

IN THE MATTER OF THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

- AND -

IN THE MATTER OF THE COMPANIES ACT 2006

**SCHEME OF ARRANGEMENT
PURSUANT TO PART 26 OF THE COMPANIES ACT 2006**

BETWEEN

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

AND

THE INCLUDED PLANHOLDERS (AS DEFINED IN THE SCHEME)

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PART A - INTRODUCTION

1. ROYAL LONDON

Royal London is a mutual life insurance company limited by guarantee and without shareholders. Royal London has permission under Part 4A of the FSMA to effect and carry out Long-Term Insurance Business in the UK falling within classes I, II, III, IV, VI and VII set out in Part II of Schedule 1 to the Regulated Activities Order.

2. BACKGROUND TO THE SCHEME

2.1 The choice available to Eligible Planholders under the Scheme

The Scheme offers the Eligible Planholders a choice, either to give up the benefit of the GAR in exchange for the Uplift or to opt out of the Scheme and keep the benefit of the GAR.

The Eligible Plans are Policies to which a GAR applies of one of the types referred to in Part A of Schedule 2. Eligible Planholders are set out in Part B of Schedule 2.

2.2 Investment of the Eligible Plans

All of the Eligible Plans are allocated to the Scottish Life Fund and may be invested in With-Profits Benefits and Linked Benefits. Linked Funds for the Eligible Plans have been established in the Royal London Main Fund. Eligible Planholders who wish to switch from Linked Benefits into With-Profits Benefits switch into With-Profits Benefits in the Royal London Main Fund. Eligible Plans can therefore invest in With-Profits Benefits in the Scottish Life Fund and in With-Profits Benefits in the Royal London Main Fund.

2.3 The Uplifts

The Implementation Date Uplifts shall increase the Asset Shares, Guaranteed Values and Unit Values (as applicable) of the Included Plans as at the Implementation Date. The Regular Premium Uplifts shall increase the Regular Premiums as at their respective Regular Premium Payment Date. The liability for the Uplifts shall be allocated to the Scottish Life Fund and transfers of assets from the Scottish Life Fund to the Royal London Main Fund may be required for the purposes of the allocation of the Uplifts.

The GAR applies to Conventional With-Profits Benefits, Unitised With-Profits Benefits and Linked Benefits held in respect of the Included Plans and accordingly the Uplifts will be applied to all such benefits (as applicable).

Any switch, payment of benefits, transfer to a third party provider or any other step which affects the investment or value of an Included Plan made prior to the Implementation Date will be taken into account in relation to the allocation of the Implementation Date Uplifts.

2.4 Review of the Percentage Increases

The Percentage Increases have been determined by reference to economic and other factors prevailing on and prior to the Percentage Increase Calculation Date and are set out in Schedule 3. Royal London will consider whether the Percentage Increases should be recalculated pursuant to the provisions of Schedule 4, including as a result of any change in any economic or other factors (including any changes in law and regulation or in any accounting principles, policies, procedures, practices and estimation techniques) in

the period from (but excluding) the Percentage Increase Calculation Date until (and including) the Percentage Increase Review Date.

2.5 **Right to retain the GAR**

Eligible Planholders may retain the benefit of the GAR by serving an Opt Out Election on Royal London by post or online on or prior to 19 October 2018 or at the Planholder Meeting. In addition, Verified Goneaway Included Planholders who re-engage with Royal London after the Implementation Date will be entitled to have the GAR reinstated if they wish.

Under the Deed Poll, members of the Royal London Personal Pension Scheme may exercise the right to opt out of the Scheme in respect of the Eligible Plans held on their behalf. Members of occupational pension schemes which hold Talisman Executive Pension Plans must give their instructions to their trustees who will exercise the right to opt out on their behalf.

Members of occupational pension schemes in respect of Talisman Executive Pension Plans and Eligible Planholders other than trustees of occupational pension schemes which hold Talisman Executive Pension Plans must opt out, or be opted out (as the case may be), in respect of all, but not some only, of their Eligible Plans and interests in Eligible Plans.

2.6 **The Deed Poll**

In order to vote on the Scheme at the Planholder Meeting, a person must be a creditor of Royal London in respect of the GAR. The Talisman Personal Pension Plans and the Talisman Group Personal Pension Plans are held by Royal London as trustee of the Royal London Personal Pension Scheme. Members of the Royal London Personal Pension Scheme in respect of the Talisman Personal Pension Plans and the Talisman Group Personal Pension Plans are entitled to benefits based on the trust deed and rules of the Royal London Personal Pension Scheme and as such are not creditors of Royal London in respect of the GAR.

Royal London has therefore executed the Deed Poll in favour of the members of the Royal London Personal Pension Scheme in respect of the Talisman Personal Pension Plans and the Talisman Group Personal Pension Plans under which they are creditors of Royal London in respect of the GAR. They are therefore Eligible Planholders and accordingly may be entitled to vote on the Scheme at the Planholder Meeting if at the time of the Planholder Meeting they are Meeting Planholders. Royal London considers this to be appropriate because 28,842 out of the 33,236 Eligible Plans, as at 31 December 2017, are Talisman Personal Pension Plans and Talisman Group Personal Pension Plans taken out on behalf of members of the Royal London Personal Pension Scheme.

3. **THE PENSION SCHEMES ADVICE REQUIREMENTS**

Under section 48 of the Pension Schemes Act, a member of a pension scheme must receive independent advice where:

- (a) the member has Subsisting Rights to Safeguarded Benefits;
- (b) those Safeguarded Benefits will be converted into Different Benefits that are Flexible Benefits; and

- (c) the value of the Subsisting Rights for the purposes of the Pension Schemes Act is greater than £30,000.

