

# Rothestay

## Rothestay Life Plc

*(incorporated with limited liability in England and Wales with registered number 06127279)*

### U.S.\$400,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes

**Issue Price: 100 per cent.**

The U.S.\$400,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the “Notes”) will be issued by Rothestay Life Plc (the “Issuer” or “RLP”) on or about 27 October 2021 (the “Issue Date”). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer. The terms and conditions of the Notes (the “Conditions”, and references to a numbered “Condition” should be read accordingly) are set out more fully in “Terms and Conditions of the Notes”.

The Notes will bear interest on their outstanding principal amount from (and including) the Issue Date to (but excluding) 13 October 2027 (the “First Reset Date”) at a fixed rate of 4.875 per cent. per annum and thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each a “Reset Date”). Interest will be payable on the Notes semi-annually in arrear on 13 April and 13 October (each an “Interest Payment Date”) in each year commencing on 13 April 2022 (with a short first interest period), subject to cancellation as provided below and as further described in the Conditions.

The Issuer may elect at any time to cancel (in whole or in part) any payment of interest otherwise scheduled to be paid on an Interest Payment Date and shall, save as otherwise permitted pursuant to the Conditions, cancel in whole or in part (as applicable) an interest payment upon the occurrence of a Mandatory Interest Cancellation Event (as defined in the Conditions) with respect to that interest payment. Any interest accrued in respect of an Interest Payment Date which falls on or after the date on which a Trigger Event (as defined in the Conditions) occurs shall also be cancelled (save to the extent permitted by the Prudential Regulation Authority (the “PRA”) if it waives Automatic Conversion (as defined in the Conditions) in respect of such Trigger Event). The cancellation of any interest payment shall not constitute a default for any purpose on the part of the Issuer. Any interest payment (or part thereof) which is cancelled in accordance with the Conditions shall not become due and payable in any circumstances. Subject as provided in the Conditions, all payments in respect of or arising from the Notes will be conditional upon the Issuer being solvent (as defined in the Conditions) at the time of payment and immediately thereafter.

Payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, taxes of the United Kingdom (the “UK”), unless that withholding or deduction is required by law. In the event that any such withholding or deduction is made in respect of payments of interest (but not in respect of any payments of principal), additional amounts may be payable by the Issuer, subject to certain exceptions, as more fully described in the Conditions.

The Notes will be perpetual securities with no fixed redemption date. The Issuer shall only have the right to redeem or purchase the Notes in accordance with the Conditions. Holders of the Notes (“Noteholders”) will have no right to require the Issuer to redeem or purchase the Notes at any time.

**UPON THE OCCURRENCE OF A TRIGGER EVENT THE ISSUER’S OBLIGATIONS IN RELATION TO EACH NOTE WILL (UNLESS THE PRA WAIVES AUTOMATIC CONVERSION IN RESPECT OF SUCH TRIGGER EVENT) BE PERMANENTLY AND AUTOMATICALLY RELEASED IN CONSIDERATION FOR THE ISSUE OF CONVERSION SHARES AS PROVIDED IN THE CONDITIONS.**

Application has been made to The Irish Stock Exchange plc, trading as Euronext Dublin (“Euronext Dublin”) for the Notes to be admitted to the Official List (the “Official List”) of Euronext Dublin and to trading on the Global Exchange Market (“GEM”) of Euronext Dublin. This Information Memorandum constitutes “Listing Particulars” for the purposes of the admission of the Notes to the Official List of Euronext Dublin and to trading on the GEM of Euronext Dublin and, for such purposes, does not constitute, and has not been approved, as a prospectus for the purposes of Regulation (EU) 2017/1129 (the “Prospectus Regulation”) or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”). This Information Memorandum has been approved by Euronext Dublin. GEM is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”). This Information Memorandum is available for viewing on the website of Euronext Dublin. References in this Information Memorandum to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on GEM and have been admitted to the Official List of Euronext Dublin.

The Notes are expected to be assigned a rating of BBB- by Fitch Ratings Ltd (“Fitch”). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Potential investors should read the whole of this Information Memorandum, in particular the “Risk Factors” set out on pages 1 to 37.**

The Notes will be issued in registered form in principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will initially be represented by a global certificate (the “Global Certificate”) registered in the name of a nominee for a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) on or about the Issue Date. Individual certificates (“Certificates”) evidencing holdings of Notes will be available only in certain limited circumstances described under “Summary of Provisions relating to the Notes whilst in Global Form”.

Pursuant to the United Kingdom Financial Conduct Authority Conduct of Business Sourcebook (“COBS”) the Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients (as defined in COBS 3.4) in the United Kingdom (as if COBS 22.3 applies to the Notes). The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients, as defined in MiFID II, in the European Economic Area. Prospective investors are referred to the section headed “Prohibition on marketing and sales of Notes to retail investors” of this Information Memorandum for further information.

*Global Coordinators*

**Barclays**

**NatWest Markets**

*Joint Lead Managers*

**Barclays**

**BNP PARIBAS**

**Morgan Stanley**

**NatWest Markets**

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

References herein to the “**Issuer**” and “**RLP**” are to Rothesay Life Plc, references to Rothesay Limited are to the Issuer’s parent, Rothesay Limited, and references to “**Group**” are to Rothesay Limited and its consolidated subsidiaries.

Relevant third party information has been extracted from sources as specified in this Information Memorandum. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”).

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of Barclays Bank PLC or NatWest Markets Plc (together, the “**Global Coordinators**”) or any of BNP Paribas or Morgan Stanley & Co. International plc (together with the Global Coordinators, the “**Joint Lead Managers**” or the “**Managers**”) or any of their respective affiliates. Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Notes made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented.

Save for the Issuer, no other person has separately verified the information contained herein. To the fullest extent permitted by law, none of the Managers nor Citicorp Trustee Company Limited (the “**Trustee**”) accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by the Trustee or any Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Trustee and each Manager accordingly disclaims all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement. Neither this Information Memorandum nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Trustee or the Managers that any recipient of this Information Memorandum or any other information supplied in connection with the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Information Memorandum or any other information supplied in connection with the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Managers nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers or the Trustee.

## **Restrictions on marketing and sales**

### ***Prohibition on marketing and sales of Notes to retail investors***

The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of certain securities with characteristics similar to the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

In the United Kingdom, the Financial Conduct Authority (“FCA”) Conduct of Business Sourcebook (“COBS”) requires, in summary, that certain securities with characteristics similar to the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a “**retail client**”) in the United Kingdom.

Each of the Managers is required to comply with COBS (as if COBS 22.3 applies to the Notes).

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest therein) from the Issuer and/or any Manager (acting as Manager), each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Managers that:

1. it is not a retail client in the United Kingdom;
2. it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the United Kingdom or communicate (including the distribution of this Information Memorandum, in preliminary or final form) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the United Kingdom.

In selling or offering the Notes or making or approving communications relating to the Notes, each prospective investor may not rely on the limited exemptions set out in COBS (as if COBS 22.3 applies to the Notes).

The obligations above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area (the “EEA”) or the United Kingdom) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interest therein), whether or not specifically mentioned in the Information Memorandum, in preliminary or final form, including (without limitation) any requirements under MiFID II or the United Kingdom FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interest therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interest therein) from the Issuer and/or any of the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

### ***Prohibition of sales to EEA retail investors***

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering

or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### ***Prohibition of sales to United Kingdom retail investors***

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

#### ***UK MiFIR product governance / Professional investors and ECPs only target market***

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in the UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment. However, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

#### ***Singapore SFA Product Classification***

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### ***Restrictions on marketing and sales in the United States and to U.S. persons***

The distribution of this Information Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction. The Notes and the ordinary shares into which they may convert in certain circumstances have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Notes and Ordinary Shares may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of Notes and on distribution of this Information Memorandum, see “*Subscription and Sale*”.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Information Memorandum. Any representation to the contrary is a criminal offence in the United States.

***General restrictions on marketing and sales***

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for, or purchase, any Notes.

**Stabilisation**

In connection with the issue of the Notes, NatWest Markets Plc (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising Manager), may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

## IMPORTANT INFORMATION

### Cautionary note regarding forward-looking statements

This Information Memorandum includes statements and projections (including, without limitation, as contained in tables within the section headed “*Description of the Issuer and the Group*”) that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Information Memorandum and include, but are not limited to, statements regarding the intentions of the Issuer and its consolidated subsidiaries, beliefs or current expectations concerning, among other things, the Group’s business, results of operations, financial position, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, its financial position and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Information Memorandum. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Information Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- risks stemming from the economy and the performance of financial markets generally;
- risks stemming from the occurrence of epidemics and pandemics;
- changes in the legal and regulatory environment in which the Group operates;
- the FCA, the PRA or other regulators intervening in the Group’s business on industry wide issues or conducting thematic reviews;
- changes in regulatory capital requirements;
- changes in accounting standards or in actuarial assumptions, including views on longevity;
- risk management policies and procedures being ineffective;
- demographic experience;
- third party asset management firms that manage the Group’s assets underperforming or difficulties arising from the Group’s outsourcing relationships;
- the Group failing to maintain the availability of its systems and to safeguard the security of its data;
- third party reinsurers being unwilling or unable to meet their obligations under reinsurance contracts;
- legal and arbitration proceedings;
- the level of the Group’s indebtedness;

- changes in taxation law, including future changes in the tax legislation affecting specific products offered by the Group and changes to the VAT rules; and
- other factors discussed in the section of this document headed “*Risk Factors*”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Information Memorandum reflect the Group’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s business, results of operations, financial condition, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Information Memorandum, which could cause actual results to differ, before making an investment decision. Subject to the requirements of applicable law and regulation, the Issuer undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Information Memorandum that may occur due to any change in the Issuer’s expectations or to reflect events or circumstances after the date of this Information Memorandum.

## PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, financial information for the Issuer and the Group in this Information Memorandum and the information incorporated by reference into this Information Memorandum is presented in pounds sterling and has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

Financial information has been provided on an audited basis as at, and for the full financial years ended on, 31 December 2019 and 31 December 2020. Financial information presented as at, and for the six month period ended, 30 June 2021 is unaudited.

The financial information presented in a number of tables in this Information Memorandum has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Information Memorandum reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

References to “**Solvency II**” in this Information Memorandum are to the United Kingdom transposition of Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking up and pursuit of the business of insurance and reinsurance (Solvency II) (the “**Solvency II Directive**”) and Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing the Solvency II Directive as amended by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 (the “**Level 2 Regulations**”), as they each form part of EU retained law (as defined in the EUWA), as amended from time to time and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise).

### **Presentation of certain key performance indicators and targets**

Certain key performance indicators and targets referred to in this Information Memorandum are unaudited non generally accepted accounting principles (“GAAP”) measures that are used by the Group, including those described below:

- **Solvency II Own Funds (“Own Funds”)** — Own Funds are the aggregate of “basic Own Funds” (assets an insurer has on its balance sheet) and “ancillary Own Funds” (off-balance sheet resources that are loss absorbent, for example, unpaid share capital). All such assets are subject to eligibility criteria and weighting, as determined by reference to Articles 93 to 95 of Solvency II as well as to Articles 69 to 73, 76, 77, 79 and 82 of the Level 2 Regulations, as interpreted by the European Insurance and Occupational Pension Authority’s (“EIOPA”) “Guidelines on Own Funds” (BoS-14/168 EN). References to the Own Funds of a particular entity are references to the Own Funds held by an entity, whereas references to the Group’s Own Funds are references to the Own Funds within the scope of the Solvency II group.
- **Solvency Capital Requirement (“SCR”)** — This is the standard Own Funds level that a UK life insurer is required to maintain by the United Kingdom Prudential Regulation Authority (“PRA”). A separate calculation also applies to Solvency II groups. SCR is determined by reference to a basic standard formula set out in Articles 103–111 of Solvency II, however, a life insurer may agree an amendment to the standard formula to create a bespoke calculation which more accurately reflects the risks applicable to that life insurer, that amendment is achieved by way of an internal model (the “**Internal Model**”). Internal Models can be further defined as full or partial models. Full model – all risk categories are quantified using the internal model. Partial model – one or more modules of the SCR as laid out under Solvency II are calculated using the standard formula. Own Funds held to meet the SCR requirement (and any additional amendment or add-on approved by the PRA) are also referred to as “regulatory



capital” and any reference to an increase or decrease in a regulatory capital requirement is a reference to an increase or decrease in the amount of regulatory capital an entity has to hold. The amount by which an SCR requirement is exceeded by Own Funds is referred to as the “**Solvency II Surplus**”.

- **Solvency II Coverage Ratio (“SCR Coverage”)** — This is the ratio of Solvency II Own Funds to SCR.
- **Assets under management (“AUM”)** — These are assets managed by the Group and held: (i) in respect of actual or anticipated liabilities to policyholders under a policy; or (ii) on behalf of policyholders under the terms of a policy; or (iii) in respect of shareholders to the extent the assets are not held for (i) or (ii).

