom Life Branch	04 July 1994	Protection Plan, Protection Mortgage Plan and Protection Pension Plan
E_12H/2	Munich Reinsurance Company United Kingdom Life Branch	04 July 1994	Protection Mortgage Plan & Protection Plan Policy Ref: LEL/O/02
E_12H/3	Munich Reinsurance Company United Kingdom Life Branch	04 July 1994	Unit-Linked policies (Life cover only): Personal Pension Plan, Savings & Protection Mortgage Plan, Savings & Protection Plan – Low Start and Savings Plan Policy Ref: LEL/O/03
E_12H/4	Munich	04 July 1994	Unit-Linked (Critical Illness/PTD & Life risks):

Ref	Reassurer	Effective date	Business covered
	Reinsurance Company United Kingdom Life Branch		Savings & Protection Mortgage Plan and Savings & Protection Plan – Low Start Policy Ref: LEL/O/04
E_12H/5	Munich Reinsurance Company United Kingdom Life Branch	04 July 1994	Protection Mortgage Plan, Protection Plan and Protection Pension Plan Policy Ref: LEL/O/05
E_12H/6	Munich Reinsurance Company United Kingdom Life Branch	04 July 1994	Reassurance Treaty in respect of Catastrophe Excess of Loss Cover Policy Ref: LEL/O/06
E_9S	Munich Reinsurance Company United Kingdom Life Branch	09 January 1995	Life and Critical Illness Policy Ref: HAL/R/01 (SW Ref SCW/R/050)
E_52S	Munich Reinsurance Company United Kingdom Life Branch	01 March 2001	Total Mortgage Protection Plan (TMPP) Policy Ref: HAL/R/02
E_10H	Swiss Re	09 January 1995	Products covering Mortgage Plans, Pension Plans, Protection Plans, Life and Critical Illness
E_9H	Swiss Re	01 February 1999	Products: Level Term Assurance, Decreasing Term Assurance, Flexible Protection Plan (BoSIC)
E_68S	Swiss Re	01 May 2007	Over 50 Guaranteed Life Plan Reinsurance Treaty Policy Ref: I01960GB-96 / I03871GB-07

PART IV EXTERNAL SW TREATIES TO BE TRANSFERRED TO CMIG

Ref	Reassurer	Effective date	Business covered
E_2F	Baillie Gifford Life Ltd	12 September 2005	Fund access arrangement
E_4F	Blackrock Pensions Ltd	05 July 2010	Fund access arrangement Policy Ref: R20013
E_3F	UBS Global Asset Management Life Ltd	17 February 2003	Fund access arrangement
E_24S	General Reinsurance Life UK Ltd	17 December 2002 and 27 February 2003	Long Term Care
E_37S	General Reinsurance Life UK Ltd	19 April 2009	Post 19/4/09 P4L level Life business Policy Ref: Cologne Re/Gen Re ref 37148 001
E_82S	General Reinsurance Life UK Ltd	10 November 2013	P4L post 10/11/13: Policy Ref: 53069 001

Ref	Reassurer	Effective date	Business covered
E_140	General Reinsurance Life UK Ltd	06 October 2015	Scottish Widows Protect Decreasing Life cover Policy Ref: 53425
E_21S	Hannover Life Reassurance (Ireland) Limited	17 December 2002	Level Term Assurance Plan Mortgage Protection Plan Policy Ref: Scotwid 001 00
E_20S	Hannover Life Reassurance (UK) Ltd	17 December 2002	Level Term Assurance Plan Mortgage Protection Plan Policy ref: Scotwid 00100
E_29S	Hannover Life Reassurance (UK) Ltd	31 July 2006	MPP for life and pension term to SA of less than £100,000 Policy Ref: Hannover ref Scowid 002 00
E_34S	Hannover Life Reassurance (UK) Ltd	19 April 2009	Term Life and CI Quota Share Reassurance Policy Ref: Hannover ref Scowid 003 00
E_72S	Hannover Life Reassurance (UK) Ltd	01 January 2013	Core Level Life, HNW Decreasing CI and CILC, HNW Life Level Lump Sum and Family Income Benefit Policy Ref: Hannover ref Scowid 005 00
E_80S	Hannover Life Reassurance (UK) Ltd	11 November 2013	Life cover (level and index) and Critical Illness (standard and accelerated) Policy Ref: Hannover ref Scowid 006 00
E_141	Hannover Life Reassurance (UK) Ltd	06 October 2015	Scottish Widows Protect Level Life or CI and Life cover with sums assured over £500k Policy Ref: Scowid 007 00 Life and CI IFA 1015 U (Final)
E_5F	Legal & General Assurance	09 April 2010	Fund access arrangement Policy Ref: 34069
E_7F	Managed Pension Funds Ltd	31 August 2011	Fund access arrangement Policy Ref: 480325
E_1L	Munich Reinsurance Company United Kingdom Life Branch	01 October 1987	Harvest Savings Plan, With Profit and Low Cost Endowments TSB Homebuyers Plan, Flexible Savings Plans, High Investment Plans and Moneyback Insurance Plans Policy Ref: TSB/R/01
E_7S	Munich Reinsurance Company United Kingdom Life Branch	01 February 1992	Forces Safeguard Plan Policy Ref: SCW/O/02
E_71S	Munich Reinsurance Company United Kingdom Life Branch	01 January 2013	P4L Guaranteed Acceptance Lifetime Cover (SA < £15000) Policy Ref: SCW/R/090
E_47.3S	Munich Reinsurance Company United Kingdom Life Branch	01 November 2010	Pre-19/01/2009 Protection For Life Guaranteed Acceptance Lifetime Cover (SA < £15000) Policy Ref: Munich ref SCW/R/080