The Pension Schemes Advice Requirements apply to the Talisman Retirement Annuity Contracts and the Assigned Talisman Executive Pension Plans if the value of the planholder's GAR-eligible retirement savings under such a plan is greater than £30,000. In order for an Eligible Planholder with such a plan to vote on the Scheme, the Pension Schemes Advice Requirements must be satisfied on or prior to 19 October 2018, where the planholder votes online or by post, or else prior to the Planholder Meeting. The Pension Schemes Advice Requirements must be satisfied on or prior to 30 November 2018 in order for any such plan to be an Included Plan.

4. IMPACTS ON THE ROYAL LONDON MAIN FUND

Pursuant to the Scottish Life Transfer Scheme, charges for investment management and administration of Policies allocated to the Scottish Life Fund are transferred from the Scottish Life Fund to the Royal London Main Fund. As a result of the allocation of the Uplifts to the Included Plans pursuant to this Scheme, the amount of the charges for investment management and administration to be transferred from the Scottish Life Fund to the Royal London Main Fund on or after the Implementation Date will increase. The Royal London Main Fund will therefore transfer an amount in consideration of the Additional Value of In Force Business to the Scottish Life Fund as calculated pursuant to clause 9. This amount will be reduced to take account of any reduction in the Excess Capital of the Royal London Main Fund attributable to the Scheme.

5. IMPLEMENTATION OF THE SCHEME

The Compromise and other provisions which apply on or after the Implementation Date are conditional on the matters referred to in clause 14.4. Royal London may in its absolute discretion also withdraw the Scheme at any time prior to its sanction by the Court.

6. INTERPRETATION

Definitions and other provisions relating to interpretation that apply to this Scheme are set out in Schedule 1.

PART B – THE COMPROMISE

7. REVIEW OF THE PERCENTAGE INCREASES

Royal London shall review the Percentage Increases pursuant to the provisions of Schedule 4 and consider whether it is appropriate for the Percentage Increases to be recalculated.

8. THE COMPROMISE

8.1 On and with effect from the Implementation Date, the Included Plans shall be amended such that any person who is entitled to exercise a GAR either now or in future or is entitled to require Royal London to issue a Policy containing a GAR in each case pursuant to an Included Plan shall cease to have or be able to exercise any such GAR whatsoever. Accordingly, on and with effect from the Implementation Date, each GAR applicable to an Included Plan shall terminate and cease to be effective and any right to require Royal London to issue a Policy containing a GAR will accordingly take effect as a right to require Royal London to issue a Policy without the GAR.

8.2 On the Implementation Date, Royal London shall allocate the Implementation Date Uplift as follows:

- (a) for any Conventional With-Profits Benefits and Unitised With-Profits Benefits as at the Implementation Date of each Included Plan, by increasing the Asset Share and the Guaranteed Value attributable to such Conventional With-Profits Benefits and Unitised With-Profits Benefits by Uplift Amounts (in respect of the Guaranteed Value for any Unitised With-Profits Benefits, through the issue of new units with a value equal to the Uplift Amount) which shall be calculated (as applicable) as follows:

$$\text{Uplift Amount (for Asset Share)} = \text{AS} \times \text{GP} \times \text{PI}$$

where:

"AS" is the Asset Share;

"GP" is the GAR Portion; and

"PI" is the Percentage Increase.

$$\text{Uplift Amount (for Guaranteed Value)} = \text{GV} \times \text{GP} \times \text{PI}$$

where:

"GV" is the Guaranteed Value;

"GP" is the GAR Portion; and

"PI" is the Percentage Increase.

- (b) for any Linked Benefits as at the Implementation Date of each Included Plan, by increasing the Unit Value attributable to such Linked Benefits through the issue of new units with a value equal to the Uplift Amount which shall be calculated as follows:

$$\text{Uplift Amount} = \text{UV} \times \text{GP} \times \text{PI}$$

where:

"UV" is the Unit Value;

"GP" is the GAR Portion; and

"PI" is the Percentage Increase.

- 8.3 On each Regular Premium Payment Date, Royal London shall increase the Regular Premium Amount by the Uplift Amount which shall be calculated as follows:

$$\text{Uplift Amount} = \text{RPA} \times \text{GP} \times \text{PI}$$

where:

"RPA" is the Regular Premium Amount;

"GP" is the GAR Portion; and

"PI" is the Percentage Increase.

For the avoidance of doubt, the addition of the Regular Premium Uplift will not result in any increase to the levels of premium payable by any Included Planholder.

- 8.4 The liability for the Uplifts shall be allocated to the Scottish Life Fund. Transfers of assets shall be made as required from the Scottish Life Fund to the Royal London Main Fund for the purposes of the allocation of the Uplifts to the Included Plans in respect of With-Profits Benefits and Linked Benefits allocated to the Royal London Main Fund.
- 8.5 The allocation of the Uplifts shall not constitute a distribution of surplus of the Scottish Life Fund.
- 8.6 The Royal London Board shall determine whether a Policy shall be classified as an Included Plan where this is unclear having regard to the advice of the With-Profits Actuary.