## **Currencies**

In this Information Memorandum and the information incorporated by reference into this Information Memorandum, references to “**£**”, “**sterling**” or “**GBP**” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the “**United Kingdom**”), references to “**U.S. dollars**” or “**U.S.\$**”, are to the lawful currency of the United States, references to “**Euro**”, “**euro**” or “**€**” are to the euro, the European single currency which was introduced at the start of the third stage of the European Economic and Monetary Union, pursuant to the Treaty establishing the European Community (as amended from time to time).

## **Currency exchange rate information**

Unless otherwise indicated, the financial information contained in this Information Memorandum has been expressed in sterling. The functional currency of the Issuer is sterling, as is the reporting currency of the Group. Transactions not already measured in sterling have been translated into sterling in accordance with the relevant provisions of IAS21. These translations should not be construed as representations that the relevant currency could be converted into sterling at the rate indicated, at any other rate or at all.

In addition to the convenience translations (the basis of which is described above), the basis of translation of foreign currency transactions and amounts contained in the audited and unaudited financial information included in this Information Memorandum is described therein and may be different to the convenience translations.

## **Notes may not be a suitable investment for all investors**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Information Memorandum or any applicable supplement; (b) have access to and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency; (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. An investment in the Notes may be considered by investors who are in a position to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Issuer and the impact each risk could have on the Issuer is set out below.*

*Factors that the Issuer believes may be material to assessing the market risks associated with the Notes and which are inherent in investing in the Notes are also described below. The Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes**

#### **Insurance risks relating to the Group's business**

***The Group writes only one line of insurance business and therefore any increase in the costs associated with that type of insurance or any failure accurately to assess the value of the liabilities insured could have an adverse effect on the Group's business***

The Group's insurance business is currently limited to assuming and insuring the liabilities of defined benefit pension schemes, in-payment annuities and deferred annuities. Benefit amounts must be well defined either in real or nominal terms, and there must be sufficient data available to enable an assessment of the value of those liabilities. If the data on which the Group relies to assess the liabilities is unreliable or incorrect, or the cost of such liabilities becomes subject to a sudden, unexpected or unprotected increase, in the absence of sufficient reinsurance arrangements and other reserves, the Group may not be prepared or in a position to cover the increased cost of such liabilities. Given that the Group does not write diversified lines of business, this could have an adverse impact on the Group's business, results of operations and financial position.

There can be no assurance that the Group will continue to write a single line of insurance business. Any decision by the Group to change its business strategy or to write new types of insurance business could result in the Group being subject to different solvency, capital or other regulatory requirements. Future diversification of the Group's business could also subject it to risks that could affect its existing operations. As a result, this could have an adverse impact on the Group's business, results of operations and financial position.

#### ***The Group's capital position may be impacted by sudden increases in longevity expectations***

The Group has a specific risk tolerance and one of its primary insurance-related risks is longevity risk. The Group has strict underwriting criteria which currently aim to maintain reinsurance of the Group's longevity risk within a target range, subject to its defined counterparty risk limits. Its approach is to mitigate longevity risk through use of reinsurance by entering into longevity reinsurance agreements with reinsurers after an insurance transaction is executed. The Group pays an agreed schedule of premiums to the relevant reinsurer on an ongoing basis in exchange for the reinsurer paying the actual pension benefits as they arise. To date, these reinsurance arrangements have involved no upfront premium outlay being payable by the Group to reinsurers and such arrangements are collateralised for moves in projections of life expectancy. As at 30 June 2021, such measures had the effect of hedging approximately 84 per cent. of the Group's exposure to longevity risk associated with the Group's underlying annuity contracts. However, the Group is also subject to limitations as to the longevity

related liabilities for which it can obtain reinsurance cover, for example, in relation to deferred members, unmarried dependants and small pension insurance transactions. The Group will also obtain reinsurance cover only where it is economical to do so. In addition to the availability and cost of suitable reinsurance cover, the proportion of risk retained by the Group depends on the nature of the risks that are required to be covered.

Similar to other bulk annuity providers, the performance of the Group's business will depend on the actual experience of mortality rates and mortality trends. The projection of annuity obligations used for pricing and reserving requires a number of actuarial assumptions to be made. Assumptions utilised in the projections are determined using recent historical experience, rating models and reinsurance pricing. The Group conducts rigorous research into longevity risk, using, among other sources, data from its substantial portfolio. As part of its pension annuity pricing and reserving policy, the Group assumes that current rates of mortality continuously improve over time at levels based on adjusted data and models from the Continuous Mortality Investigation, as published by the Institute and Faculty of Actuaries. However, there is uncertainty associated with longevity risk, due to the difficulty in predicting future drivers of longevity improvements and the length of the period for which such risk persists. This uncertainty is exacerbated by the potential impact of COVID-19 (as defined below). If mortality improvement rates significantly exceed the improvement assumed, the Group's results of operations could be adversely affected. There is also potential for systemic changes in mortality rates to arise, for example, from a cure for a major disease being found in the near term which may have a limited immediate impact on current mortality rates but could have a significant impact on longer-term expectations of mortality rates. As a result, there is the potential for the Group's assumptions about longevity to be incorrect or inaccurate, such that policyholders live for a longer period of time than had been anticipated in the projections forecast by the Group. Conversely, the impact of epidemics and other effects that cause a large number of deaths also have the potential for the Group's assumptions as regards longevity to be incorrect or inaccurate.

In addition, given the nature of the bulk annuities that the Group writes and assumes, the assumptions used can only be derived specifically from the section of the population under consideration rather than more broadly. Consequently, the Group is also exposed to longevity "basis risk", which occurs in circumstances when patterns that are detected on, for example, a national level are not necessarily commensurate with, or reflective of, any given subgroup relevant to the Group (such as the policyholders that are members of UK defined benefit schemes). The Group is also subject to "measurement lag risk", which occurs in circumstances where well-defined improvement patterns in the relevant data do not become apparent until a period of time has elapsed.

Some of the annuities acquired from other insurers are individual annuities that were purchased by individuals using the proceeds of their personal pension funds. As individuals have an open market option that allows them to purchase an annuity from any provider, it is likely that those purchasing annuities that have not been medically underwritten are more healthy than average. Much of the impact of this "selection risk" is likely to have reduced given the time that has elapsed since the individual annuities were issued and the Group has allowed for this "selection risk" in setting its assumptions but there is a risk that the allowance for this risk is incorrect.

Any change in longevity expectations may result in the Group having to hold a higher level of reserves and/or capital. It may also impact on the Group's profitability, which could have an adverse impact on the Group's business, results of operations and financial position.

***Inaccurate data, incorrect projections or incorrect assumptions may result in the Group holding insufficient reserves to support its liabilities***

In common with other life insurers, the profitability of the Group's business depends on a mix of factors including trends in the mortality levels noted above, policy surrender rates, investment performance and impairments, unit cost of administration and new business acquisition expenses. As a consequence, the Group needs to make assumptions about a number of factors in determining the pricing of its products and setting

reserves, as well as for reporting its capital levels and the results of its long-term business operations. As noted above, the assumptions that the Group makes about future expected levels of mortality and the risks associated therewith are particularly relevant for its business.

The Group makes assumptions relating to the proportion of policyholders who are married (or have other eligible financial dependants) and the age of a policyholder's spouse. There may be instances in which the proportion of policyholders who are married is higher than predicted and a greater number of financial dependents than anticipated are eligible to receive benefits following the deaths of policyholders. Should these circumstances arise, the Group will be required to pay a greater than expected amount of contingent benefits. Similarly, the Group may be required to pay out a higher amount than expected where a deceased policyholder's spouse, who is eligible to receive benefits following the death of a policyholder, is younger than expected.

The Group also makes certain assumptions in relation to future expected levels of the exercise of options, specifically cash commutation and transfers by deferred members to another insurance provider. The Group's assumptions reflect recent past experience for its business. If actual levels of take up of cash commutation and transfers are different from those assumed, the Group's business, results of operations and financial position could be adversely affected.

Other key assumptions which the Group makes concern the returns it will make on its assets including how much may be lost in future due to defaults, and the long-term costs of managing the business including costs associated with policy administration and investment management. Higher costs or lower investment returns could adversely affect the Group's business, results of operations and financial position.

The Group holds reserves to try to ensure that it has sufficient funds available to pay its liabilities at the time that they fall due. The calculation of the potential liabilities is based on, among other things, assumptions reflecting the Group's best estimate at the time, allowing a margin for risk and adverse deviation. The Group monitors actual experience as compared with the actuarial assumptions used and it refines its assumptions on the basis of experience. While the Group currently considers that the reserves established and capital held in respect of the Group's business are sufficiently conservative to meet its obligations to policyholders under a range of potential circumstances, the Group's assumptions may prove to be incorrect or inaccurate (whether as a result of miscalculation by the Group or changes in factors such as longevity which are outside the Group's control). Consequently, the Group could be required to establish additional reserves, which could have a material impact on the Group's results of operations and financial position.

Inaccuracies in data held by or on behalf of the Group or in projections or assumptions made by the Group may (i) result in the Group having to hold a higher level of reserves or a higher level of capital, and/or (ii) have an adverse impact on the Group's business, results of operations and financial position.

***The unavailability of adequate reinsurance coverage may adversely impact the Group***

The Group enters into longevity reinsurance arrangements with a diversified group of global third-party reinsurers in order to cover a large proportion of its risk. The availability and cost of reinsurance depends upon market conditions and the reinsurers' own financial position and capacity. Reinsurers are also subject to changes in legislation and regulation, which could have a material impact on the Group's ability to obtain reinsurance coverage, particularly where such changes give rise to increases in pricing or a reluctance on the part of reinsurers to reinsure certain types of risk.

It is possible that the Group could enter into a defined benefit pension scheme buy-in or buy-out transaction (as described in the section headed "*Description of the Issuer and the Group – Market drivers*") and then be unable to obtain reinsurance in respect of all or part of the longevity related liabilities assumed. If the Group is unable to obtain reinsurance, either because there is a lack of reinsurance coverage available due to changes in the reinsurance market, or reinsurance cover is available but only on terms that the Group is not willing or able to

meet, the Group would be required to retain a significant portion of risk and could be subject to higher capital requirements as a result. Accordingly, this could have a material adverse effect on the Group's business, results of operations and financial position.

***The Group is exposed to conduct risks where its actions result in poor outcomes for policyholders or other individuals***

The Group is in the process of acquiring over 385,000 individual annuity policies from The Prudential Assurance Company Limited ("PACL") and has over 280,000 individual annuity policies currently in place that it issued itself and is therefore exposed to conduct risks. Conduct risk can arise as a result of the Group's interaction with policyholders and represents the risk that the Group achieves outcomes for customers which are, or could be expected to become, detrimental to them. The Group also has some limited exposure to conduct risk relating to historic conduct of the insurance companies from which it has acquired individual annuities. At present, there are no specific thematic reviews or investigations that the Group is aware of which may impact these types of annuities.

Additionally, as the Group is reliant on third-party administration providers to service its policyholders, handle claims and distribute its products, there is a risk of the Group being exposed to poor treatment of policyholders through the conduct of the administration providers. Associated risks include, among other things, failings in administration and customer service, and poor policyholder complaint handling. These risks could result in regulatory censure and fines, additional costs incurred and/or policyholder redress, as well as reputational damage. In addition, policyholders or groups of policyholders may seek legal redress where their policy or policies fail to meet their reasonable expectations.

The Group also acquires newly originated equity release mortgages ("ERMs") and Dutch residential mortgages ("DRMs") and although both the lender and the intermediaries advising on the sale of ERMs and DRMs are independent of the Group, the product design and conduct of the lender could give rise to conduct risks for the Group.

Should any such conduct risks arise, it is possible that they may have an adverse effect on the Group's business, results of operations and financial position.

**Business and economic risks relating to the Group's business**

***The Group operates in a sector in which the volume of new business varies from year to year***

The volume of buy-in and buy-out transactions by defined benefit pension schemes will fluctuate over time and from year to year as a result of, among other things, changes in the pricing and affordability of defined benefit pension scheme buy-in and buy-out transactions, which can be affected by factors such as the level of real interest rates.

The Group has also executed a number of large individual transactions both with defined benefit pension schemes and in the acquisition of back books from other insurers. The likelihood of such transactions being repeated in the future over any given period of time is not ascertainable. Past performance is not an indicator of future performance and there can be no assurance that the Group will continue to write the same or similar volumes of business as in previous years nor that there will be upward linear transaction growth in the defined benefit pension scheme buy-in/buy-out sector. Similarly, there can be no assurance that the Group's business will not be affected by any adverse publicity arising from any difference between the Group's results of operations in any financial year and commentators' expectations for such results.

***A deterioration in the ratings or value of sovereign debt could have a material adverse impact on the Group's business, results of operations and financial position***

Sovereign debt represents a substantial portion of the Group's investment portfolio, of which the majority comprises UK government guaranteed bonds. Accordingly, the Group is subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations held in its investment portfolio. In recent years, rating agencies have downgraded the sovereign debt of some countries and there is a risk of further downgrades if macroeconomic uncertainties and geopolitical risks persist.