Ref	Reassurer	Effective date	Business covered
M_134	Pacific Life Re Limited	13 July 2015	Quota Share Agreement Life-only individual level term and individual decreasing term policies Policy Ref: PLR/SCOTTISHWIDOWS/P1302
E_142	Pacific Life Re Limited	06 October 2015	Scottish Widows Protect Level Life Cover Policy Ref: PLR/SCOTTISHWIDOWS/P1400
E_74S	Pacific Life Re Limited	01 January 2013	Quota Share and Surplus Reinsurance Contract Policy Ref: PLR/SWIDS/DTA02
E_23S	RGA Americas Reinsurance Company Ltd	17 December 2002	Stand-alone critical illness assurances - quota share automatic & facultative Policy Ref: 8881-00-00
E_23.1S	RGA Americas Reinsurance Company Ltd	17 December 2002	Term life assurances - quota share automatic & facultative Policy Ref: 8849-00-00
E_23.1S	RGA Americas Reinsurance Company Ltd	17 December 2002	Term life plus accelerated critical illness assurances - quota share automatic & facultative Policy Ref: 8883-00-00
E_26S	RGA Americas Reinsurance Company Ltd	01 December 2005	Virgin Cancer Cover and Virgin Life Cover Policy Ref:10463-00-00
E_54S	RGA Americas Reinsurance Company Ltd	01 November 2010	Pre-19/01/2009 P4L Guaranteed Acceptance Lifetime Cover (SA < £15000) Policy Ref:12343-00-00
E_79S	RGA Americas Reinsurance Company Ltd	01 January 2013	Post L-day (27 June 2010) P4L Guaranteed Acceptance Lifetime Cover (SA < £15000), P4L Life, CI and CILC lump sum and FIB (level and decreasing) business Policy Ref:13361-00-00
E_76S	RGA Global Reinsurance Company Ltd	26 November 2012	Enhanced Annuity Business Policy Ref:13274-00-00
E_75S	RGA International Reinsurance Company Limited	26 November 2012	Enhanced Annuity Business Policy Ref:13273-00-00
E_78S	RGA International Reinsurance Company Limited	01 January 2013	Protection for Life' ("P4L") Life, Guaranteed Acceptance Life Cover (GALC), Critical illness and Family Income Benefit (FIB) Policy Ref:13360-00-00
E_77S	RGA International Reinsurance Company Limited	10 November 2013	P4L – Life Cover post 10 November 2013 Policy Ref:13788-00-00
E_22S	RGA Reinsurance UK Limited	17 December 2002	Term life plus accelerated critical illness assurances Policy Ref: 8882-00-00
E_25S	RGA Reinsurance UK Limited	01 December 2005	Virgin Cancer Cover and Virgin Life Cover Policy Ref:10436-00-00
E_53S	RGA Reinsurance UK Limited	01 November 2010	Guaranteed Acceptance Lifetime Cover Policy Ref:12342-00-00
E_6F	Schroder Pension Management Ltd	10 December 2010	Fund access arrangement (ex SWUF)
E_10S	Swiss Re	01 October 1997	Individual Permanent Health Insurance Policy Ref: GE Frankona Re I05726GB-97
E_11S	Swiss Re	01 October 1997	Long Term Care - Basic Care Benefit