9. ADDITIONAL VALUE OF IN FORCE BUSINESS FOR AND EXCESS CAPITAL OF THE ROYAL LONDON MAIN FUND

- 9.1 As soon as reasonably practicable after the Implementation Date, an amount calculated as at the Implementation Date in accordance with clause 9.2 by the Royal London Board, having regard to the advice of the With-Profits Actuary, shall be transferred from the Royal London Main Fund to the Scottish Life Fund in respect of the Additional Value of In Force Business less any reduction in the Excess Capital of the Royal London Main Fund attributable to the Scheme.
- 9.2 The amount to be transferred pursuant to clause 9.1 shall be determined as follows:
- (a) with respect to the Additional Value of In Force Business, using methodology and assumptions which are consistent with the methodology and assumptions used in relation to the calculation of the Value of In Force Business pursuant to the Scottish Life Transfer Scheme and may be calculated on the basis of financial information contained in Royal London's next quarter-end financial statements prepared pursuant to Solvency II following the Implementation Date;

- (b) with respect to any increase in the Cost of Guarantees of the Royal London Main Fund attributable to the Scheme, using methodology and assumptions which are consistent with the methodology and assumptions used in relation to the calculation of Cost of Guarantees by Royal London and may be calculated on the basis of financial information contained in Royal London's next quarter-end financial statements prepared pursuant to Solvency II following the Implementation Date; and
- (c) with respect to any increases in the Solvency Capital Requirement and Risk Margin of the Royal London Main Fund attributable to the Scheme, using a cost of capital approach consistent with the methodology and assumptions used in relation to the calculation of the Risk Margin under Solvency II but including market risk and with the cost of capital set to 4% per annum, and this may be calculated on the basis of the Royal London Internal Model as at the next quarter-end following the Implementation Date.

9.3 As soon as reasonably practicable after the first anniversary of the Implementation Date, an amount may be transferred between the Royal London Main Fund and the Scottish Life Fund as an adjustment to the amount transferred as at the Implementation Date pursuant to clause 9.1 in respect of the Additional Value of In Force Business having regard to any material difference between expected persistency compared to actual persistency of the Included Planholders between the Implementation Date and the first anniversary of the Implementation Date. The Royal London Board, having regard to the advice of the With-Profits Actuary and using methodology and assumptions which are consistent with the methodology and assumptions used in relation to the calculation of the Value of In Force Business pursuant to the Scottish Life Transfer Scheme, shall consider whether such a transfer is appropriate in light of such events and shall determine its amount.

10. RETROSPECTIVE REINSTATEMENT OF THE GAR

10.1 If, following the Implementation Date, a Verified Goneaway Included Planholder notifies Royal London that they would have served an Opt Out Election if they had received notice of the Scheme prior to its implementation and that they therefore wish to have the GAR reinstated, then, subject to Clause 10.2, and to the extent that they would have originally retained the GAR under the Scheme by serving an Opt Out Election:

- (a) Royal London shall:
 - (i) reinstate the GAR; and
 - (ii) remove the Uplift together with all investment return attributable to the Uplift arising in the period between the Implementation Date and the Reinstatement Date,on the Reinstated GAR Plans; and
- (b) with effect from the Reinstatement Date, such Reinstated GAR Plans shall cease to be Included Plans for the purposes of clause 8.1 of this Scheme.

10.2 Any notice to have the GAR reinstated pursuant to Clause 10.1 must be served on Royal London within three months of documents relating to the Scheme originally sent to Eligible Planholders being served on a Verified Goneaway Included Planholder or person claiming to be a Verified Goneaway Included Planholder, and such notice must include

evidence satisfactory to the Royal London Board that such person is a Verified Goneaway Included Planholder to the extent that such evidence has not already been provided.

PART C – MISCELLANEOUS PROVISIONS

11. NOTICES

- 11.1 Subject to clause 11.3, any notice, communication or other document given pursuant to or in relation to the Scheme shall be given in writing and shall be deemed to have been duly served if it is delivered by hand or sent by post to:
- (a) in the case of Royal London, 55 Gracechurch Street, London EC3V 0RL;
 - (b) in the case of an Eligible Planholder, the last address of the Eligible Planholder then known to Royal London; and
 - (c) in the case of the Independent Actuary, the offices of Deloitte MCS Limited at Hill House, 1 Little New Street, London EC4 3TR.
- 11.2 The accidental omission by Royal London to send any notice, communication or other document in accordance with this clause to, or the non-receipt of any such notice, communication or other document by, any Eligible Planholder shall not affect the provisions of the Scheme.
- 11.3 Any notice, communication or other document given under or in relation to the Scheme may be given by Royal London to any Eligible Planholder in accordance with its normal practice for communication with any of the Eligible Planholders or any other method that is approved by the Royal London Board having regard to advice from the With-Profits Actuary.
- 11.4 A notice, communication or other document served in accordance with clause 11.1 or 11.3 is deemed given:
- (a) if delivered by hand, on the day of delivery;
 - (b) if sent by post, on the second Business Day after it was posted; and
 - (c) if provided by advertisement, on the day on which the advertisement appears.

12. MODIFICATION OR ADDITIONS

- 12.1 Royal London may consent on behalf of the Included Planholders 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 (for the avoidance of doubt, without prejudice to the position which the Regulators may take in relation to any such modification or addition).
- 12.2 Royal London may make minor and/or technical amendments to the terms of this Scheme at any time after its sanction by the Court (including amendments to correct manifest errors) which may be approved by the Royal London Board having regard to advice from the With-Profits Actuary, provided that the Regulators have been notified of the same at least 60 days in advance of the amendment being made and have not objected (unless the Regulators have confirmed their non-objection prior to that date).

13. SCHEME COSTS

- 13.1 Subject to clause 13.2, the costs and expenses of preparing and carrying into effect the Scheme, including the costs and expenses of the Independent Actuary and of guidance

and advice made available to Eligible Planholders, shall be allocated to the Scottish Life Fund.

- 13.2 The costs and expenses of amendments required to be made to the Royal London Internal Model as a result of the Scheme shall be allocated between the Royal London Main Fund and the Scottish Life Fund in such proportions as determined by the Royal London Board having regard to advice from the With-Profits Actuary.