Investing in sovereign debt creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments, heads of states or monarchs) in the relevant jurisdictions and the creditworthiness of the sovereign. In addition, the governmental authorities that control the repayment of such debt may be unable or unwilling to repay principal or pay interest when it falls due in accordance with the terms of such debt, and the Group may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy towards local and international lenders, and the political constraints to which the sovereign debtor may be subject.

Moreover, governments may use a variety of techniques, such as intervention by their central banks or the imposition of regulatory controls or taxes, to devalue their currencies' exchange rates. Governments may also adopt monetary and other policies (including managing their debt burdens) that have a similar effect, all of which could adversely impact the value of an investment in sovereign debt even in the absence of a default. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of companies or other institutions.

Under Solvency II and the Group's internal models, the rating of non-UK sovereign debt impacts the associated capital requirements and hence a downgrade of a non-UK sovereign could lead to increased capital requirements.

In addition, if a sovereign default or other such event described above were to occur, other financial institutions may also suffer losses or experience solvency or other concerns, and the Group might face additional risks relating to any debt of such financial institutions held in its investment portfolio. There is also a risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be affected, as might counterparty relationships between financial institutions. If a sovereign were to default on its obligations, or adopt policies that devalue or otherwise alter the currencies in which its obligations are denominated, this could have a material adverse effect on the Group's business, results of operations and financial position.

***The competitive environment in the UK life insurance market could affect the profitability of the Group and the long-term viability of its business model***

The life insurance market in which the Group operates in the UK is highly competitive. In light of developing demographic trends and as is consistent with other participants in the UK insurance industry, the Group faces strong competition in its business and challenges to its continued profitability. The long-term viability of the Group's product range depends upon an adequate response to such competition by management. The Group's principal competitors include many of the major retail financial services companies and fund management companies including, in particular, Aviva, Legal & General, Pension Insurance Corporation, Just Group, Phoenix and Lloyds Banking Group. Other companies, either existing UK or non-UK insurers or brand-new entities, may enter the market in future. In recent years, there have been a few new entrants into the sector, structured as pension consolidators. These entities are not seen as direct competitors to the Group as their focus

is more on smaller transactions and pension funds that are less well funded and therefore cannot afford a bulk annuity transaction with an insurance company. Several factors affect the Group's ability to sell its products (and therefore its continued profitability), including price and yields offered, financial strength and ratings as regards assets, brand strength and name recognition, investment management performance and developing demographic trends, and the appetite of companies and defined benefit pension schemes for pension de-risking transactions. The Group faces competitors that are larger, have greater financial resources, a greater market share or offer a broader range of products. See also the risk factor titled "*Failure to obtain court approval to effect the completion of the transfer to the Issuer of the insurance business of PACL could have an adverse effect on the Group's business, results of operations and financial position*". Further, heightened competition for talented and skilled employees may limit the Group's potential to grow its business as quickly as planned.

Management considers that competition will intensify across the UK in response to demand from companies and defined benefit pension schemes for pension de-risking transactions, the impact of consolidation, availability of investors willing to deploy capital into the sector, regulatory actions and other factors. The Group's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures. A failure to do so may have a material adverse effect on the Group's business, results of operations and financial position.

In addition, competitor companies may merge, cease to write business and go into run-off or otherwise withdraw from major lines of business. While these actions may impact positively on the Group by reducing the number of competitors in the market, they may also result in a material adverse effect on the Group's business, results of operations and financial position, for example, through the increased market strength of a competitor following a merger.

The UK insurance industry also faces the risk that the proposed framework for pension scheme consolidation highlighted in the Department for Work & Pensions white paper "Protecting Defined Benefit Pension Schemes" leads to the emergence of an alternative, potentially cheaper, option for sponsoring employers wishing to settle their pension scheme liabilities. If pension schemes were allowed to transfer their liabilities to new pension scheme consolidators then demand for some of the Group's product range may fall, particularly for the smaller pension schemes.

***The Group's business is concentrated in the UK and is exposed to events affecting the UK***

The Group writes its business in the UK and is therefore exposed to the economic, market, fiscal, regulatory, legislative, political and social conditions in the UK.

Adverse events affecting the economy of the UK and the longevity of its citizens could have a material adverse effect on the Group's business. The Group is particularly sensitive to economic conditions in respect of its investment portfolio. Consequently, any events which have an adverse impact on the UK economy could have a significant impact on the Group's business, results of operations and financial position.

In addition, if Scotland were to become independent from the UK or if Northern Ireland were to be treated separately from the rest of the UK, the impact on financial and currency markets could be significant and may impact materially upon all financial institutions and insurance companies, including the Group. Such an event could adversely affect the Group's business, results of operations and financial position.

There can be no assurance that the Group's insurance business will continue to be concentrated in the UK and the Group may in the future seek to carry on insurance business overseas. Consequently, the Group could become subject to additional risks as a result of exposure to foreign economic, market, fiscal, regulatory, legislative, political and social conditions in the relevant countries in which it may seek to carry on business. This could have an adverse impact on the Group's business, results of operations and financial position.



***The Group's business is inherently subject to market fluctuations and general economic conditions. A deterioration in the global financial markets (including in the UK) and global economic and market conditions more generally could have a material adverse impact on the Group's business, results of operations and financial position***

Like other insurance companies, the Group's business is inherently subject to, and affected by, fluctuations in general macro-economic and worldwide financial market conditions. Although the Group writes the majority of its business in the UK, the Group's assets are invested in the UK and overseas, particularly in the U.S. and Europe.

Global financial markets are subject to uncertainty and volatility created by a variety of factors, including concerns over sovereign debt, the general slowing in world growth from subdued demand or slow demand, and the timing and scale of quantitative easing programmes of central banks. In the near term, COVID-19 is creating considerable uncertainty for economies and markets (see the risk factor titled "*The COVID-19 pandemic may adversely impact the Group*" below for further details). Upheavals in the financial markets may affect general levels of economic activity, employment and demand by companies and defined benefit pension schemes for pension de-risking transactions. The demand for annuities, reinsurance and other insurance products may therefore be adversely affected. If this uncertainty or negative trends in international economic and investment climates are sustained, it is likely to have a negative impact on the insurance sector over time and therefore may have an adverse impact on the Group's business, results of operations and financial position.

Since 2008, the Group has operated against a challenging background of periods of significant volatility in global capital and equity markets, interest rates and liquidity, and widespread economic uncertainty. The global financial crisis and the subsequent Eurozone sovereign debt crisis have led to periods of marked deterioration and severe volatility in financial markets internationally. A wide variety of factors, including concerns over slowing growth, COVID-19, high sovereign debt within, and to a lesser degree outside, the Eurozone, the stability and solvency of financial institutions, longer-term low interest rates in developed markets, inflationary threats and the risk of trade wars have contributed to increased volatility in the financial markets in recent years and have diminished growth expectations for the global economy going forward. Global fixed income markets continue to experience periods of volatility and limited market liquidity, which have affected a broad range of asset classes and sectors. Trends in general economic conditions such as consumer spending, business investment, government spending, exchange rates and commodity prices, the volatility and strength of both debt and equity markets, and inflation have also increased uncertainty in financial markets. Consequently, it is clear that in the current economic climate there are a higher number of economic risks than expected in a normal economic cycle. Governments around the world, including in the UK, have intervened to stabilise financial markets through fiscal stimulus and injection of funds, with a particular focus being to avoid the failure of key financial institutions. In the UK, the Bank of England has maintained a policy of low interest rates and implemented quantitative easing in order to support the economic recovery. In a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for annuity policies could be adversely affected. As a result of these market exposures, the Group's financial position and results of operations may be subject to volatility and there can be no assurance as to the effect of such volatility, particularly if it is prolonged, on the Group's business, results of operations and financial position.

Additionally, the interdependence of global financial institutions means that the failure of a sufficiently large and influential financial institution could materially disrupt global securities markets and settlement systems in such markets. This could cause severe market decline or volatility. Such a failure could also lead to a chain of defaults by counterparties that could materially adversely affect the Group. This risk, known as "systemic risk", could adversely impact the Group's business, results of operations and financial position as a result of reduced confidence in the financial services and insurance industry.

In addition, new challenges related to market fluctuations and general economic conditions may continue to emerge. In the future, the adverse effects of such factors, coupled with a risk of deterioration in global financial markets, could have significant consequences for the business, results of operations and financial position of the Group, and be felt principally through (i) investment impairments or reduced investment returns, which could affect the Group's ability to write significant volumes of new business and would have a negative impact on its assets under management as well as its profitability, (ii) higher credit defaults and wider credit and liquidity spreads resulting in realised and unrealised credit losses, (iii) downgrades of assets resulting in the need to hold additional solvency capital, (iv) increased counterparty credit risk to which the Group is exposed through the failure of counterparties to transactions with the Group or, for derivative transactions, adequate collateral not being in place, (v) estimates of the value of financial instruments being difficult because of certain illiquid or closed markets, which may result in the value at which financial instruments can be realised being highly subjective (processes to ascertain such values require substantial elements of judgement, assumptions and estimates (which may change over time)), (vi) increased illiquidity which, in turn, increases uncertainty in relation to the accessibility of financial resources and may reduce capital resources as valuations decline, (vii) a material impact on the Group's ability to meet its liabilities to policyholders, clients and Shareholders (see – “*Description of the Issuer and the Group – Overview of the Group*” for further details) should there be a significant reduction in market values, and (viii) an adverse effect on the Group or its subsidiaries' ability to meet their solvency obligations. Accordingly, such factors have significant consequences for the Group's business and could result in a material adverse impact on its business, results of operations and financial position.

***Geopolitical issues affecting the UK more generally may have an adverse impact on the Group***

The Group's results of operations are materially affected by geopolitical factors which affect the UK. Geopolitical issues in, and emanating from, the U.S., the Middle East, China, Russia, Syria, North Korea, Ukraine and North Africa have contributed to increased uncertainty and volatility in the financial markets in recent years.

On 31 January 2020, the United Kingdom ceased to be a member of the EU and the EEA (“**Brexit**”) and announced on 24 December 2020 that they had reached agreement on a draft EU-UK Trade and Cooperation Agreement (“**TCA**”) covering trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in EU programmes. However, the TCA does not cover financial services, other than through a general undertaking to ensure the implementation and application of internationally agreed standards in the financial services sector for regulation and supervision, leaving the decisions of “equivalence” and “adequacy” to be determined by each side unilaterally in due course. More broadly, the long-term impact of Brexit on the economic outlook of the Eurozone and the UK, and associated global implications, remain uncertain, particularly in relation to the financial services sector. These developments may contribute to the loosening of the political ties within the EU and could negatively impact the European economy and increase volatility in the financial markets, which could impact political cooperation within the EU. Growing populism and rising criticism against the EU have contributed to the sense that geopolitical risks in Europe remain an area of focus during 2021. As such, notwithstanding that the UK has now left the EU, there remains significant uncertainty relating to the UK's future relationship with the EU and the basis of the UK's future trading relationship with the rest of the world as new agreements are negotiated. It is not possible to predict the manner and extent to which the UK's departure from the EU will affect the Group's business but, as the Group operates a UK-based business, this could adversely affect the Group's business and results of operations and financial position.

If any other EU member state (“**Member State**”) were to seek to leave the Eurozone, or if an EU Member State were to default on its obligations, or if the Eurozone were broken up entirely, the impact on the financial and

currency markets would be significant and could impact materially upon all financial institutions and insurance companies, including the Group. Whilst the final outcome remains uncertain, it is difficult to forecast whether there will be any impact on the trading and operating costs of the business, value of the Group's investment assets, the markets the Group participates in and other substantial business factors.

### ***The COVID-19 pandemic may adversely impact the Group***

Since the beginning of 2020, the outbreak of the novel strain of the coronavirus ("COVID-19") both in the UK and around the world, and the associated shutdowns and other restrictive measures implemented by authorities in an attempt to contain the spread of the disease have led to significant economic turmoil in most countries, as well as increased volatility in financial and other markets.

It is still too early to assess the severity and duration of the resulting adverse impact on the global economy and on the value of investment assets, and there is no certainty that measures to restrict spread of the disease or to mitigate its impacts will be effective.

Since March 2020, the United Kingdom government has implemented several nationwide shutdowns and other restrictive measures which have required the Group to invoke contingency plans for remote working, involving the cancellation of physical meetings and changes to working locations. The Group's business services are being maintained. Although restrictions in the United Kingdom have generally been lifted, there remains a risk that restrictions are reimposed in the future and remains uncertain as at the date of this Information Memorandum whether they will be. The changes made to the Group's operating model to move to remote working in response to COVID-19 as and when required to do so increase the risk of operational losses arising from sources such as pricing errors, claims processing errors and fraud.

In addition, the Group continues to assess the risks posed by COVID-19 and may take further actions required by relevant authorities or that it determines are necessary in the interests of employees, customers, policyholders and other stakeholders. The implementation of such measures (or their insufficiency) could result in reduced personnel availability which could in turn adversely impact the quality and continuity of service to customers and the business and reputation of the Group.