Ref	Reassurer	Effective date	Business covered
			Policy Ref: Frankona ref "Long Term Care Insurance" 1790/27254
E_2S	Swiss Re Europe SA, UK Branch	01 September 1984	Group Life Policy Ref:7730/08
E_3L	Swiss Re Europe SA, UK Branch	01 January 1990	Options (Life Benefits, Serious Illness and Disability Benefits) on ex TSB business
E_31S	Swiss Re Europe SA, UK Branch	22 August 2005	Accelerated guaranteed critical illness Policy Ref: I0400 28120
E_30S	Swiss Re Europe SA, UK Branch	31 July 2006	Pension Term Assurance and Whole of Life Policy Ref: I00238GB 05
E_69S	Swiss Re Europe SA, UK Branch	09 November 2011	Life Cover for You Policy Ref: I401820GB-11
E_70S	Swiss Re Europe SA, UK Branch	21 May 2012	P4L Retail Essential Earnings Cover Policy Ref: I406 130GB-11
E_73S	Swiss Re Europe SA, UK Branch	01 January 2013	P4L Core CI and CILC (level and Decreasing), HNW Decreasing Life Cover, Whole of Life with Sums assured greater than £15000 Policy Ref: I 433056GB-12
E_81S	Swiss Re Europe SA, UK Branch	10 November 2013	Critical Illness, CI FIB, Whole Life Policy Ref: I471040GB-13
E_3S	Swiss Re Life & Health Limited	01 March 1972	Group PHI Policy Ref: 7730/01
E_17L	Swiss Re Life & Health Limited	01 July 1982	Regular and single premium Unit Linked plans
E_7L	Swiss Re Life & Health Limited	01 July 1987	Conventional Life business
E_11L	Swiss Re Life & Health Limited	01 April 1989	Lifetime Security Plans
E_5L	Swiss Re Life & Health Limited	01 September 1993	Low start Mortgage plans, Unit Linked Mortgage Plans, Flexible Savings Plans and Progressive Flexible Savings Plans Policy Ref:1003-06
E_8L	Swiss Re Life & Health Limited	01 September 1993	Pension Waiver plans Policy Ref: 1003-07
E_14L	Swiss Re Life & Health Limited	01 September 1993	First Surplus Obligatory Reinsurance Agreement Was TSB Pensions Policy Ref: M&G ref 8685/02
E_1S	Swiss Re Life & Health Limited	01 November 1993	Individual Term Assurances business Policy Ref: 7730-/03
E_12L	Swiss Re Life & Health Limited	01 November 1993	Level Term Assurance Was TSB Pensions Policy Ref: M&G ref 8626/02
E_9L	Swiss Re Life & Health Limited	01 March 1994	Unit Linked standalone Critical Illness Benefits with Permanent and Total Disablement Policy Ref:1003-08
E_8S	Swiss Re Life & Health Limited	01 January 1995	Lifetime Protection Plans Regular Savings Plans House Purchase savings Plans Policy Ref:7730-06 (I01277GB-95)
E_10L	Swiss Re Life & Health Limited	01 June 1996	Non-linked standalone Critical Illness with disablement benefits

Ref	Reassurer	Effective date	Business covered
			Policy Ref:1003-09
E_2S	Swiss Re Life & Health Limited	01 November 1997	Group Life, Spouses Pension Benefit and Children's Pension Benefit Policy Ref: 7730/08
E_12S	Swiss Re Life & Health Limited	01 November 1997	Long Term Care - Comprehensive and Combination Policy Ref: 7730-07
E_13S	Swiss Re Life & Health Limited	14 September 1998	Protection Plan Policy Ref: 7730-09
E_15S	Swiss Re Life & Health Limited	01 January 1999	Level Term Assurance Plan Mortgage Protection Plan Policy Ref:7730-11
E_14S	Swiss Re Life & Health Limited	01 July 1999	Level Term Assurance, Mortgage Protection & Pension Term Assurance Plans sold prior to 01/01/1999, which are in force as at 01/07/1999 Policy Ref: 7730/10
E_16S	Swiss Re Life & Health Limited	06 March 2000	Level Term Assurance Plan Mortgage Protection Plan Policy Ref: Scotwid/01 I01289GB-00
E_19S	Swiss Re Life & Health Limited	03 May 2001	Income Protection Plan Policy Ref: Scotwid/02 I01291GB-01
E_5S/1	Swiss Reinsurance Company (UK) Limited	07 January 1985	Life Reassurance Agreement – Quota Share and Surplus Policy Ref: I01281GB-88
E_9L	Swiss Reinsurance Company (UK) Limited	01 November 1985	Unit-linked standalone Critical Illness with disablement benefits Policy Ref:1003-08
E_5S/2	Swiss Reinsurance Company (UK) Limited	01 January 1988	Term Assurance, Endowment Assurance and Whole Life Assurance Policy Ref: I01281GB-88
E_4L	Swiss Reinsurance Company (UK) Limited	01 July 1988	Homecover Mortgage Protection
E_6L	Swiss Reinsurance Company (UK) Limited	03 July 1989	Income Protection Plan
E_6S	Swiss Reinsurance Company (UK) Limited	01 February 1992	Forces Safeguard Plan Policy Ref: I401820GB-11
E_13L	Swiss Reinsurance Company (UK) Limited	23 November 1992	Homebuyers Plan V2
E_15L	World Wide Re	1 November 1984	Waiver of Premium related to pension policies, 100% quota share
E_139	SCOR Global Life	06 October 2015	Scottish Widows Protect Decreasing Life or CI and all

Ref	Reassurer	Effective date	Business covered
	SE – UK Branch and SCOR Global Life Reinsurance Ireland Ltd		standalone life or CI Policy Ref: TR0010097

SCHEDULE 2

EXPENSES AND CHARGES

1. EXPENSE ALLOCATIONS IN RESPECT OF PRE-SW SCHEME TRANSFERRED POLICIES

1.1 Save as specifically provided for in this Scheme, the only expenses or charges that shall be allocated to the Scottish Widows With Profits Fund in respect of the Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies, the Scottish Widows Retained Account and the Scottish Widows Additional Account are those set out in paragraphs 1.3 to 1.7 of this Schedule.