14. IMPLEMENTATION OF THE SCHEME

- 14.1 This Scheme shall become effective when a copy of the Court Order has been delivered for registration to the Registrar of Companies in accordance with section 899(4) of the Companies Act.

- 14.2 The Implementation Date shall be 23.59 GMT on 7 December 2018 unless the conditions set out in clause 14.4 have not been satisfied by 22 November 2018, in which case the Implementation Date shall be a date and time specified by Royal London. If the Implementation Date is to be delayed from 23.59 GMT on 7 December 2018 pursuant to this clause 14.2, Royal London shall notify the Regulators and comply with their requirements as to notification of its Policyholders of the delay.

- 14.3 Unless the Implementation Date shall fall on or before 30 April 2019, this Scheme shall lapse and none of its terms shall take effect.

- 14.4 The Compromise and other provisions which apply on or after the Implementation Date are conditional upon the following confirmations by the Independent Actuary being provided in writing to Royal London that in his opinion:

- (a) the review of, and any adjustments to, the Percentage Increases pursuant to Schedule 4 has been undertaken on a basis consistent in all material respects with the Percentage Increase Calculation Methodology; and
- (b) following the completion of the review of the Percentage Increases pursuant to Schedule 4, the Scheme continues to satisfy the Fairness Criteria.

If the conditions in this clause 14.4 are not satisfied by 31 March 2019 or such later date as may be determined in accordance with clause 14.3, this Scheme shall lapse and none of its terms shall take effect.

- 14.5 This Scheme does not amend or modify the Scottish Life Transfer Scheme and accordingly the Scottish Life Transfer Scheme shall remain in full force and effect.

15. 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.

16. GOVERNING LAW

- 16.1 The Scheme shall be governed by, and construed in accordance with, English law and, subject to clause 16.2, the Included Planholders agree that the Court shall have exclusive jurisdiction to hear and determine any Proceedings and to settle any dispute which may arise out of or in connection with any documents sent to or any communications with any of the Included Planholders in relation to the compromise between Royal London and the Included Planholders to be implemented pursuant to the Scheme, any action taken or

omitted to be taken under the Scheme or the administration of the Scheme, and for such purposes the Included Planholders irrevocably submit to the jurisdiction of the Court provided however that nothing in this clause 16 shall affect the validity of any provisions determining governing law and/or jurisdiction between Royal London and any of the Included Planholders whether contained in any Policy or otherwise.

- 16.2 Nothing in this Scheme shall limit or otherwise affect any rights which any person (including any Including Planholder) may have to refer any complaint to the Financial Ombudsman Service or any jurisdiction which the Financial Ombudsman Service may have to consider and determine any such complaint and accordingly, and without prejudice to the generality of the foregoing, Included Planholders shall be entitled to submit any complaint to the Financial Ombudsman Service regarding the operation or application of this Scheme by Royal London (including any action taken or determination made by Royal London pursuant to clause 8 of this Scheme) which falls within the jurisdiction of the Financial Ombudsman Service.

SCHEDULE 1

Definitions and Interpretation

1. DEFINITIONS

In this Scheme, unless the context otherwise requires or otherwise expressly provides, the following expressions bear the following meanings:

"Additional Value of In Force Business"		the present value of the additional charges for investment management and administration, net where applicable of any additional investment or administration expenses incurred, which will be transferred from the Scottish Life Fund to the Royal London Main Fund on or after the Implementation Date as a result of the allocation of the Uplifts to the Included Plans pursuant to this Scheme;
"Asset Share"		the accumulation of premiums paid in respect of and investment return attributed to any Conventional With-Profits Benefits or Unitised With-Profits Benefits held in respect of an Included Plan, less charges (which may include set up costs, commission payments, administrative fees, investment management costs, the cost of risk benefits, the cost of guarantees, the cost of smoothing and the cost of tax), or any other equivalent measure, which is used as a guide to setting payout levels, as calculated by Royal London in accordance with the accounting and actuarial policies and practices used for the purposes of the preparation of Royal London's regulatory returns for the year ended 31 December 2017;
"Assigned Executive Pension Plan"	Talisman	a type of pension plan which can be an Included Plan, further details of which are set out in Part A of Schedule 2;
"Business Day"		a day (other than a Saturday, Sunday or public holiday in England);
"Changed Factors"		the meaning given in Schedule 4;
"Companies Act"		the Companies Act 2006;
"Compromise"		the compromise between Royal London and the Included Planholders under the terms of this Scheme under which the GARs in respect of the Included Plans will be terminated and the Uplifts will be allocated to the Included Plans;
"Conventional Benefit"	With-Profits	any benefit in respect of an Included Plan which provides a guaranteed sum assured or a guaranteed pension to which bonuses may be added and for which Asset Share is used as a guide to setting payout levels, including deposit administration benefits;
"Conventional	With-Profits	a Regular Premium which is to be invested in