COVID-19 continues to have a limited effect on the Group's business as at the date of this Information Memorandum. However, the outbreak of the disease remains in its relatively early stages and the degree to which the disease impacts the Group over the medium to long term will depend on future developments, which, as at the date of this Information Memorandum, are uncertain. If there are prolonged or recurring outbreaks of COVID-19 or further diseases emerge that give rise to similar effects, macroeconomic conditions may be materially and adversely affected and may lead to a further economic downturn both in the United Kingdom and in the global economy more widely as well as further declines in financial markets and in the value of investment assets (which could in each case be widespread, severe and long-lasting).

The above factors could, individually or taken together, materially and adversely impact the business, results of operations and financial condition of the Group.

### ***Climate change may have an adverse impact on the Group***

The Issuer's assets are exposed to the potential impact of climate change. Such risks include:

- physical risks where the Group's assets are adversely impacted by changes such as increasing frequency and severity of flooding. Increased flooding could particularly impact property-related assets such as commercial real estate loans, equity release mortgages and Dutch residential mortgages; and
- transition risks where the Group's assets are adversely impacted by the process of adjustment towards a low carbon economy which may, for example, lead to stranded assets.

The Group has also made a number of commitments in relation to climate change. The Group has become a member of the UN-convened Net-Zero Asset Owner Alliance. The Alliance commits members to transitioning their investment portfolios to net zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5 degrees above pre-industrial levels as outlined in the Paris Agreement. The Group is also a signatory to the UN Principles for Responsible Investing, a supporter of the Task Force on Climate-related Financial Disclosures and an early adopter of the Sustainability Reporting Standard for Social Housing Members (see – “*Description of the Issuer and the Group – The Group’s commitments to tackling climate change*”).

The Group is therefore exposed to both the potential adverse financial impact of transitioning its portfolio in line with its climate change commitments and to reputational risks associated with the failure to do so.

***Circumstances may arise which result in the Group ceasing to write new business in the future***

There are a variety of factors which could result in the Group being unable to write new business in the future, including, but not limited to, the actions of key personnel, regulatory intervention and/or adverse conditions in the market in which the Group operates.

Changes in pensions regulation and legislation in particular may have an adverse effect on the volume of new business written by the Group. The Pensions Act 2004 (“**Pensions Act**”) introduced changes to the way in which defined benefit pension scheme liabilities are managed by increasing the regulatory requirements for defined benefit pension schemes. This included, among other things, introducing a requirement for the defined benefit pension scheme sponsor to meet any deficit in the defined benefit pension scheme on the funding basis agreed between the defined benefit pension scheme trustee and the defined benefit pension scheme sponsor. This means that the sponsor must meet the cost of insuring the pension scheme liabilities on a buy-out transaction (and the defined benefit pension scheme must then enter into an insurance buy-in transaction in respect of all such liabilities) in order to remove the obligation to make any further contributions to the deficit in the defined benefit pension scheme. Following this, there has been a growth in the volume of pension buy-out and buy-in transactions year on year. However, any future changes to pensions legislation and/or the regulation of defined benefit pension schemes could have a negative impact on the volume of policies underwritten by the Group or increase the Group’s costs of doing so, which could adversely affect the Group’s business, results of operations and financial position.

A failure of the Group to continue to write new business would have an adverse effect on the financial position of the Group in circumstances where the Group fails to scale back its cost base to correspond with any such reduction in new business volumes. Similarly, any increase in the volume of business written by the Group may have an adverse impact on the Group’s business, results of operations and financial position if the Group fails to charge an adequate premium or has insufficient adequate capital to support an increase in its liabilities or fails to scale back its cost base appropriately.

***Failure to obtain court approval to effect the completion of the transfer to the Issuer of the insurance business of PACL could have an adverse effect on the Group’s business, results of operations and financial position***

On 14 March 2018, the Issuer entered into an agreement with Prudential Plc (“**Prudential**”) to acquire, and commenced the reinsurance of, an approximately £12 billion annuity portfolio from PACL (the “**PACL Reinsurance Transaction**”). The Issuer has reinsured the annuity portfolio for an interim period until it is transferred to the Issuer. It is intended that the transfer of all or substantially all of the annuity portfolio will occur under Part VII of the Financial Services and Markets Act 2000 (“**FSMA**”) (a “**Part VII Transfer**”), at which time the Issuer will acquire legal title to the relevant proportion of the annuity portfolio and assume responsibility for the administration of the policies comprising such of the annuity portfolio that is transferred.

The terms of the transfer were reviewed by an independent expert, who was appointed to report to the High Court, who concluded that it would not result in any material adverse effect on policyholders' security or benefits or the standard of administration of their policies. Additionally, neither the PRA nor the FCA objected to the transfer. However on 16 August 2019 the High Court declined to sanction the transfer.

PACL and the Issuer appealed the judgment and the original ruling by the High Court has been overturned. The Issuer and PACL are now in the process of undertaking a new Part VII Transfer which is expected to complete, if approved, by the end of 2021. If any aspect of such Part VII Transfer fails for any reason such that the relevant annuity policies held by PACL are not transferred to the Issuer, the Group's business, results of operations and financial position could be materially affected through adverse impacts on the Group's strategy in relation to some future transfers of annuities from established insurers and forecasts, as well as the capital position of the Issuer. It is possible that if the Part VII Transfer fails, the reinsurance transaction will be unwound although the Issuer has indicated that it is committed to a long-term relationship with PACL irrespective of the outcome of the Part VII Transfer.

### **Credit, market and liquidity risks relating to the Group's business**

#### ***The Group has exposure to various investment assets and any losses on the Group's investments may have a material adverse impact on the Group's business, results of operations and financial position***

The Group's primary investment classes comprise corporate bonds, Gilts and collateralised derivative assets together with other investments. The Group holds investments in order to meet its liabilities and its profitability depends to a large extent on the returns achieved on its investment portfolio. However, the value of investment assets fluctuates, which can have a sudden and unexpected impact on the Group's capital levels. In the event of a downturn in the fixed income and/or other investment markets, there is a risk that the Group's liabilities will exceed the value of its assets due to asset values falling. This would have an adverse impact on the Group's business, results of operations and financial position.

#### ***Significant declines in property prices could have an adverse effect on the Group***

The Issuer has acquired and continues to acquire newly originated ERMs as well as seasoned portfolios of ERMs and the Issuer's business plan targets further material investments in ERMs in the future. A significant decline or sustained future declines in UK residential house prices could cause losses on its ERM portfolio, which is secured on residential property. Future adverse deviations in the mortality or voluntary repayment experience of ERM holders could also cause losses on the Issuer's ERM portfolio.

The Issuer has also made loans secured on commercial real estate. Whilst these loans generally have a low loan to value ratio or are against properties with high quality, long term tenants, a significant fall in UK and U.S. commercial real estate prices could adversely impact the performance of the commercial real estate loan portfolio.

The Issuer has also acquired newly originated DRMs and the Issuer's business plan targets further investments in DRMs in the future. A significant decline or sustained future decline in Dutch residential house prices or a decline in the Dutch economy more generally could cause losses on its DRM portfolio, which is ultimately secured on Dutch residential property.

Adverse investment performance in relation to these investments could have an adverse effect on the financial performance of the Group.

#### ***The Group has exposure to default and downgrade risk in relation to its investments***

The majority of the Group's investment assets comprise bonds, Gilts and collateralised derivative assets, pursuant to which the Group is entitled to receive payments of interest and repayment of principal from the issuers of such instruments. The Group also seeks investment opportunities, including, among others, sovereign

debt, supranational debt, secured residential lending, commercial real estate loans, equity release mortgages, DRMs, other secured lending, regulated infrastructure, collective investment schemes, cash and corporate bonds with a negative basis risk premium. As the Group's balance sheet has grown, the Group has also begun to invest part of its portfolio in corporate bonds. As noted above, sovereign debt represents a substantial portion of the Group's investment portfolio, of which the majority comprises UK government guaranteed bonds. The Group is therefore exposed to the risk of a default in payment of the instruments held in the Group's investment portfolio, including the risk of a default by the UK government on the bonds that are held by the Group. Rating downgrade of an investment also leads to an increase in the capital required to be held under Solvency II.

The investment strategy pursued by the Group seeks to minimise credit default risk and secure an illiquidity premium through (i) investing in low-risk asset classes such as government guaranteed bonds, (ii) investing in asset classes with security and other structural mitigation which protects the Group against loss in the event of a default, and (iii) limiting outright credit risk through the use of credit derivative hedges. In addition, the Group has accumulated an asset base for which few fundamental credit assessments are required. Monitoring and re-hedging of the Group's credit exposure occurs on a daily basis. However, there can be no assurance that such hedging will be effective in protecting the Group from such risk.

Notwithstanding the Group's relatively conservative investment strategy and its approach to risk management, any credit default risk resulting in the loss of all or part of the cash flow generated by the Group's investment assets could have a direct, immediate and materially adverse impact on the value of the Group's investment portfolio and on the income and returns that the Group expects to realise on such investments. If the investments held by the Group are subject to defaults or rating downgrades, this may have a material adverse impact on the Group's business, results of operations and financial position.

***The Group enters into reinsurance treaties, agreements, investments and hedging contracts with a range of counterparties. Any failure by those counterparties to meet their obligations to the Group could have a material adverse effect on the Group's business, results of operations and financial position***

The Group enters into longevity reinsurance transactions in respect of its longevity-related liabilities. The Group is therefore exposed to the failure of the counterparties to the arrangements. Should there be a default or other failure by any reinsurance counterparty to meet its obligations to the Group, the Group's ability to meet its own obligations to the relevant policyholders may be affected. This could have a material adverse impact on the Group's business, results of operations and financial position. The Group's largest reinsurance-related exposures are to Pacific Life Re, the Prudential Financial Group, the Royal Bank of Canada, SCOR Global Life SE (currently indirectly as a consequence of the PACL Reinsurance Transaction), Hannover Re, Challenger, MassMutual and Reinsurance Group of America, Inc. A failure of one of these reinsurers in particular could have a material adverse effect on the Group's business, results of operations and financial position.

The Group also utilises over-the-counter derivative transactions to manage risks across its portfolio, for example, the purchase of credit protection on bonds held in negative basis packages, foreign exchange rate hedging contracts, interest rate hedging contracts, inflation delta hedging contracts and inflation volatility risk hedging contracts. The Group is therefore exposed to counterparty risk through the potential failure of one of these counterparties. A default by a hedging counterparty could have an adverse effect on the Group's business, results of operations and financial position.

***Credit spread volatility may adversely affect the net unrealised value of the Group's investment portfolio***

Credit spreads and credit ratings are sensitive to many factors, including changes in tax policy or legislation, regulatory requirements, changes in governmental policies, domestic and international economic and political considerations, inflationary factors, fiscal deficits, default on fixed income securities and other factors beyond the Group's control.

Any widening of credit spreads or credit rating downgrades will generally reduce the value of fixed income securities (generally or specifically), which could have a material adverse effect on the Group's regulatory capital position and may result in the Group being required to divest a portion of some of its investments in order to meet its liabilities. Credit spread tightening will generally increase the value of fixed income securities and credit rating upgrades the value of the affected securities. In the event that credit spreads widen in anticipation of a default, reduction in the value of the Group's assets may not correspond to an equivalent reduction in the value of the Group's liabilities.

***Challenging conditions in the capital and credit markets may significantly impact the Group's ability to meet its liquidity needs***

The Group needs liquidity in order to fund its insurance operations, as well as to meet policyholder claims and operating expenses. The Group relies on its holdings of liquid assets, investment income and premiums to meet its liquidity requirements. A lack of liquidity may prevent the Group from being able to pay its annuity obligations to policyholders as amounts fall due and also may limit the Group's ability to satisfy collateral calls as they arise under arrangements where a member of the Group has provided security to a counterparty. Difficult market conditions may reduce the availability of such liquidity sources, which could limit the ability of the Group to continue as a going concern or write new business and/or, in extreme circumstances, impact upon the Group's ability to meet its other obligations to policyholders and third parties as they arise.

The liquidity position of the Group is continually monitored. While a cash liquidity buffer exists, ongoing monitoring also allows mitigating actions to be taken at an early stage. The Group assumes conservative instantaneous market shocks to its liquidity position within certain parameters and measures the value of assets held which may be used to satisfy collateral posting requirements and also movements in the value of derivatives which may require collateral to be posted to derivative counterparties. In the event of an illiquid market, the Group may need to seek additional financing in order to meet its short-term cash flow requirements as they fall due. Depending on the availability of credit and/or the ease with which the Group can access other forms of financing (such as the debt capital markets), the Group may have difficulty in obtaining the necessary capital required to operate its business and may have to realise its investments at a reduced value. The Group seeks to mitigate liquidity risk by dedicating sufficient investment resources to liquid assets that would allow it to meet its short-term liabilities. Liquidity risk is not considered to be a major risk for the Group and is likely to affect the Group only in the event of extremely challenging market conditions.