1.2 The Transferee shall use reasonable endeavours to ensure that:

1.2.1 the service levels provided to the holders of all Pre-SW Scheme Transferred Policies and Pre-SW Scheme Transferred Pension Policies shall be no less favourable than those provided to other policyholders of the Transferee; and

1.2.2 the same level of skill and diligence shall be applied to the investment management of the Assets relating to the Pre-SW Scheme Transferred Policies and Pre-SW Scheme Transferred Pension Policies as is applied to the other Assets of the Transferee.

Administration Expense Fee

1.3 Administration expense fees per Policy shall be determined in respect of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies on the following basis:

1.3.1 Administration expense fees per Policy, save for those set out in paragraph 1.7, for each of the calendar years 2016 to 2019 (inclusive) (each a "**Relevant Year**") shall not exceed those set out in paragraph 1.8 for the relevant category of policy as increased by the percentage increase in the RPI between the RPI for September 2014 and the RPI for September in the year prior to the Relevant Year plus 0.75 per cent per annum for the period between 1 September 2014 and 1 September in the year prior to the Relevant Year.

1.3.2 Administration expense fees per Policy, save for those set out in paragraph 1.7, for the calendar year 2020 and the calendar year commencing on every fifth anniversary of 1 January 2020 (each a "**Review Year**") shall not, subject to paragraph 1.3.2(C), exceed the lower of:

(A) 105 per cent of the cost per Policy incurred in administering the relevant category of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies in existence and allocated to the Scottish Widows With Profits Fund in the Review Year over the course of the calendar year ending one year prior to the commencement of the Review Year increased by the percentage increase in the RPI between the RPI for September in the year ending two years prior to the commencement of the Review Year and the RPI for September in the year prior to the Review Year plus 0.75 per cent per annum for the period between 1 September in the year ending two years prior to the commencement of the Review Year and 1 September in the year prior to the Review Year; and

(B) the administration expense fees per Policy set out in paragraph 1.8 for the relevant category of policy as increased by the percentage increase in the RPI between the RPI for September 2014 and the RPI for September in the year prior to the Review Year plus 0.75 per cent per

annum for the period between 1 September 2014 and 1 September in the year prior to the Review Year

plus 50 per cent of the amount, if any, by which the amount provided in paragraph 1.3.2(A) is less than the amount provided in paragraph 1.3.2(B).

- (C) in the year preceding 2020 and every second Review Year following 2020, the Transferee may procure (and shall procure, in the event that the amount referred to in paragraph 1.3.2(A) is less than the amount provided in paragraph 1.3.2(B)) that the With Profits Actuary and an independent actuary shall test whether circumstances, including without limitation changes in regulation or legislation, have resulted in the level of administration expenses incurred by both the Transferee and similar companies to the Transferee changing by an exceptional amount. If at any time the With Profits Actuary and an independent actuary determine that circumstances, including without limitation changes in regulation or legislation, have resulted in the level of administration expenses incurred by both the Transferee and similar companies to the Transferee changing by an exceptional amount, they shall agree an appropriate adjustment to the amount referred to in paragraph 1.3.2(B) to take into account such circumstances.

The maximum administration expenses per Policy for each Review Year pursuant to this paragraph 1.3.2 are herein referred to as the "**Revised Fees**".

- 1.3.3 Administration expense fees per Policy in each of the four calendar years following the end of each Review Year shall not exceed the Revised Fees increased by the percentage increase in the RPI between the RPI for September in the year preceding the Review Year and the RPI for September in the year preceding the relevant year, plus 0.75 per cent per annum for the period between 1 September in the year prior to the Review Year and 1 September in the year preceding the relevant year.