Regular Premium"	Conventional With-Profits Benefits;
"Cost of Guarantees"	the best estimate liability calculated in respect of the cost of guaranteed benefits over and above the Asset Share of a with-profits policy under Solvency II;
"Court"	the High Court of Justice in England and Wales;
"Court Order"	the order of the Court sanctioning the Scheme;
"Deed Poll"	the deed poll dated [<i>date to be confirmed</i>] and executed by Royal London in favour of the members of the Royal London Personal Pension Scheme in respect of the Talisman Personal Pension Plans and the Talisman Group Personal Pension Plans, under which Royal London (as insurer under the Talisman Personal Pension Plans and Talisman Group Personal Pension Plans) has undertaken to such members that if it fails to make any payment to any member of the Royal London Personal Pension Scheme in respect of any such plan in its capacity as trustee of the Royal London Personal Pension Scheme, the relevant member will be entitled to enforce such payment against Royal London as insurer under the relevant plan;
"Different Benefits"	the meaning given in the Pension Schemes Act;
"Disagreement Notice"	the meaning given in Schedule 4;
"Eligible Plan"	a Policy to which a GAR applies of one of the types referred to in Part A of Schedule 2;
"Eligible Planholder"	any person falling into any of the categories referred to in Part B of Schedule 2;
"Encumbrance"	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 title transfer and retention agreements) having a similar effect;
"Excess Capital"	the amount calculated in accordance with Solvency II by which Own Funds are greater than the Solvency Capital Requirement;
"Fairness Criteria"	the criteria defined by the Independent Actuary for the purposes of assessing the fairness of this Scheme, as set out in the Independent Actuary's Report;
"Financial Ombudsman Service"	the scheme provided under Part XVI of the FSMA or any successor scheme;
"Flexible Benefits"	the meaning given in the Pension Schemes Act;
"FSMA"	the Financial Services and Markets Act 2000;

"GAR"	<p>(a) a right to secure an annuity of no less than a specified annual amount with each £1000 (or such other amount as may be specified) of proceeds from a Policy; or</p> <p>(b) a right to secure an annuity from the proceeds of a Policy using annuity rates no less favourable than those agreed by Royal London,</p> <p>whether arising pursuant to the terms of a Policy, including a Policy which may be issued on or after the Implementation Date, or pursuant to any statements made or the conduct of Royal London or any of its representatives or otherwise;</p>
"GAR Portion"	the portion of an Asset Share, Guaranteed Value, Unit Value or Regular Premium, as applicable, to which a GAR applies in relation to an Included Plan;
"Guaranteed Value"	a minimum guaranteed sum assured or guaranteed pension in respect of any Conventional With-Profits Benefits or Unitised With-Profits Benefits payable in respect of an Included Plan at maturity of the Policy or on the occurrence of another event, as increased by the addition of bonuses from time to time, determined with respect to any Unitised With-Profits Benefits by reference to the Unit Value, as calculated by Royal London in accordance with the accounting and actuarial policies and practices used for the purposes of the preparation of Royal London's regulatory returns for the year ended 31 December 2017;
"Implementation Date"	the time and date that the Compromise will take effect in accordance with clause 14.2;
"Implementation Date Uplift"	the Uplift to be allocated to Asset Shares, Guaranteed Values and Unit Values as the case may be of the Included Plans as at the Implementation Date;
"Included Plan"	an Eligible Plan (1) which is in force on the Implementation Date, (2) in respect of which, where applicable, the Pension Schemes Advice Requirements have been complied with on or prior to 30 November 2018 and (3) in respect of which any Opt Out Election which has been served on Royal London has been withdrawn prior to the Planholder Meeting;
"Included Planholder"	any person referred to in Part B of Schedule 2 who, on the Implementation Date, is a creditor for the purposes of the Companies Act in respect of a GAR which applies to an Included Plan;
"Independent Actuary"	a person who is an actuary appointed by Royal London for the purpose of advising the Company and the Court on the fairness of the Scheme, being Paul Coulthard of Deloitte MCS Limited or, in the event that such office is vacated, such other person as Royal

		London may select with the approval of the Regulators;
"Independent Report"	Actuary's	the report prepared by the Independent Actuary which considers the fairness of this Scheme dated [<i>date to be confirmed</i>];
"Linked Benefit"		any benefit in respect of an Included Plan which is 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 Included Plans) or by reference to fluctuations in, or an index of, the value of property of any description (whether or not so specified);
"Linked Fund"		a linked fund maintained by Royal London for the purposes of calculating benefits payable under any Linked Benefits under the Included Plans (including such a fund maintained for the purpose of calculating benefits linked to the value of external unit trusts) other than for the avoidance of doubt benefits determined by reference to the value of Unitised With-Profits Benefits;
"Linked Regular Premium"		a Regular Premium which is to be invested in Linked Benefits;
"Long-Term Business"	Insurance	the business of effecting and carrying out long-term insurance contracts as principal, being contracts falling within Part II of Schedule 1 to the Regulated Activities Order;
"Meeting Planholder"		any person at the time of the Planholder Meeting who (1) may be an Included Planholder on the Implementation Date, (2) has, where applicable, complied with the Pension Schemes Advice Requirements and (3) has withdrawn any Opt Out Election;
"Opt Out Election"		a notification served on Royal London in accordance with requirements published by Royal London stating that a Policy shall not be subject to the Scheme, as a result of which such Policy shall not be an Included Plan;
"Own Funds"		the excess of assets calculated in accordance with Solvency II above those which are used to meet Technical Provisions;
"Pension Schemes Act"		the Pension Schemes Act 2015;
"Pension Schemes Advice Requirements"		the advice required to be provided to members of pension schemes pursuant to section 48 of the Pension Schemes Act;
"Percentage Calculation Date"	Increase	the date as at which the Percentage Increases were calculated, being 30 April 2018;
"Percentage Increase"	Increase	the accounting principles, policies, procedures, practices and estimation techniques used for the