In addition, large short-term cash flow requirements may arise from collateral calls generated by the Group's portfolio of hedging instruments such as interest rate swaps, inflation rate swaps and foreign exchange contracts. Although the Group seeks to ensure that it has adequate collateral arrangements in place to support such transactions, there can be no assurance that these arrangements will always be sufficient, particularly in times of severe market volatility.

***Sourcing illiquid, bespoke, secured or collateralised assets may prove difficult in the future and investing in such assets may expose the Group and/or its subsidiaries to liquidity and regulatory risks***

Part of the Group's conservative investment strategy is to invest in low-risk assets that benefit from collateral, hedging arrangements or other security and extract value from the illiquidity that is associated with the types of assets. Approximately one-third of the Group's investment portfolio is or is planned to be invested in secured lending against property or other collateral. The majority of these investments are bespoke, with high levels of collateral, and returns are generated through illiquidity premiums. The Group makes asset investment decisions with an objective of ensuring that projected returns that can be generated from assets are secure and sustainable for the term of the policyholder reserves. When acquiring such assets, the Group seeks to minimise potential losses from any potential default in relation to such assets through physical or structural security or through implied or explicit sovereign support. Such assets are difficult to source because of their bespoke nature and

because of regulatory constraints, notably the requirements that an asset needs to meet to be held in the matching adjustment fund and the treatment for capital purposes. Changes in applicable legislation and regulations may also affect whether the Group's current and future investment portfolio satisfies its prescribed SCR.

***Changes in interest rates, inflation and foreign exchange rates may adversely affect the value of the Group's assets and liabilities***

*Interest rates*

The Group invests in fixed income securities in order to support its annuity obligations to policyholders. Interest rate exposure therefore arises due to movements in future expectations of interest rates. The Group's solvency balance sheet is more sensitive to interest rate movements than its IFRS balance sheet. Interest rates are sensitive to many factors and fluctuations in interest rates in particular affect the returns that the Group may earn on fixed interest investments or other interest rate sensitive investments. Increases or decreases in interest rates affect the market values of the fixed income securities that the Group holds. Interest rate risk arises primarily where assets and liabilities do not respond to interest rate movements in the same way and, as noted above, it is not possible to match assets and liabilities on both a solvency and an IFRS basis. There is therefore a risk that the market value of the Group's assets is not sufficient to meet the present value of its insurance obligations or the Group's SCR, which would have a material adverse impact on the Group's business, results of operations and financial position.

As noted above, the Group hedges its liability, cash flows and exposure to interest rate risk, allowing for netting across its investment assets and insurance liabilities, by entering into a portfolio of interest rate swaps. The portfolio is constructed by analysing the sensitivity of all investment assets and insurance liabilities to movements in each of the underlying market instruments. A portfolio of interest rate swaps can then be constructed which replicates these sensitivities. Monitoring and re-hedging of the Group's exposure to interest rate swaps occur on a daily basis, and done as per the Group's risk management policy to within both IFRS and Solvency II-based tolerance metrics. However, there can be no assurance that such hedging will be effective in protecting the Group from such risk.

The Group seeks to meet cash outflows with respect to its liabilities with the cash flows and proceeds generated from its assets. As interest rates decrease or continue to remain at low levels, and investments held by the Group reach maturity, the Group may be required to reinvest the proceeds of these matured investments at lower yields, which could impact the Group's business, results of operations and financial position and particularly its capital position.

*Inflation*

A proportion of the Group's annuity payments are linked to published consumer and retail price indices and may be subject to caps and floors. In addition, the Group and its subsidiaries' expenses are likely to increase with some measure of inflation. Inflation, as measured by reference to such consumer and retail price indices, is therefore a continuing risk for the Group and its subsidiaries. Although some of the Group's liabilities are protected from inflation rises, inflation risk typically arises where the Group's assets and liabilities are mismatched. There is therefore a risk that movements in inflation rates (or future expectations in relation thereto) may result in the market value of the Group's assets being insufficient to meet the present value of its annuity obligations or the Group's SCR, which would have a material adverse impact on the Group's business, results of operations and financial position. In addition, a sustained fall in inflation and move to a deflationary environment may have a material adverse impact on the valuation of certain of the Group's assets and liabilities.

The Group hedges its liability, cash flows and net exposure to inflation risk by analysing the sensitivity of all investment assets and insurance liabilities to the movements in each of the underlying market instruments and constructing a portfolio of inflation rate swaps that replicate these sensitivities. Monitoring and re-hedging of



the Group's inflation risk occur on a daily basis. However, the Group's IFRS and solvency balance sheets exhibit different sensitivities to inflation. There can therefore be no assurance that such hedging will be effective in protecting the Group from risks associated with its exposure to changing inflation.

#### *Foreign exchange rates*

The Group principally operates in the UK and its assets and liabilities are primarily denominated in sterling. However, a small proportion of the Group's insurance obligations and around a third of its investments are denominated in other currencies such as Euros and U.S. dollars. Foreign exchange rate fluctuations could affect the value of the Group's investment assets and cash flows. Foreign exchange rate exposure relating to the translation of reported earnings could impact on the Group's financial reporting ratios, gearing ratios and surplus capital position for regulatory reporting purposes.

The Group seeks to hedge its liability, cash flows and net exposure to changes in foreign exchange rates by entering into a portfolio of exchange rate swaps which also match the term of its exposure. The portfolio is constructed by analysing the sensitivity of all investment assets and insurance liabilities to movements in the exchange rates between sterling and each of the currencies to which the Group is exposed. Monitoring and re-hedging of the Group's exposure to changes in foreign exchange rates occur on a daily basis. However, there can be no assurance that such hedging will be effective in protecting the Group from risks associated with the Group's foreign exchange rate exposure.

#### ***Failure by the Group appropriately to hedge its liabilities in relation to buy-in or buy-out transactions or other annuity transactions could adversely impact the Group***

In circumstances where the Group quotes pricing for a buy-in or buy-out transaction and such pricing is made available for acceptance for a defined period but the Group has not entered into hedging contracts in relation to the interest rate and inflation assumptions on which such pricing quotes are based, there is a risk that the Group may not be able to enter into appropriate hedging arrangements (or would not be able to do so at a reasonable cost) following the execution of the buy-in or buy-out transaction. The Group is further exposed more generally to execution risk in respect of hedging transactions entered into after the completion of buy-in and buy-out transactions and in respect of future replacements or renewals of such hedging arrangements. Failure by the Group adequately to hedge its liabilities could have a material impact on the Group's business, results of operations and financial position.

#### ***Events leading to a negative perception of the financial services sector as a whole could adversely affect the Group's perceived creditworthiness or credit rating as well as its business, results of operations and financial position***

The Group's perceived creditworthiness and credit rating is influenced by the perception and confidence of wholesale investors in relation to the UK insurance and the financial services sectors. Factors impacting this perception include the adverse performance of investment markets, actions by regulators against organisations operating in the UK financial services sector and shock events such as significant market failures. The Group seeks wherever practicable to mitigate the effects of these risks. The financial crisis, subsequent investment performance and the low interest rate environment, together with general perceptions of the robustness of insured financial institutions (for example, the perceptions of policyholders and their advisers), may also impact customer attitudes to long-term savings. Recent regulatory actions, for example, with regard to the sale of payment protection insurance and failure to uphold business interruption insurance claims arising from the impact of COVID-19, may also adversely impact perceptions of the value of insurance products and result in changes to the regulatory and legislative environment in which the Group operates, which could adversely affect the perceived creditworthiness or credit rating of the Group, as well as its business, results of operations and financial position.

***Any downgrade of the Group's and the Issuer's credit ratings could increase its borrowing cost and weaken its markets position.***

The Group and the Issuer are rated by Moody's Investors Service, Inc. ("Moody's") and Fitch. Any potential downgrade of the ratings provided by one or both of the rating agencies may be detrimental to the Group's business performance and prospects. Given the existing indebtedness in the Group, the Group is dependent on its ability to access the capital markets and its cost of borrowing in these markets is influenced by the credit ratings supplied by Fitch and Moody's. Any downgrading of the credit rating could increase the Group's borrowing cost and may weaken its position in the market. Changes in the methodology and criteria used by Fitch and/or Moody's could result in downgrades that do not reflect changes in general economic conditions or the financial condition of the Group. In addition, a sustained period of underperformance, operating with a high leverage position, maintaining an undercapitalised position over a prolonged period and other factors could all lead to a potential ratings downgrade. In addition, rating agencies sometimes elect to assign credit ratings to a group on an unsolicited basis. If any unsolicited ratings were to be assigned to the Group, a downgrade in, or withdrawal of, such ratings could increase the Group's borrowing cost and may weaken its position in the market, notwithstanding that such rating actions may be taken without any discussion with the Group and on the basis of information which may be outdated or incomplete.

***The Issuer does not have listed equity in issue and therefore has no ready access to the equity capital markets***

The Issuer does not have equity securities listed on a regulated market, nor does any other entity within the Group. The Group therefore does not have ready access to the equity capital markets.

The Shareholders (as defined in "Description of the Issuer and the Group") are under no obligation to contribute further equity to the Group or the Issuer or their subsidiaries. Without access to further equity, the Group's ability to write large volumes of new business is constrained and therefore the future business and financial prospects of the Group may potentially suffer.

The Issuer does have debt securities listed on a regulated market but there is no guarantee that the Group or the Issuer would be able to raise further debt.

**Operational and strategic risks relating to the Group's business**

***The Group's brand and reputation are of significant importance to its ability to attract clients and new business and any damage to that brand could have a material impact on the Group's business and profitability***

As the Group expands and grows its business, its brand is becoming more recognisable and its reputation as one of the leading providers in the market in which it operates is becoming widely known. The Group is one of the largest specialist annuity insurers in the UK. As a result, any damage to the Group's brand or reputation, or a decline in policyholder, trustee, client or counterparty confidence in the Group, could have a material adverse effect on the Group's business, results of operations and financial position.

Management considers that the management of reputational risk is critical to its business. The Group's success and results are, to a large extent, dependent on the Group's brand, as well as the reputation of the Group's board of directors (the "Board") and senior management team (particularly its key personnel). Integrity, client trust and policyholder trust and confidence are paramount to the Group's brand and reputation. Any adverse publicity (whether well founded or not) associated with the Group, its board of directors or senior management, as well as its customer service or product offering, could result in a loss of business. A material operational loss that is publicised and any adverse regulatory or legal actions impairing the Group's brand, or any adverse publicity or fines, or any credit rating downgrade, could damage the public image of the Group and its brand and negatively affect customer confidence in the Group. This may result in a loss of current business and a downturn in new

business volumes and sales, which could have a material adverse effect on the Group's business, results of operations and financial position.

***The Group and its subsidiaries are reliant on their internal and external systems, processes and controls (including information technology) and any failure of such systems, processes and controls could have a material adverse effect on the Group's business***

Operational risks are inherent throughout the Group's business. The Group and its subsidiaries are exposed to operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes and controls (including key outsourcing arrangements), systems, business disruptions, human error, negligence, fraud, external events and failure to attract, motivate and retain skilled personnel (in particular, key management personnel). In the near term, COVID-19 may adversely impact the operations of the Group or those of its business partners (see the risk factor titled "*The COVID-19 pandemic may adversely impact the Group*" above for further details).

The Group's business is dependent on processing a large number of transactions and is subject to a number of different legal and regulatory regimes. Further, because of the long-term nature of much of the Group's business, accurate records have to be maintained for significant periods. These factors, among other things, result in significant reliance on, and require significant investment in, information technology ("IT"), compliance and other operational systems, personnel and processes. In addition, the Group and its subsidiaries outsources several operations, including a significant part of its UK back-office and customer-facing functions as well as a number of IT functions, resulting in reliance upon the operational processing performance of its outsourcing partners.

The Group and its subsidiaries are heavily reliant on its operational systems, business resilience systems and IT capabilities to conduct its business. IT is key to a number of the functions within the Group's business, including calculating and measuring its capital requirements, taking into account its liabilities, assessing risk exposure, producing financial and management reports, processing and retaining data relating to the liabilities which it has underwritten and maintaining accurate data and records.

Although the Group and its subsidiaries' IT, compliance and other operational systems and processes incorporate controls designed to manage and mitigate the operational risks associated with their activities, there can be no assurance that such controls will always be effective. Although the Group and its subsidiaries have not experienced a material failure or breach in relation to its legacy and other IT systems and processes to date, they may in the future become subject to computer viruses, attempts at unauthorised access and cyber-security attacks. Any such issues may, among other things, compromise the Group's ability to monitor its position with respect to its investments, hedging, liabilities and capital position.