Investment Management Fees

- 1.4 Investment management fees per annum shall be determined in respect of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies, the Scottish Widows Additional Account and the Scottish Widows Retained Account on the following basis:
 - 1.4.1 In the years 2016 to 2019, such fees shall not exceed 0.07 per cent per annum multiplied by the average of the sum of:
 - (A) the aggregate Asset Shares for Pre-SW Scheme Transferred With Profits Policies which are Conventional With Profits Policies;
 - (B) the amount standing to the credit of the Scottish Widows Retained Account and the Scottish Widows Additional Account; and
 - (C) the Technical Provisions in respect of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies and which are not Conventional With Profits Policies,at the beginning and end of the relevant year except that in the year 2016 the relevant commencement date shall be the Effective Date;

1.4.2 The investment management fees per annum in respect of each Review Year (the "**Fee Percentage**") shall subject to paragraph 1.4.2(C) not exceed the lower of:

- (A) the percentage which when multiplied by the average of the sum of:
 - (1) the aggregate Asset Shares for Pre-SW Scheme Transferred With Profits Policies which are Conventional With Profits Policies;
 - (2) the amount standing to the credit of the Scottish Widows Retained Account and the Scottish Widows Additional Account; and
 - (3) the Technical Provisions in respect of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies and which are not Conventional With Profits Policies,

at the beginning and end of the calendar year ending one year prior to the commencement of the Review Year, represents 105 per cent of the actual costs incurred in relation to investment management of those Assets over the course of the calendar year ending one year prior to the commencement of the Review Year; and

- (B) 0.07 per cent per annum

plus 50 per cent of the amount if any by which the amount provided in paragraph 1.4.2(A) is less than the amount provided in paragraph 1.4.2(B);

- (C) in the year preceding 2020 and every second Review Year following 2020 the Transferee may procure (and shall procure, in the event that the amount provided in paragraph 1.4.2(A) is less than the amount provided in paragraph 1.4.2(B)) that the With Profits Actuary and an independent actuary shall test whether circumstances, including without limitation changes in regulation or legislation, have resulted in the level of investment management expenses incurred by both the Transferee and similar companies to the Transferee changing by an exceptional amount. If at any time the With Profits Actuary and an independent actuary determine that circumstances, including without limitation changes in regulation or legislation, have resulted in the level of investment management expenses incurred by both the Transferee and similar companies to the Transferee changing by an exceptional amount, they shall agree an appropriate adjustment to the amount referred to in paragraph 1.4.2(B) to take into account such circumstances.

1.4.3 The investment management fees in respect of each Review Year and each of the four calendar years following the end of each Review Year shall not exceed the Fee Percentage multiplied by the average of the sum of:

- (A) the aggregate Asset Shares for Pre-SW Scheme Transferred Policies which are Conventional With Profits Policies;
- (B) the amount standing to the credit of the Scottish Widows Retained Account and the Scottish Widows Additional Account; and
- (C) the Technical Provisions in respect of Pre-SW Scheme Transferred Policies which are Scottish Widows WPF Policies and which are not Conventional With Profits Policies,

at the beginning and end of the relevant year.

- 1.5 The amounts to be calculated pursuant to paragraphs 1.3.2 and 1.4.2 shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice.

Increments

- 1.6 Expense charges shall be levied in respect of the setting up of increments on Pre-SW Scheme Transferred Policies that are Scottish Widows WPF Policies. Such expense charges shall be set on a basis intended to recover only the actual administrative and sales expenses incurred in relation to the increment together with a fair apportionment of overhead costs and shall be determined by the Transferee Board, having taken account of Appropriate Actuarial Advice.

Pensionplanner termination charges

- 1.7 Expense charges in respect of administration expenses arising on full or partial termination of group Pensionplanner Contracts, levied by deduction from bulk surrender values or otherwise, which are borne by the Combined Fund shall be due to the Combined Fund.

Administration Expense Fee Scales

- 1.8 The following tables set out the administration expense base fees that apply for the purposes of paragraph 1.3.2(B):

Contracts other than (Group) Pensionplanner (£)

	Non-systems maintenance per annum			Both regular premium payable and paid up/single premium		
	Regular premium payable – Maintenance	Paid-up Single Premium	Systems maintenance per annum	Per surrender (1)	Per Death	Per Maturity/retirement (2)
<u>Life (3)</u>						
Endowment/VEP/LCE	14.96	11.23	2.11	27.63	49.28	53.33
CWP Whole life	15.84	11.88	2.11	27.63	49.28	53.33
Other	14.96	11.23	2.11	27.63	49.28	53.33
<u>Pensions (not yet in payment)</u>						
With-profits						
Personal Pensions (incl Personal Pension Plus)/FSAVC (4)	31.33	23.50	4.22	63.01	53.24	58.96
Corporate/Executive pensions (incl. Executive Pension Plan) -						
- Individual Scheme policy (4)	87.12	65.35	4.22	129.89	132.01	167.21
- under Master Policy (5)	76.74	57.55	4.22	129.89	132.01	167.21
Non-Profit (4)	14.08	10.56	2.11	63.01	53.24	58.96
<u>Pensions in payment</u>						
Pension payable by the Scottish Widows With Profits Fund – if not reassured (8)	n/a	10.82	2.11	n/a	49.28	n/a

(1) does not include switches to unit-linked benefits.