Calculation Methodology"	calculation of the Percentage Increases calculated as at the Percentage Increase Calculation Date, as disclosed in the With-Profits Actuary's Report;
"Percentage Increase Determination"	the meaning given in Schedule 4;
"Percentage Increase Review Date"	the date as at which the Percentage Increases are to be reviewed, being 14 November 2018 or such later date as the Royal London Board may select, having received advice from the With-Profits Actuary;
"Percentage Increases"	the percentage increases specified in Schedule 3, as confirmed or adjusted pursuant to Schedule 4, which shall be used to determine the Uplift Amounts pursuant to clause 8;
"Planholder Meeting"	the meeting of the persons who at the time of the meeting are Meeting Planholders held to consider, and if thought fit, to approve this Scheme pursuant to the Companies Act, including any adjournment thereof;
"Policy" or "Policyholder"	the meaning given in the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001;
"Proceedings"	any action, step or other legal proceedings in any jurisdiction including any demand, arbitration, alternative dispute resolution procedure, judicial review, adjudication, execution, seizure, distraint, forfeiture, re-entry, lien, enforcement of judgment or enforcement of any security;
"Registrar of Companies"	the Registrar of Companies in England and Wales;
"Regular Premium"	any premium paid in respect of an Included Plan on or after the Implementation Date to which the GAR would have applied in the absence of this Scheme;
"Regular Premium Amount"	the amount of any Regular Premium;
"Regular Premium Payment Date"	the date of payment of any regular premium in respect of an Included Plan on or after the Implementation Date to which the GAR would have applied in the absence of this Scheme;
"Regular Premium Uplift"	the Uplift to be added to any Regular Premium paid in respect of an Included Plan on or after the Implementation Date to which the GAR would have applied in the absence of this Scheme;
"Regulated Activities Order"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
"Regulators"	as the context requires, the Financial Conduct Authority or the Prudential Regulation Authority or both of them, or such other governmental, statutory or other authority or authorities as shall from time to time carry out such functions in relation to Long-Term Insurance

Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority and the Prudential Regulation Authority under the FSMA;

"Regulatory Handbook"	the rules and guidance issued by the Regulators pursuant to Part 9A of the FSMA, including the Prudential Regulation Authority's Rulebook;
"Reinstatement Date"	the date on which the GAR is reinstated to a Reinstated GAR Plan pursuant to clause 10;
"Reinstated GAR Plans"	all Included Plans in which a Verified Goneaway Included Planholder exercises their right to have the GAR reinstated pursuant to clause 10;
"Reviewing Actuary"	the meaning given in Schedule 4;
"Risk Margin"	the part of an insurer's technical provisions calculated on a cost of capital basis as prescribed under Solvency II;
"Royal London"	The Royal London Mutual Insurance Society Limited, a company limited by guarantee and not having a share capital and incorporated in England and Wales with registered number 99064, whose registered office is at 55 Gracechurch Street, London EC3V 0RL;
"Royal London Board"	the board of directors of Royal London or any duly constituted committee or representative thereof;
"Royal London Internal Model"	the methodology developed by Royal London in accordance with the Solvency Capital Requirement – Internal Models part of the Prudential Regulation Authority's Rulebook for the purposes of calculating part or all of its solvency capital requirement or its group solvency capital requirement in place of the standard formula;
"Royal London Main Fund"	the fund bearing the name "Royal London Main Fund" maintained by Royal London;
"Royal London Personal Pension Scheme"	The Royal London Personal Pension Scheme (No 2), which was formerly known as The Scottish Life Personal Pension Scheme, was established by a Declaration of Trust dated 12 May 1988 and is currently governed by a Deed of Amendment dated 4 December 2006 (as amended);
"Safeguarded Benefits"	the meaning given in the Pension Schemes Act;
"Scheme"	this scheme of arrangement made pursuant to Part 26 of the Companies Act with or subject to any modifications or additions made in accordance with its terms;
"Scottish Life"	The Scottish Life Assurance Company, a statutory company incorporated in Scotland under The Scottish

Life Assurance Company Act 1968;

"Scottish Life Fund"		the fund bearing the name "Scottish Life Fund" maintained by Royal London to which part of the business transferred from Scottish Life was allocated pursuant to the Scottish Life Transfer Scheme;
"Scottish Life Transfer Scheme"		the scheme made under section 49 of, and Schedule 2C to, the Insurance Companies Act 1982 under which the entire business of Scottish Life was transferred to Royal London on and with effect from 1 July 2001;
"Solvency Requirement"	Capital	the amount of capital required to be held under Solvency II to ensure that all quantifiable risks are taken into account;
"Solvency II"		the Solvency II Directive (2009/138/EC) as implemented into English law, including any regulation, directive, enactment, statutory provision or other legislation implementing that directive and any associated or consequential amendments or changes to the Regulatory Handbook;
"Solvency Requirement"	Capital	the risk capital required to be held by insurers under Solvency II;
"Subsisting Rights"		the meaning given in the Pension Schemes Act;
"Talisman Executive Pension Plan"		a type of pension plan which can be an Included Plan, some of which were marketed under the "Hallmark" brand, further details of which are set out in Part A of Schedule 2;
"Talisman Group Personal Pension Plan"		a type of pension plan which can be an Included Plan, further details of which are set out in Part A of Schedule 2;
"Talisman Personal Pension Plan"		a type of pension plan which can be an Included Plan, further details of which are set out in Part A of Schedule 2;
"Talisman Retirement Annuity Contract"		a type of pension plan which can be an Included Plan, further details of which are set out in Part A of Schedule 2;
"Technical Provisions"		the amount calculated in accordance with Solvency II that another insurer would require to be paid in order to take over an insurance business or portfolio;
"Unitised With-Profits Benefit"		any benefit in respect of an Included Plan under which premiums paid purchase units and for which Asset Share is used as a guide to setting payout levels;
"Unitised With-Profits Regular Premiums"		a Regular Premium which is to be invested in Unitised With-Profits Benefits;
"Unit Value"		the value of units attributed to Unitised With-Profits Benefits or Linked Benefits, which value is used with respect to any Unitised With-Profits Benefits to