The Group and its subsidiaries' IT systems and processes, as with operational systems and processes generally, may be susceptible to failure or breaches. In the event of any damage, failure, harm to or interruption in the IT systems deployed in respect of these functions, whether as a result of human error, unauthorised usage, natural disasters or other matters outside the Group and/or its subsidiaries' control, such events could, among other things, harm the Group and/or its subsidiaries' ability to perform necessary business functions, result in the loss of confidential or proprietary data (exposing it to potential legal claims and regulatory sanctions) and damage its relationships with its business partners and customers. As a result, the Group's operations may be severely disrupted, or the Group may be subject to customer or counterparty complaints or litigation, and could incur significant costs which in turn could have a material adverse effect on the Group's profitability, results of operations and financial position. Similarly, any weakness in the Group's administration systems or actuarial reserving processes could have an impact on its results of operations during the effective period. Neither the Group nor its subsidiaries have experienced or identified any operational risks in their systems or processes during 2019, 2020 and 2021 to date, which have subsequently caused, or are expected to cause, a significant

negative impact on its results of operations. Although the Group and its subsidiaries have disaster recovery and business continuity plans in place, there is no guarantee that these plans will be sufficient in the event of a particular issue or disaster which the Group and/or its subsidiaries' systems, processes and controls are not equipped to deal with. Any material loss or damage to the information or data stored in the Group and/or its subsidiaries' systems could significantly impair the Group's ability to conduct its business and may have an adverse effect on the Group's results of operations and financial position.

***The Group collects, retains and maintains policyholder and defined benefit pension scheme information and data and any failure to protect such information could have a material adverse effect on the Group***

The Group is required to collect, process, retain and maintain certain information and data, including personal data. The collection, handling and retention of such data is subject to (i) the General Data Protection Regulation ("GDPR"), (ii) the GDPR as it forms part of the domestic law of the UK by virtue of the EUWA ("UK GDPR") and (iii) the Data Protection Act 2018 (the "DPA"). For more details, see the section headed "Regulatory Overview".

Failure by the Group or any of its third-party service providers to comply with the data protection requirements of the GDPR, the UK GDPR or the DPA could result in significant fines, censure or other action by the Information Commissioner, which could have a material impact on the Group's financial position. Any loss or unauthorised use or sharing of data held by the Group could also result in adverse publicity, which, as noted above, could affect the Group's business, results of operations and financial position.

In addition, the Group is exposed to the risk that the personal data it retains and controls could be wrongly accessed, distributed or used, whether by employees or third parties, or otherwise lost, disclosed or processed, in breach of the GDPR, the UK GDPR or the DPA. If the Group, or any of the third-party service providers on which it relies, fails to adequately process, store or protect such personal data in a secure manner, or if any theft or loss of personal data were to otherwise occur, the Group could be liable. This could result in adverse publicity for the Group, which could affect the Group's business, results of operations and financial position.

***The Group relies on the contributions of key individuals for the continued success of its business, the loss of which could have an impact on the Group's operations and profitability***

The Group's future success depends on the continued services and performance of certain key personnel and on its ability to attract, train, motivate and retain high-quality and highly skilled personnel. The Group and its subsidiaries substantially depend upon the continued services and performance of the senior management team and the board of directors. The Group and/or its subsidiaries have entered into employment contracts or letters of appointment with these key personnel. However, no assurance can be given that they will continue to be employed by, and provide services to, the Group or its subsidiaries. The loss of their services, whether through retirement or otherwise, could have a material adverse impact on the Group's business, results of operations and financial position.

The Group's future success also requires that it continues to have the ability to attract, motivate, train and retain a growing team of employees of suitable skill and experience in all areas of the Group's business. The Group may in future be unable to attract, motivate and retain such people. The Group's continued success and profitability depends on its ability not only to attract and retain increasing numbers of staff, but also to dedicate sufficient resources to their training and professional development.

***The Group relies on various third-party service providers to which it outsources key functions and services. Any loss of, or any negative financial consequences arising in connection with, the provision of these functions or services could have a material impact on the Group's business***

The Group outsources certain activities to third parties and its outsourcing partners, including, among others:

- Northern Trust for its back-office and certain operational and risk management systems and SunGard who provide business continuity services;
- JLT Employee Benefits, Capita Employee Services and Willis Towers Watson who each provide individual policyholder and group pension administration services in respect of defined liability pension obligations;

In addition, in connection with Goldman Sachs' original divestment of 64 per cent. of the Group to the Blackstone Shareholders, the GIC Shareholder and the MassMutual Shareholder in 2013, and its subsequent full divestment at the end of 2017 (see the section headed "*Description of the Issuer and the Group – History and Ownership of the Group*"), the Group has been undertaking a project to separate the Group's systems and process support from those of Goldman Sachs International. The separation project is ongoing and in the interim the Group has a long-term licence to use the Goldman Sachs system and IT architecture. As a result, Goldman Sachs International continues to provide certain systems and process support to the Group, pursuant to the terms of an arm's length transitional services agreement. The migration of the Group's systems and processes from Goldman Sachs International presents a number of operational and performance risks to the Group should technical issues arise that prevent or significantly delay the effective transfer of these systems.

The Group and its subsidiaries are therefore reliant upon the services and operational processing performance of these third parties and other outsourcing partners, but the Group remains fully responsible for discharging all of its outsourced obligations pursuant to the regulatory system prescribed by, among other things, the requirements of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("**SYSC**"), the GDPR and the DPA. The Group takes care to supervise the performance of any outsourced functions, including the Group's obligations to protect the confidential information and personal data of its policyholders. Failure by the Group to comply with its outsourcing obligations may result in a breach of the relevant rules or legislation and could give rise to criminal or civil liability and other enforcement action, as well as reputational damage.

In addition, if the services provided by such third parties or outsourcing partners were to prove to be insufficient or inadequate, result in financial losses or cease to provide services for any reason, or issues were to arise that would prevent or significantly delay the effective transfer of the Group's systems and processes from Goldman Sachs International, this could have a material adverse effect on the Group's business, results of operations and financial position. There is also a risk that the performance by the Group of any outsourced regulatory obligations may be negatively affected following the failure of, or a significant degradation in service received from, such third parties or outsourcing partners (for example, in relation to the provision of information to policyholders). The Group is also susceptible to risks associated with the potential financial instability of such third parties or outsourcing partners. The Group's risk management activities and high-value functions are managed internally in order to mitigate this risk and to ensure the direct oversight of key functions and of third-party service providers.

This risk factor should not be taken as implying that the Group considers that the Issuer (i) will be unable to comply with its obligations as an authorised firm regulated by the FCA and the PRA, or (ii) will be unable to comply with its obligations as an applicant proposing to have the Notes admitted to the Official List of Euronext Dublin and to trading on the GEM.

**Legal and regulatory risks relating to the Group’s business (including those relating to standards of accounting and taxation)**

***A change of law or regulation or changes in the interpretation or operation of existing legislation, regulation or policies may adversely affect the Group’s business, results of operations and financial position***

The Group is subject to financial regulation in the UK and the UK regulatory framework that applies to life insurance companies. The Issuer is authorised by the PRA and regulated by the PRA and the FCA. The PRA has responsibility for the prudential regulation of insurers and the FCA has responsibility for the regulation of conduct of business.

As the regulatory approach of the PRA and FCA evolves, there may be future changes to the nature of, or policies for, prudential regulation and conduct of business supervision, which could lead to a period of uncertainty for the Group. Such change can come in the form of a change in law or regulation. For example, (i) Solvency II (which became effective on 1 January 2016 and forms part of retained EU law in the United Kingdom) increased the capital requirements on the Issuer and led to constraints on investments and (ii) the GDPR as it forms part of domestic law by virtue of the EUWA which became effective on 25 May 2018 and which increased the territorial scope of the existing EU data protection framework and imposes stronger sanctions on those who breach it, amongst other things.

HM Treasury announced in June 2020 that it would review certain features of the UK Solvency II regime to ensure that it is properly tailored to the UK insurance sector following the UK’s withdrawal from the EU. HM Treasury published a Call for Evidence in October 2020 to seek views on how this could be achieved and this has been followed, in June 2021, with the PRA announcing a Review of Solvency II Quantitative Impact Study (“QIS”) to assist in the analysis of potential reform options, with responses requested by 20 October 2021. The QIS covers three main areas, namely (i) the calculation of the Matching Adjustment, (ii) Risk Margin; and (iii) Transitional Measure on Technical Provisions. In the context of these developments, it is likely that UK regulatory policy will further evolve under the UK Solvency II regime. This may affect the regulatory requirements that apply to the Group, including in respect of regulatory capital, which may in turn have a material effect on the business of the Group.

No assurance can be given about the likelihood of further changes to the regulatory regime. Any such changes may have a material adverse effect on the Group (in particular, the Issuer), its strategy and profitability, and therefore on the Group’s business, results of operations and financial position. The Group maintains ongoing dialogue with the relevant regulators and industry bodies in order to ensure ongoing compliance and the ability to react quickly to any unanticipated changes.

The regulation of sectors in which the Group invests may also change. For example, the Group has material exposure to loans secured on ground rents which may be adversely impacted by proposed leasehold reform. The Group also has material exposure to loans to social housing companies and equity release mortgages.

Whilst the Group believes that it can continue to service its customers situated in member states of the European Union, it is possible that arrangements change and that the Issuer’s ability to operate such policies will be impaired. See also “*Geopolitical issues affecting the UK more generally may have an adverse impact on the Group*” and “*The Group’s business is concentrated in the UK and is exposed to events affecting the UK*”.

The Issuer is required to obtain and maintain certain permissions from the PRA and the FCA and to comply with various rules and regulations in order to conduct the Group’s insurance business lawfully in the UK. For more details about the regulatory environment within which the Issuer operates, please see the section headed “*Regulatory Overview*”. Failure to comply with any regulatory requirements may result in the PRA and/or the FCA taking action against the Group (in particular, the Issuer), which could include imposing fines or sanctions

or limiting or revoking the necessary permissions. Such action may also result in the Group being unable to carry on its insurance business and therefore may adversely affect the Group's business, results of operations and financial position.

***The Group is subject to evolving regimes governing the recovery, resolution or restructuring of insurance companies***

The Group is subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear how in future this might affect the Group.

As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally. Recovery and resolution reforms for banks in the UK and EEA now provide regulators with the power, as part of wider resolution tools, to write down indebtedness or to convert that indebtedness to capital (known as “**bail-in**”), as well as other resolution powers. Similar regimes may be introduced in the UK and the EEA for insurance groups. On 22 September 2021, the European Commission published a proposal for an EU Directive establishing a framework for the recovery and resolution of insurance and reinsurance undertakings. No firm proposals have yet been published in the United Kingdom. However, in May 2021, HM Treasury published a consultation entitled “*Amendments to the Insolvency Arrangements for Insurers*”. Among other proposed changes, it proposes enhancing the court's current power to write-down the value of an insurer's contracts and the introduction of a statutory moratorium on certain contractual termination rights in both service contracts and financial contracts. In the consultation paper, HM Treasury noted that it is “*actively engaging with the Bank of England to develop a proposal for the introduction of a specific resolution regime for insurers aligned with internationally agreed standards and best practice, and intends to set out further detail in due course*”, and that the proposals being consulted on are not intended to pre-empt the consideration of a specific resolution regime.

It therefore remains unclear to what extent any future recovery and resolution regime could apply to the Group in the future and, consequently, what the implications of such a development would be for the Group and its creditors, including the Noteholders.

***Individual and groups of customers may refer their disputes with the Group to the Financial Ombudsman Service***

Disputes relating to the sale or servicing of financial services products by the Group in the United Kingdom are subject to the FOS regime. The FOS exists to resolve disputes involving individual policyholders.

From time to time, decisions taken by the FOS (or, in certain circumstances, the Pensions Regulator) may, if extended to a particular class or grouping of policyholders, have a material adverse effect on the Group's business, results, financial condition and prospects.

***The Group is required to comply with capital adequacy requirements and failure to do so could have a material adverse effect on the Group's business***

The Group is required to maintain reserves of assets to match its best estimate of its liabilities under the policies written as well as a prudent risk margin. The excess of assets over technical liabilities is called “Own Funds”, with specific rules about what types of asset are eligible and the proportion of Own Funds that each type of eligible asset may represent. The Group is also required to maintain sufficient Own Funds to meet its SCR under the Solvency II regime under the standard formula.

The Group is in the process of developing a full internal model to calculate the SCR. The model may lead to an increase or a decrease in the size of the total SCR, but the development is still ongoing.

The Group maintains capital at target levels over and above a Group SCR, in accordance with its stated risk appetite. If the Group's excess over SCR is below these target levels, discretionary payments outside of the Group could continue to be made. However, the Board would need to consider the circumstances leading to the shortfall, the expected timeline for restoring the Group's solvency capital to the target levels, as well as implications for other key financial metrics. In terms of management's policy for maintaining coverage, there is a formal target at the Group and the Issuer level to maintain a coverage of at least 130 per cent. of the regulatory minimum SCR.

The Group is currently permitted to apply a "matching adjustment" to certain long-term liabilities that are closely matched by an assigned matching adjustment portfolio of assets of equivalent nature, term and currency ("**Matching Adjustment**"). This Matching Adjustment reduces the best estimate of the liabilities and partially mitigates the sensitivity of the balance sheet to changes in the market prices of assets held in the matching adjustment fund. The Matching Adjustment is subject to strict criteria and ongoing compliance in relation to maintenance of close matching, asset and liability characteristics and segregation of the management of the assigned matching adjustment portfolio. The Group has permission from the PRA to apply the Matching Adjustment in respect of most of its liabilities and, although the Issuer is not aware of any current matters or circumstances that might reasonably be expected to result in the withdrawal of permission to use the Matching Adjustment, this may change in the future.