(2) for pension policies this covers taking of retirement benefits earlier, or later, than the date in the policy conditions.

(3) per "cluster" where there are several Conventional With Profits Policies in a Plan, otherwise per Policy.

(4) per Policy, subject to (6) and (7).

(5) per member with conventional with-profits benefit, but only half of these monetary amounts if unit-linked benefits have also been set up for that member under the Master Policy.

(6) A number of Arrangements effected as a "cluster" under one Policy, or several personal pension policies effected by one person by one application form, or a policy with several "memoranda", counts as one Policy for this purpose.

(7) Only half of these monetary amounts if the Policy/cluster forms part of a contract/cluster which also provides unit-linked benefits.

(8) per pension being paid.

(Group) Pensionplaner (£ per annum)

	Active scheme (premiums payable)	Paid-up scheme (Not all members retired, but premiums not payable)	Pensioner-only scheme
Per scheme	14,960.70	1,760.08	0.00
Per active member	52.80	n/a	n/a
Per left-service member (not retired)	17.60	17.60	n/a
Per pension being paid – if not reassured	17.60	17.60	17.60

In addition to fees on the above scales, expense charges in respect of administration expenses arising on full or partial termination of group Pensionplaner contracts, levied by deduction from bulk surrender values or otherwise, which are borne by the Combined Fund shall be due to the Combined Fund.

SCHEDULE 3

FEES RELATING TO UNITISED WITH PROFITS POLICIES

PART A

SCOTTISH WIDOWS UWP POLICIES

The fees referred to in paragraph 21.4 are amounts calculated by applying the following percentage rates to the Asset Shares of With Profits Units and UWP Annuities:

	<u>Rate per annum</u>
<u>Life</u>	
With Profits Bond	
- if Bond started before 3 February 1997	0.75%
- if Bond started on or after that date	0.85%
Jersey With Profits Bond	1.00%
All other types of life Unitised With Profits Policy (NUAC)	
- for ordinary units	0.75%
- for accelerator units	0.50%
<u>Pension</u>	
Pension builder (all types of)	0.875%
All other types of pension Unitised With Profits Policy (NUPC)	
- for ordinary units	0.875%
- for plus units	zero
UWP Annuities	0.875%

PART B

CLERICAL MEDICAL UWP POLICIES

The fees in respect of Pre-CMIG Scheme Transferred Policies are:

- (i) in respect of Clerical Medical UWP Policies to which paragraph 21.5 applies, 0.9 per cent of the value of the With Profits Units by reference to which the benefits under all such Clerical Medical UWP Policies are measured, plus the additional charge applicable to initial With Profits Units in accordance with the policy conditions;
- (ii) in respect of Deposit Administration Contracts which are attributed to the Clerical Medical With Profits Fund and to which paragraph 38.1.7 applies, 1 per cent of the face value of the Deposit Administration Contracts.

SCHEDULE 4

DEPOSIT ADMINISTRATION CONTRACTS AND ILD POLICIES

PART A

DEPOSIT ADMINISTRATION CONTACTS

"Deposit Administration Contracts" means those contracts written by CMGLAS prior to the CMIG Scheme Effective Date under which policyholder benefits are determined by the accumulation of premiums paid (after charges if appropriate) at a rate of interest determined by the insurer from time to time, under the following descriptions:

1. **UK Business**

- (A) Policies within the categories set out in paragraphs 2 to 4 inclusive below that were issued to UK resident policyholders.
- (B) Policies categorised as follows:
 - (1) Group Pension Contract
 - (2) Directors' Pension Plan
 - (3) Executive Investment Pension Plan, to the extent invested in deposit administration funds

2. **Old ILD Policies**

Policies written prior to the launch of the Passport Range in 1995 and categorised as follows:

- (A) Passport to Capital Protection (Single Premium Whole Life Bond)
- (B) Passport to Health & Wealth (Regular Premium Whole Life)
- (C) Passport to Wealthbuilder (Single Premium Endowment and Regular Premium Endowment)

3. **New ILD Policies**

Passport Range policies categorised as follows, to the extent that they are invested in "Guaranteed Growth" funds:

- (A) Lifetime Classic: Regular premium, whole life
- (B) Retirement Classic: Regular premium, endowment
- (C) Wealthmaster Classic: Regular premium, endowment
- (D) Lifetime Choice: Single premium, whole life
- (E) Retirement Choice: Single premium, endowment
- (F) Wealthmaster Choice: Single premium, endowment

4. **CMI Products**

Reassurance obligations undertaken by the CMGLAS in respect of Passport Range policies that were originally written by CMI Insurance Company Limited (a company incorporated in the Isle of Man with registered number 033520C and a registered office at Clerical Medical House, Victoria Road, Douglas) ("**CMI**") and categorised as follows, to the extent that they are invested in "Guaranteed Growth" funds:

- (A) Lifetime Classic: Regular premium, whole life
- (B) Retirement Classic: Regular premium, endowment
- (C) Wealthmaster Classic: Regular premium, endowment

- (D) Lifetime Choice: Single premium, whole life
- (E) Retirement Choice: Single premium, endowment
- (F) Wealthmaster Choice: Single premium, endowment
- (G) CMI Portfolio: Personal Portfolio Bond
- (H) Premier Bond: Single Premium Bond
- (I) Premier Account: Single Premium Bond

PART B

ILD POLICIES

"ILD Policies" means those Policies written by CMGLAS before the CMIG Scheme Effective Date under the following descriptions:

1. Old ILD Policies

Policies written prior to the launch of the Passport Range in 1995 and categorised as follows:

Passport to Capital Protection (Single Premium Whole Life Bond)

Passport to Health and Wealth (Regular Premium Whole Life)

Passport to Wealthbuilder (Single Premium Endowment and Regular Premium Endowment)

2. New ILD Policies

Passport Range Policies written by CMGLAS and categorised as follows:

Lifetime Classic: Regular premium, whole life

Retirement Classic: Regular premium, endowment

Wealthmaster Classic: Regular premium, endowment

Lifetime Choice: Single premium, whole life

Retirement Choice: Single premium, endowment

Wealthmaster Choice: Single premium, endowment

3. Policies reassured from CMI

Reassurance obligations undertaken by CMGLAS in respect of Passport Range Policies that were originally written by CMI and categorised as follows:

Lifetime Classic: Regular premium, whole life

Retirement Classic: Regular premium, endowment

Wealthmaster Classic: Regular premium, endowment

Lifetime Choice: Single premium, whole life

Retirement Choice: Single premium, endowment

Wealthmaster Choice: Single premium, endowment

CMI Portfolio: Personal Portfolio Bond

Premier Bond: Single Premium Bond

Premier Account: Single Premium Bond

4. Substituted policies

Policies issued by CMGLAS by agreement with relevant policyholders in substitution for policies referred to in paragraphs 1, 2 or 3 above.

5. CMI Gross Annuity

All reinsurance obligations undertaken by CMGLAS in respect of annuity policies sold by CMI, under the title CMI Gross Annuity.

6. **Term assurance**

Term assurance classified as overseas business in accordance with Form 51 of the Transferee's Regulatory Returns as of 31 December 2015.

SCHEDULE 5

ATTRIBUTION OF MIS-SELLING LIABILITIES ETC

1. For the purposes of this Schedule, the following expressions bear the meanings specified opposite them:

"Pension Arrangement"	any pension or other retirement benefit arrangements, including (without prejudice to the generality of the foregoing) occupational pension schemes and the State Earnings Pensions Scheme;
"Pension Liabilities"	<p>(a) all payments to policyholders and their dependants, families and estates to the extent that the same result from advice given by CMGLAS or any of its representatives, employees or agents in breach or contravention of or not in conformity with any applicable laws, regulations, conduct of business rules or guidelines in force; and</p> <p>(b) all payments by way of statutory levies and payments to the Investors' Compensation Scheme, the Policyholders' Protection Board, the Securities and Investments Board, Lautro Limited, The Personal Investment Authority Limited, the Department of Trade and Industry, the Bank of England, HM Treasury, any of their successors, any other body acting under the guidance of any of them or any third parties;</p> <p>required (in either case (a) or (b) to be made by the Transferee or CMGLAS and arising (directly or indirectly) from or in connection with:</p> <p>(i) the transfer of a person's rights or entitlements under any Pension Arrangement, or any sums representing such rights or entitlements;</p> <p>(ii) the opting or contracting by a person into or out of any Pension Arrangement; or</p> <p>(iii) a person not becoming a member of, or not accepting or participating in, any Pension Arrangement,</p> <p>prior to the CMIG Scheme Effective Date;</p>
"Relevant Liabilities"	<p>(a) Pension Liabilities;</p> <p>(b) any other payments to policyholders and their dependants, families and estates and any other payments by way of statutory levies and payments to the Investors' Compensation Scheme, the Policyholders' Protection Board, the Securities and Investments Board, Lautro Limited, the Personal Investment Authority Limited, the Department of Trade and Industry, the Bank of England, HM Treasury, any of their successors, any other body acting under the guidance of any of them or any third parties, required to be made by the Transferee or CMGLAS and arising at any time (directly or</p>

indirectly) from the activities of CMGLAS prior to the CMIG Scheme Effective Date and from or in connection with any review (in respect of the activities of CMGLAS prior to the CMIG Scheme Effective Date) mandated or directed, whether as a matter of law or good practice, by any regulatory authority constituted, directly or indirectly, pursuant to the Financial Services Act 1986.