	determine the Guaranteed Value, as calculated by Royal London in accordance with the accounting and actuarial policies and practices used for the purposes of the preparation of Royal London's regulatory returns for the year ended 31 December 2017;
"Uplift"	the increases to Asset Shares, Guaranteed Values, Unit Values and Regular Premiums, as the case may be, made pursuant to clause 8 in return for the removal of the GARs from the Included Plans;
"Uplift Amount"	the amount of any Uplift as calculated pursuant to clause 8;
"Value of In Force Business"	the meaning given in the Scottish Life Transfer Scheme;
"Verified Goneaway Included Planholder"	any Included Planholder who is able to provide evidence satisfactory to the Royal London Board to demonstrate that they were not living at any address to which Royal London sent the explanatory statement required to be provided to the Eligible Planholders pursuant to section 897 of the Companies Act at the relevant time;
"With-Profits Actuary"	the person or persons approved to perform the "With-Profits Actuary function" in respect of the Scottish Life Fund in accordance with the Insurance – Senior Insurance Managers Functions part of the Prudential Regulation Authority's Rulebook;
"With-Profits Actuary's Report"	the report prepared by the With-Profits Actuary in relation to this Scheme dated [<i>date to be confirmed</i>] and made available by Royal London on its website at [<i>website to be confirmed</i>]; and
"With-Profits Benefits"	either Conventional With-Profits Benefits or Unitised With-Profits Benefit as the case may be.

2. INTERPRETATION

In the Scheme and its Schedules, unless the context otherwise requires or otherwise expressly provides:

- (a) "**asset**" includes assets, real property, cash, Encumbrances, causes of actions, rights and powers of every description (whether present or future, actual or contingent), including income or interest accrued but unpaid, and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (b) any reference to "**including**" or "**includes**" means "including without limitation" or "includes without limitation" (as the case may be);
- (c) 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;

- (d) any reference 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 whether before or after the Implementation Date (as applicable) and to any instrument or order made whether before or after the Implementation Date (as applicable) under such enactment, statutory provision or subordinated legislation;
- (e) any reference to any rules or regulations issued by the Regulators shall be deemed to include a reference to such rules or regulations as amended, replaced or re-enacted from time to time whether before or after the Implementation Date (as applicable);
- (f) any reference to this Scheme shall include its Schedules and references to clauses and Schedules are to be construed as references to clauses and Schedules respectively of and to this Scheme;
- (g) any reference to (or to any specified provision of) this Scheme shall be construed as a reference to this Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of the Scheme;
- (h) headings are inserted for convenience only and shall not affect the interpretation of this Scheme;
- (i) any reference to a person shall include a reference to an individual, firm, partnership (whether or not having separate legal personality), company, body corporate, an unincorporated association or body of persons, or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- (j) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form; and
- (k) any reference to an amount shall be exclusive of any applicable value added or other tax.

SCHEDULE 2

Eligible Plans and Eligible Planholders

Part A: Types of Eligible Plans

The Eligible Plans comprise Policies to which a GAR applies of the following types of pension plan:

1. **Talisman Retirement Annuity Contracts**

These plans were issued pursuant to section 226 of the Income and Corporate Taxes Act 1970 and are sometimes referred to as "Talisman Section 226 Plans" or "retirement annuity contracts" or "RACs". The plans have been issued to individual Policyholders.

2. **Talisman Personal Pension Plans**

These plans were issued pursuant to section 2 of the Social Security Act 1986 and are sometimes referred to as "Talisman SSA86 Plans". Individuals participate by being members of the Royal London Personal Pension Scheme and the plans are issued to Royal London as trustee in respect of each member.

3. **Talisman Group Personal Pension Plans**

These plans are based on the terms of the Talisman Personal Pension Plan. The plans were marketed to employees of a specific employer on a group basis, with the employer acting as co-ordinator for the collection of contributions. As for the Talisman Personal Pension Plan, individuals participate by being members of the Royal London Personal Pension Scheme and the plans are issued to Royal London as trustee in respect of each member.

4. **Talisman Executive Pension Plans**

Individuals participate by being members of occupational pension schemes and the plans are issued to the trustees of the occupational pension schemes.

5. **Assigned Talisman Executive Pension Plans**

Some Talisman Executive Pension Plans have been assigned to the members of occupational pension schemes, for example on the winding up of a scheme, as a result of which the former member of the occupational pension scheme is now the Policyholder of the plan rather than the trustee.

Part B: Eligible Planholders

The Eligible Planholders comprise the following categories of person:

1. The holders of the Talisman Retirement Annuity Contracts.
2. Royal London as holder of the Talisman Personal Pension Plans and the Talisman Group Personal Pension Plans, in its capacity as the trustee of the Royal London Personal Pension Scheme.
3. The members of the Royal London Personal Pension Scheme in relation to the Talisman Personal Pension Plans and the Talisman Group Personal Pension Plans.

4. The trustees of occupational pension schemes which hold Talisman Executive Pension Plans, but not the members of those schemes.
5. The holders of the Assigned Talisman Executive Pension Plans.

SCHEDULE 3

Percentage Increases

This Schedule sets out the Percentage Increases calculated as at the Percentage Increase Calculation Date to be used to determine the Uplifts pursuant to clause 8. The Percentage Increases in this Schedule are subject to amendment pursuant to Schedule 4.

In this Schedule, "F" refers to female and "M" refers to male.