The Group has also been granted use of transitional solvency relief. The benefit of the transitional provisions will be phased out over a 16 year period from 1 January 2016 and there is some uncertainty over the way in which it may be calculated in the future. While the Issuer (and therefore, the Group) is currently able to meet its SCR, changes in legislation, regulation, regulatory requirements or market conditions may result in the Issuer being unable to do so in the future. This could lead to the PRA limiting or revoking the permissions which the Issuer requires in order to carry out insurance business, which could materially impact the Group's business, results of operations and financial position.

In relation to the liabilities that the Issuer has reinsured under the outstanding PACL Reinsurance Transaction and certain defined benefit pension schemes which the Issuer has insured by way of buy-in transactions only, an adverse event which results in a significant deterioration in the Issuer's solvency could result in the Issuer's counterparty having the right to recapture the relevant assets and liabilities. The Issuer may in the future enter into new reinsurance or buy-in insurance policies where a defined benefit pension scheme trustee's (or other counterparty's) recapture right is a feature of the policy. Such recapture could have an adverse effect on the Group's business, results of operations and financial position.

***The Group is subject to the FCA's TCF principles, which are central to the FCA's regulatory approach***

There is a clear focus in the UK on the fair treatment of customers, in particular on the way in which the insurance industry sells and administers insurance policies and other products. This aligns with the FCA's operational objective, as established by FSMA, to secure the appropriate degree of protection for consumers. The FCA's treating customers fairly ("**TCF**") regime was originally implemented by its forerunner, the Financial Services Authority ("**FSA**"). It requires the Group to have due regard to the interests of its customers in the conduct of its business, with an overriding requirement to treat them fairly. This requirement exists alongside other, more specific, rules contained in the prudential regime and is increasingly being seen by the FCA and authorised insurance companies as governing all aspects of an insurance company's dealings with its customers. The meaning of the duty has not been defined beyond the ordinary English meaning of the word "fair", although the FCA has published examples of what in its view constitutes fair treatment in a series of case studies.

The FCA's regulatory approach is also underpinned by a strong conduct risk agenda. In particular, the FCA has made clear that it is determined to create a culture of good conduct at every level of the financial services



industry to make markets work well and to produce a fair deal for customers. The FCA therefore expects all firms to have a strong conduct risk framework in place to facilitate a culture that delivers good outcomes both for consumers and the market as a whole.

The FCA's key aim in relation to conduct risk is to ensure that firms do the right thing for their customers while keeping them, and the integrity of the markets in which they operate, at the heart of everything that they do. Firms should seek to promote good behaviour across all aspects of their organisation and to develop a culture in which it is clear that there is no room for misconduct.

Any determination by the FCA that the Group is failing to respect, and pay due regard to, the interests of its policyholders could lead to enforcement action against the Group, which could have a material adverse effect on the Group's reputation and therefore its business, results of operations and financial position. The Group has a Customer and Conduct Committee (chaired by a Non-Executive Director) in place to monitor such risks and ensure they are escalated to the appropriate personnel within the Group. The chief financial officer, chief operation officer, general counsel and chief compliance officer all sit on this committee.

***The Group is subject to competition and consumer protection legislation, a failure to comply with which could result in the imposition of fines or sanctions on the Group or a requirement to make significant changes to the Group's business model***

The Group is required to comply with competition laws and regulations, including those relating to consumer protection (such as consumer credit), enforced by the UK Competition and Markets Authority (the "CMA"), the FCA and the European Commission. The competition laws and regulations applicable to the Group relate to matters such as price fixing, collusion and other forms of anti-competitive behaviour. The FCA is also concerned with the promotion of competition in the UK.

A determination that the Group has failed to comply with any applicable laws and/or regulations relating to matters of competition or consumer protection, or any regulatory action in respect thereof, could result in fines and losses, as well as adverse publicity for the Group. This could have a material impact on the Group's reputation as well as its business, results of operations and financial position.

***The resolution of several issues affecting the financial services industry could have a negative impact on the Group's reported results or on its relations with current and potential customers***

The Group and its subsidiaries are, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business, both in the UK and internationally. These actions could involve a review of types of business sold in the past under acceptable market practices at the time, changes to the applicable tax regimes, and regulatory reviews on transactions, the Group's products and industry practices. Although such actions cannot be predicted, the results of such reviews could result in adverse publicity, as well as impact the Group's business, results of operations and financial position.

***Changes to tax legislation could materially impact the Group's business and/or decisions of customers***

The Group is currently in the process of negotiating an advanced pricing agreement with the UK and United States tax authorities in relation to Rothesay Asset Management US, the outcome of which is uncertain and this may affect the Group's financial position or future investment strategy. Corporate and individual tax rules, including those relating to the insurance industry, and international tax treaties are subject to change and any changes could have both a prospective and retrospective impact on the Group's business, results of operations and financial position. The introduction of new tax legislation, or amendments to existing tax rules or rates (individual or corporate) or international tax treaties, could materially impact the Group's business and the choices policyholders make with respect to the nature of their relationship with the Group and/or the Group's policies. Although the implications of any future changes in tax legislation, rules or treaties for the Group, and its subsidiaries and/or policyholders cannot be predicted, specific changes to the taxation of insurance

companies could have a material adverse effect on the Group's business, results of operations and financial position. In addition, significant tax disputes with tax authorities, and any change in the tax status of any member of the Group and/or their subsidiaries, or in taxation legislation or its scope or interpretation, could affect the Group's financial position and results of operations.

***Changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group***

Group companies currently do not pay significant amounts of value added tax chargeable under or pursuant to the Value Added Tax Act 1994 or the EU Directive 2006/112/EC on the common system of value added tax and any other sales, purchase or turnover tax of a similar nature, whether imposed in the United Kingdom or elsewhere ("VAT") in respect of services they receive under their outsourced services agreements for policy administration. If the amount of VAT payable were to increase then this would increase the Group's costs to the extent that the relevant agreements did not contain adequate protection against VAT being charged or increased. VAT charged on goods and services is largely irrecoverable for financial services groups such as the Group. Services supplied under the outsourced services agreements are largely exempt from VAT under the United Kingdom's insurance intermediaries' exemption. The Court of Justice of the European Union (the "CJEU") has considered the scope of the insurance intermediaries' exemption in a number of cases, most recently in March 2016, and ruled that certain types of outsourced insurance services were subject to VAT. The United Kingdom's interpretation of the insurance intermediaries' exemption is out of step with these judgments. However, the United Kingdom government has historically been supportive of a wider exemption. It remains to be seen how the impact from Brexit will affect this view. If any such changes are effected, this may lead to the conclusion that certain services under the Group's outsourced services agreements for policy administration would be treated as subject to VAT. Although certain of the outsourced services agreements have a measure of protection against such changes, since VAT is largely irrecoverable by the Group, such treatment could have a material adverse effect on the Group's business, results, financial condition and prospects.

***Changes to IFRS generally or specifically for insurance companies may have an adverse impact on the Group's business***

Any changes or modification of IFRS or other accounting policies may require a change in the reporting of the Group's future results or a retrospective adjustment of reported results. For example, IFRS 17, the International Financial Reporting Standard covering accounting for insurance contracts is expected to significantly change the way in which insurance contract liabilities are presented and reported. Adoption of the standard is currently proposed to be effective from 1 January 2023 and is likely to mean that profit arising from writing new annuity business emerges much more slowly than under the current standard. This in turn will have a material impact on the Group's balance sheet and future results and may also potentially impact on activity such as the payment of dividends and payment of interest on the Notes.

It is not clear how the change to insurance company reporting will be interpreted by investors, rating agencies and other stakeholders nor how it will impact the timing and amount of corporation tax.

***The Group and/or its subsidiaries may be subject to litigation, legal proceedings and/or regulatory investigations in the future (including investigation and intervention by the FCA and/or the PRA), which could have a material adverse effect on its business and results of operations***

Since the financial crisis, the PRA and the FCA have increased their oversight of regulated and authorised entities and have adopted a more direct style of regulation, which means that PRA-authorised entities, and PRA and/or FCA regulated firms, including the Issuer, are facing increasing supervisory scrutiny. The PRA and the FCA have the power to take a range of investigative, disciplinary and enforcement actions, penalties for which can include public censure, restitution, fines and sanctions. The PRA and the FCA may also make enquiries of the firms which they regulate and require such firms to provide particular information or documents to them.

The PRA and the FCA may take such action or make such enquiries in relation to aspects of the Group or its subsidiaries' business and operations, including its systems and controls, IT systems, capital requirements, outsourcing functions and permitted investments. Regulatory action may be specific to individuals, the Group, its subsidiaries, or part of more general action in respect of firms that operate in the insurance or financial services industry. The Group maintains regular dialogue with its regulators to ensure compliance with applicable regulatory standards. The Group, via regular dialogue/meetings, operates in an open and cooperative manner with both the PRA and FCA at all times. In the normal course of its business, the Group is engaged in discussions with the PRA and FCA in relation to a range of business matters. There are currently no issues of material regulatory concern under discussion.

The Group and/or its subsidiaries, in line with all other regulated firms, may in the future be subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance, investment management and other business operations. These legal actions, disputes and investigations may relate to aspects of business and operations that are specific to the Group or its subsidiaries, or that are common to companies that operate in its markets. Legal actions and disputes may arise under contracts, legislation and regulations (including tax) or from a course of conduct taken by the Group or its subsidiaries, and may be class actions. Although management considers that it has made appropriate provision for the costs of litigation and regulatory matters, without prejudice to the statement at paragraph 16 of the section "*General Information*", no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought by claimants or regulators, together with other sanctions that might be applicable and the inherent unpredictability of litigation and disputes, it is possible that an outcome could, from time to time, have an adverse effect on the Group's reputation, business, results of operations or financial position. However, it is not possible to predict the significance of any proceedings that may be brought against, or any investigations that may be conducted into, the Group or its subsidiaries, nor is it possible to predict with any degree of precision the financial impact of a successful claim, fine or penalty to which the Group or its subsidiaries may become subject. While management considers that its systems, controls and operations are compliant with applicable regulations, given the growth of the Group's business since it was established, there is a risk that one or more regulators could consider that the Group or any of its subsidiaries have failed to fully comply with all relevant regulatory requirements or has not undertaken the appropriate corrective action required.

## **Risks relating to the Notes**

### **Risks relating to the Structure of the Notes**

#### ***The Issuer's obligations under the Notes are subordinated***

The Issuer's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves.

The rights and claims of the Noteholders (and the Trustee on their behalf) will be subordinated to the claims of Senior Creditors (as defined in the Conditions) in that if at any time prior to the occurrence of a Trigger Event an Issuer Winding-Up occurs, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, throughout such Issuer Winding-Up, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in the Issuer Winding-Up to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the Issuer Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors, on the

assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Issuer Winding-Up were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

Furthermore, by acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived any right of set-off, compensation or retention that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes or the Trust Deed.

Accordingly, if the Issuer becomes subject to insolvency proceedings and has obligations to creditors that rank senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In the case of an insolvency of the Issuer, this may have a material adverse effect on the ability of Noteholders to recover amounts due under the Notes.

Although the Notes may potentially pay a higher rate of interest (subject always to the Issuer's right and, in certain circumstances, obligation to cancel interest payments under the Conditions) than comparable notes which are not subordinated, there is a significant risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent.

In addition, investors should be aware that, upon the occurrence of a Trigger Event (and unless the PRA waives Automatic Conversion in exceptional circumstances), the Notes will be subject to an Automatic Conversion, pursuant to which the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and cancelled in consideration for the issue and delivery of Conversion Shares (as defined in the Conditions and further described below). Following an Automatic Conversion, in the event of an Issuer Winding-Up, the claims of investors would be limited to claims in respect of the Conversion Shares delivered to them or to their order (or, in the event of failure of delivery of Conversion Shares as required by the Conditions, a claim as if those Conversion Shares had been so delivered). Such claim will be further subordinated to those claims which would apply in respect of the Notes prior to Automatic Conversion.

Therefore, there is a risk that Noteholders will lose the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Noteholders or of securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. See also "*Risks relating to the structure of the Notes - Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes*".

***Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes***

The Notes are being issued for capital adequacy-related regulatory purposes with the intention and purpose of being eligible as restricted tier 1 capital of the Issuer and the Insurance Group under Solvency II. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions.

One of these relates to the ability of the liability represented by the Notes to be permanently released in consideration of the issue of non-voting Conversion Shares upon a Trigger Event occurring. A Trigger Event will occur if the Issuer determines at any time that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement or (iii) a breach of the Solvency Capital Requirement has occurred and such

breach has not been remedied within a period of three months from the date on which the breach was first observed.