2. On and from the Effective Date the amount of all Relevant Liabilities shall be debited and charged to the Clerical Medical With Profits Fund.
3. The Transferee shall act reasonably and with a view to mitigating the compensation payable as a result of any claim that may give rise to a Relevant Liability (while recognising that it must comply with the guidelines of relevant regulatory authorities, in particular as to the decision of any complaints tribunal or committee organised under the auspices of such authorities).
4. Any question as to whether any amount is a Relevant Liability shall be decided conclusively by the Transferee Board, having taken account of Appropriate Actuarial Advice.

SCHEDULE 6

EMPLOYMENT LIABILITIES

1. For the purposes of this Schedule:
 - (a) in relation to Relevant Employees of CMGLAS, the terms "contracts of employment", "collective agreement" and "trade union" shall have the same meanings respectively as in the Transfer Regulations; and
 - (b) the following expressions bear the meanings specified opposite them:

"Relevant Employees"	those employees employed by or assigned to CMGLAS or to the Assets transferred pursuant to the CMIG Scheme immediately before the CMIG Scheme Effective Date who transferred to the Transferee under the Transfer Regulations, former employees of CMGLAS immediately before the CMIG Scheme Effective Date and all current or former employees of the subsidiaries of CMGLAS immediately before the CMIG Scheme Effective Date;
"Transfer Regulations"	the Transfer of Undertakings (Protection of Employment) Regulations 1981.
2. There shall be debited and charged to the Clerical Medical With Profits Fund:
 - 2.1 all losses or liabilities which relate to or arise out of any act or omission by CMGLAS or any of its subsidiaries or any other event or occurrence in relation to any contract of employment or collective agreement prior to the CMIG Scheme Effective Date and which the Transferee or any of its subsidiaries incurs in relation to such contract of employment or collective agreement concerning one or more of the Relevant Employees pursuant to the provisions of the Transfer Regulations or otherwise, including, without limitation, any such matter relating to or arising out of:
 - (a) CMGLAS' rights, powers, duties and/or liabilities (including, without limitation, any taxation) under or in connection with any such contract of employment or collective agreement which rights, powers, duties and/or liabilities (as the case may be) were transferred to the Transferee in accordance with the Transfer Regulations; or
 - (b) anything done or omitted to be done before the CMIG Scheme Effective Date by or in relation to CMGLAS or any of its subsidiaries in respect of any contract of employment or collective agreement or any Relevant Employee whether deemed by the Transfer Regulations to have been done or omitted by or in relation to the Transferee or any of its subsidiaries or otherwise;
 - 2.2 all losses, liabilities, costs or expenses which relate to or arise out of any dismissal by CMGLAS or any of its subsidiaries of any Relevant Employee or which the Transferee or any of its subsidiaries may incur pursuant to the provisions of the Transfer Regulations;
 - 2.3 all losses, liabilities, costs or expenses relating to or arising out of the termination by CMGLAS or any of its subsidiaries of any contract of employment or collective agreement not disclosed in writing to the Transferee on or before the CMIG Scheme Effective Date and all costs and expenses (including, without limitation, any taxation) incurred in employing such employee in respect of his employment following the CMIG Scheme Effective Date.

No. 4616 of 2015

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

SCOTTISH WIDOWS PLC
and
SCOTTISH WIDOWS ANNUITIES LIMITED
and
SCOTTISH WIDOWS UNIT FUNDS LIMITED
and
PENSIONS MANAGEMENT (S.W.F.) LIMITED
and
**CLERICAL MEDICAL MANAGED FUNDS
LIMITED**
and
HALIFAX LIFE LIMITED
and
ST ANDREW'S LIFE ASSURANCE PLC
and
**CLERICAL MEDICAL INVESTMENT GROUP
LIMITED**
and
**IN THE MATTER OF PART VII OF
THE FINANCIAL SERVICES AND MARKETS
ACT 2000**

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

**Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG
Tel: 020 7374 8000
Fax: 020 7374 0888
Ref: 2067/8418/30961715**

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

Claim No. CR – 2015 – 008462

**Mr Justice Snowden
18 March 2019**

**IN THE MATTER OF SCOTTISH WIDOWS PLC
and
IN THE MATTER OF SCOTTISH WIDOWS ANNUITIES
LIMITED
and
IN THE MATTER OF SCOTTISH WIDOWS UNIT FUNDS
LIMITED
and
IN THE MATTER OF PENSIONS MANAGEMENT (S.W.F.)
LIMITED
and
IN THE MATTER OF CLERICAL MEDICAL MANAGED
FUNDS LIMITED
and
IN THE MATTER OF HALIFAX LIFE LIMITED
and
IN THE MATTER OF ST ANDREW'S LIFE ASSURANCE PLC
and
IN THE MATTER OF SCOTTISH WIDOWS LIMITED
and
IN THE MATTER OF PART VII OF THE FINANCIAL
SERVICES AND MARKETS ACT 2000**

ORDER

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Ref: 2067/13074/30961715