Age	EPP	S226	86 AR	86 PR	EPP	S226	86 AR	86 PR
	F	F	F	F	M	M	M	M
40								
41			58%	81%			68%	68%
42			57%	81%			68%	67%
43			57%	80%			67%	67%
44			56%	79%			66%	66%
45		67%	56%	79%			66%	66%
46		67%	55%	78%		80%	65%	65%
47	59%	66%	54%	77%	65%	79%	64%	64%
48	58%	65%	53%	76%	65%	78%	64%	63%
49	57%	64%	53%	75%	64%	77%	63%	62%
50	57%	64%	52%	74%	63%	76%	62%	61%
51	56%	63%	51%	73%	62%	76%	61%	61%
52	55%	62%	51%	72%	61%	75%	60%	60%
53	55%	62%	50%	71%	61%	74%	60%	59%
54	54%	61%	50%	70%	60%	73%	59%	58%
55	54%	60%	49%	69%	59%	72%	58%	57%
56	53%	60%	49%	68%	59%	72%	58%	56%
57	53%	60%	48%	68%	58%	70%	56%	55%
58	53%	60%	48%	67%	57%	70%	56%	55%
59	53%	60%	48%	67%	57%	70%	56%	55%
60	53%	60%	48%	66%	56%	70%	56%	55%
61	53%	60%	48%	66%	56%	70%	56%	54%
62	53%	60%	48%	66%	56%	70%	56%	53%
63	53%	60%	48%	66%	56%	70%	56%	53%
64	53%	60%	48%	66%	56%	70%	56%	53%
65	53%	60%	48%	66%	56%	70%	56%	53%
66	53%	60%	48%	66%	56%	70%	56%	53%
67	53%	60%	48%	66%	56%	70%	56%	53%
68	53%	60%	48%	66%	56%	70%	56%	53%
69	53%	60%	48%	66%	56%	70%	56%	53%
70+	53%	60%	48%	66%	56%	70%	56%	53%

SCHEDULE 4

Review of the Percentage Increases

1. Royal London shall review the Percentage Increases as at the Percentage Increase Review Date and shall decide, having obtained advice from the With-Profits Actuary and acting reasonably, whether it is appropriate to increase or decrease the Percentage Increases having regard to the Percentage Increase Calculation Methodology and any change in any economic and other factors (including any changes in law and regulation or in any accounting principles, policies, procedures, practices and estimation techniques) used to calculate the Percentage Increases as at the Percentage Increase Calculation Date (the "**Changed Factors**"). Any recalculation of the Percentage Increases required as a result of that decision shall be made in accordance with the Percentage Increase Calculation Methodology and taking proper account of the Changed Factors.
2. Royal London shall notify the Independent Actuary in writing of its decision and of any adjustment to the Percentage Increases (which notice shall include reasonable details of the reasons for its decision and of its calculation of the Percentage Increases, whether or not adjusted) within ten Business Days of the Percentage Increase Review Date (the "**Percentage Increase Determination**"). If the Independent Actuary decides, acting reasonably, that any aspect of the Percentage Increase Determination is not consistent in any material respect with the Percentage Increase Calculation Methodology or the Changed Factors or that the Percentage Increase Determination did not include reasonable details required to allow him to carry out his review, he shall notify Royal London in writing of his decision with reasonable detail of his reasons for his decision within ten Business Days of notice of the Percentage Increase Determination, which notice from the Independent Actuary shall constitute a Disagreement Notice.
3. For the avoidance of doubt, Royal London and the Independent Actuary may propose adjustments to the Percentage Increases pursuant to paragraphs 1 and 2 of this Schedule 4, as applicable, in the absence of any Changed Factors on the basis that the Percentage increases were not calculated in accordance with the Percentage Increase Calculation Methodology.
4. In the event that the Independent Actuary serves a Disagreement Notice on Royal London pursuant to paragraph 2 of this Schedule 4:
 - (a) Royal London and the Independent Actuary shall attempt in good faith and acting reasonably to reach agreement as soon as reasonably possible in respect of the matter(s) in dispute in consultation with the With-Profits Actuary; and
 - (b) Royal London and the Independent Actuary may each require the other party (being Royal London or the Independent Actuary as the case may be) to provide them with such documents and information as they may reasonably consider necessary or desirable for the purposes of this Schedule 4.
5. Royal London may refer any matter to an actuary (the "**Reviewing Actuary**") for determination who shall be independent of both Royal London and the Independent Actuary and agreed on by the parties or, in the absence of agreement, appointed by the President of the Institute and Faculty of Actuaries on the application of Royal London.

The Reviewing Actuary shall act as an expert and not as an arbitrator, may take such advice and consult such persons as he considers appropriate and may require Royal London and the Independent Actuary to provide him with such documents and information

as he reasonably considers necessary for the performance of his role. Royal London and the Independent Actuary may make such representations to the Reviewing Actuary as they consider appropriate in relation to any matter referred to him. The decision of the Reviewing Actuary on any matter referred to him, including if referred to him the amount of any Percentage Increase, shall (in the absence of fraud or manifest error) be final and binding for the purposes of this Scheme. The costs of the Reviewing Actuary shall be borne by the Scottish Life Fund.

6. The review of the Percentage Increases shall be deemed to be completed for the purposes of this Schedule 4 in the following circumstances:
 - (a) if the Independent Actuary does not serve a Disagreement Notice on Royal London in accordance with paragraph 2 of this Schedule 4;
 - (b) if, or to the extent that, the parties reach agreement in writing either pursuant to paragraph 4 of this Schedule 4 or otherwise; or
 - (c) if, or to the extent that, the Percentage Increases are determined by the Reviewing Actuary pursuant to paragraph 5.