Under the terms of the Notes, if at any time a Trigger Event occurs, all accrued and unpaid interest will be cancelled irrevocably and (unless the PRA waives conversion in exceptional circumstances as provided in the Conditions) the Issuer's obligation to repay the full principal amount outstanding of each Note shall be irrevocably released and cancelled in consideration of the issue of Conversion Shares. In such circumstances, the Noteholders will have no rights against the Issuer with respect to repayment of the principal amount of the Notes or any part thereof, the payment of any interest for any period or any other amounts arising under or in connection with the Notes and/or the Trust Deed, whether in an Issuer Winding-Up or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of, or interest on, the Notes at any time.

Although the value of any Conversion Shares received by Noteholders may vary over time, the value of any Conversion Shares is expected to be significantly less than the Conversion Price. The Conversion Price is initially set at U.S.\$1,000 per Conversion Share, which is considerably higher than the value of an Ordinary Share as at the date of this Information Memorandum, and is subject to only limited anti-dilution protections. A Conversion Price that is higher than the value of a Conversion Share will represent a loss for Noteholders, since (through Automatic Conversion) they will obtain beneficial interests in Conversion Shares at a higher price than the price at which they may be able to sell their interests in such Conversion Shares (if they are able to find a buyer).

Furthermore, the class of Ordinary Shares of which the Conversion Shares are expected to form part of are not currently in issue and are not expected upon issue to be listed or traded. It is highly likely that there will be no established market or trading in the Ordinary Shares at the time of any Automatic Conversion of the Notes or at any time thereafter, which may make it difficult for holders of Conversion Shares to sell their interests.

Accordingly, if an Automatic Conversion occurs, holders of the Notes will lose all or part (which may be substantially all) of the value of their investment in the Notes. Following an Automatic Conversion, Noteholders will receive only the Conversion Shares.

The Automatic Conversion may occur irrespective of whether the Issuer has sufficient assets available to settle the claims of the Noteholders of the Notes or other securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. As a result, Noteholders may have no claim for principal in the event of an Issuer Winding-Up, even though other securities that rank equally in priority may continue to have such a claim and the Issuer may have sufficient assets to satisfy the claims of Noteholders of other subordinated debt of the Issuer.

Any actual or perceived increased likelihood of an Automatic Conversion occurring, including any deterioration in the solvency ratios of the Issuer, may adversely affect the market value of the Notes and could result in increased volatility and/or reduced liquidity in the market (if any) for the Notes.

***The occurrence of the Trigger Event may depend on factors outside of the Issuer's control***

A Trigger Event shall occur if the Issuer determines at any time that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

The occurrence of a Trigger Event and, therefore, Automatic Conversion is to some extent unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control, including actions that the Issuer is required to take at the direction of the PRA and regulatory changes. Accordingly, the trading

behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Any indication or perceived indication that the Issuer or the Group may be at risk of failing to meet its Solvency Capital Requirement or Minimum Capital Requirement may have an adverse effect on the market price and liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily (if at all) or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities.

Investors will not be able to monitor whether or not the Issuer will meet its Solvency Capital Requirement or Minimum Capital Requirement on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled.

***Changes to Solvency II may increase the risk of the occurrence of a Trigger Event, cancellation of interest payments, suspension of any redemption of the Notes or the occurrence of a Capital Disqualification Event***

Solvency II requirements adopted in the United Kingdom, whether as a result of further changes to Solvency II or changes to the way in which the PRA interprets and applies these requirements to the United Kingdom insurance industry, may change. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Issuer's or the Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement, and such changes may make the Issuer's or the Insurance Group's regulatory capital requirements more onerous. Such changes that may occur in the application of Solvency II in the United Kingdom subsequent to the date of this Information Memorandum and/or any subsequent changes to such rules and other variables may individually and/or in aggregate negatively affect the calculation of the Issuer's or the Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement and thus increase the risk of cancellation of interest payments, the suspension of any redemption of the Notes or a Trigger Event occurring, which will lead to an Automatic Conversion, as a result of which a Noteholder could lose all or part of the value of its investment in the Notes. Conversely, such changes may increase the risk of the occurrence of a Capital Disqualification Event (and increase the risk of redemption of the Notes by the Issuer).

***Prior to the Conversion Shares Delivery Date, Noteholders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares***

Any pecuniary and other rights with respect to Conversion Shares, in particular the entitlement to dividends shall only arise and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Conversion Shares Delivery Date to the Conversion Shares Depositary (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under Condition 6. Prior to such issuance, registration and delivery, Noteholders will be subject to all changes made with respect to the Issuer's ordinary shares.

***Noteholders will have to comply with certain procedures to receive delivery of the Conversion Shares following an Automatic Conversion***

In order to obtain delivery of the relevant Conversion Shares following an Automatic Conversion, a Noteholder must comply with certain procedures previously notified to the Noteholders. Such procedures may include providing notices to the Conversion Shares Depositary and providing details of the clearing system account to which any Conversion Shares should be delivered. Any Noteholder taking such action after the cut-off date for such actions notified to the Noteholders will have to provide evidence of its entitlement to the relevant Conversion Shares satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Conversion Shares.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

***Noteholders may be subject to taxes following an Automatic Conversion***

Neither the Issuer nor any member of the Insurance Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

***The Conversion Price is fixed and will be subject to adjustment only in response to a limited number of events***

The value of any Conversion Shares which may be delivered upon an Automatic Conversion will be limited and as a result Noteholders are likely to lose substantially all of the value of their investment upon any such Automatic Conversion. Further, the Conversion Shares are not listed or traded and there is no trading market for them.

Subject to certain limited provisions set out in the Conditions, the Conversion Price is fixed. If the Issuer proposes any Adjustment Event (as defined in the Conditions) the Issuer shall (conditional upon such Adjustment Event occurring) appoint an Independent Adviser (as defined in the Conditions) to make any adjustment that such Independent Adviser determines, without regard to any pre-determined formula, is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders.

***Other capital instruments issued by the Issuer may not absorb losses at the same time, or to the same extent as the Notes***

The terms and conditions of other regulatory capital instruments issued from time to time by the Issuer or any of its subsidiaries may vary and accordingly such instruments may not convert into equity or be written-down at the same time, or to the same extent, as the Notes, or at all. Further, regulatory capital instruments issued by a member of the Group with terms that require such instruments to be converted into equity and/or written-down when a solvency or capital measure falls below a certain threshold may have different capital or solvency measures for triggering a conversion or write-down to those set out in the definition of Trigger Event or may be determined with respect to a group or sub-group of entities that is different from the Group, with the effect that they may not be converted into equity and/or written down on the occurrence of a Trigger Event. Therefore, the Notes may be subject to a greater degree of loss absorption than would otherwise have been the case had such other instruments been written down or converted at the same time as or prior to the Notes.

***Restricted remedy for non-payment when due***

The sole remedy against the Issuer available to the Trustee (acting on behalf of the Noteholders) or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due and payable in respect of the Notes will be the institution of proceedings for an Issuer Winding-Up and/or proving in any winding-up of the Issuer and/or claiming in the liquidation or administration of the Issuer. Any cancellation or non-payment of interest shall not constitute a default or event of default on the part of the Issuer for any purpose.

***Notes may be traded with accrued interest which may subsequently be subject to cancellation***

The Notes may trade, and/or the prices for the Notes may appear, in trading systems with accrued interest. Purchasers of Notes in the secondary market may pay a price which reflects such accrued interest on purchase of the Notes.

If an interest payment is cancelled (in whole or in part) as described above, a purchaser of Notes in the secondary market will not be entitled to the accrued interest (or part thereof) reflected in the purchase price of the Notes.

***The Notes have no scheduled maturity and Noteholders only have a limited ability to exit their investment in the Notes***

The Notes are perpetual securities and have no fixed maturity date or fixed redemption date. Although the Issuer may, under certain circumstances described in Condition 8 (*Redemption, Substitution, Variation and Purchase*), redeem or purchase the Notes, the Issuer is under no obligation to do so and Noteholders have no right to call for the Issuer to exercise any right it may have to redeem or purchase the Notes.

Therefore, Noteholders do not have the ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem or purchase the Notes in accordance with the Conditions, (ii) by selling to other market participants their Notes (or any Conversion Shares received following Automatic Conversion), (iii) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer has exercised its right to redeem the Notes but fails to make payment in respect of such redemption when due, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors or (iv) upon a winding-up, liquidation or administration of the Issuer, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by of the actions described in (ii), (iii) and (iv) above may be substantially less than the principal amount of the Notes or amount of the investor's investment in the Notes. See also "*Risks relating to the market generally - The secondary market generally*".

In addition, the Conditions set out certain Redemption and Purchase Conditions, including in relation to the Solvency Capital Requirement and the Minimum Capital Requirement being met immediately prior to, and immediately following, the redemption or purchase of the Notes. If the Redemption and Purchase Conditions are not met, the Issuer may not redeem or purchase any Notes and the redemption or purchase of the Notes shall instead be suspended, as provided in the Conditions.

***Payments by the Issuer are conditional upon the Issuer being solvent***

Other than where an Issuer Winding-Up has occurred or is occurring, all payments under or arising from (including any damages for breach of any obligations under) the Notes shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due and payable by the Issuer in respect of or arising from the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For these purposes, the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. Any payment of interest that would have been due and payable but for the inability to comply with the Solvency Condition shall be cancelled in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*).

***Interest Payments on the Notes are discretionary***

Interest payments on the Notes are discretionary and, save in the limited circumstances provided in Condition 5(f) (*Interest cancellation where no redemption for a Capital Disqualification Event*), the Issuer may cancel interest payments, in whole or in part, at any time. Cancelled interest payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto. Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer and is subject to Condition 3(d)



(*Solvency Condition*), Condition 5(b) (*Mandatory Cancellation of Interest*) and Condition 6 (*Automatic Conversion*). The Issuer may at any time elect to cancel any interest payment, in whole or in part, which would otherwise be due and payable on any Interest Payment Date. At the time of publication of this Information Memorandum, it is the intention of the Directors to take into account the relative hierarchy of its ordinary shares and the (more senior) Notes whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, the Directors may depart from this policy at any time in their sole discretion.

Any interest payment (or relevant part thereof) which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the interest payment (or relevant part thereof) which is cancelled. In addition, cancellation or non-payment of interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

Any actual or perceived increased likelihood of cancellation of any interest payment may affect the market value of an investment in the Notes.

***In addition to the Issuer's right to cancel interest payments, in whole or in part, at any time, the Conditions require that interest payments must be cancelled under certain circumstances. Cancelled interest payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto***

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 5(c), if any event has occurred and is continuing which means that the Issuer must cancel (in whole or in part) an interest payment which would otherwise be due in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 1 Capital under the Relevant Rules) the Issuer must cancel such interest payment, in whole or in part (as applicable), pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*), including, without limitation and as applicable, in the event that the Issuer cannot make the payment (including, if applicable, any Additional Amounts) in compliance with the Solvency Condition, the Solvency Capital Requirement or the Minimum Capital Requirement, or where the interest payment would, together with any Additional Amounts payable with respect thereto, exceed the amount of the Issuer's Distributable Items (as defined in the Conditions) as at the time for payment, or if an Insolvent Insurer Winding-up has occurred and is continuing at the time for payment of such interest payment (in accordance with the PRA's guidance in respect of group availability assessment of own funds in SS9/15 (Solvency II: Group Supervision), or if otherwise required to cancel any interest payment by the PRA or under the Relevant Rules (as defined in the Conditions).

The Issuer's Distributable Items as at 30 June 2021 were £2,409,000,000.

Any interest payment which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the interest payment which is cancelled. In addition, cancellation or non-payment of interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

Any actual or perceived increased likelihood of cancellation of any interest payment may affect the market value of an investment in the Notes.

***The level of the Issuer's Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer's ability to make interest payments on the Notes***

The level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive income, directly or indirectly, in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make interest payments on the Notes, are a function of the Issuer's existing Distributable Items, future Group profitability and performance and the ability to distribute

or dividend profits from the Issuer's operating subsidiaries up the Group structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments.

***The Issuer's interests may not be aligned with those of investors in the Notes***

The Issuer's satisfaction of the Solvency Condition and the availability of Distributable Items as well as there being no occurrence of a Trigger Event will depend in part on decisions made by the Issuer and other entities in the Group relating to their businesses and operations, as well as the management of their capital positions.

The Issuer and other entities in the Group will have an obligation to consider the interests of all their stakeholders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities in the Group and the Group's structure, and the Issuer and the Group are not required to prioritise the interests of the Noteholders. The interests of other stakeholders may be contrary to the interests of Noteholders, and there can be no assurance that the Issuer and the Group will not determine that the interests of other stakeholders should be prioritised over the interests of Noteholders in certain circumstances. For example, the Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in, or increase the likelihood of, the occurrence of a Trigger Event. It may decide not to propose to its shareholders to reallocate share premium to a distributable reserve account or to take other actions necessary in order for share premium or other reserves or earnings to be included in Distributable Items. Moreover, in order to avoid the use of public resources, the PRA may decide that the Issuer should allow a Trigger Event to occur or should cancel an interest payment at a time when it is feasible to avoid this. Noteholders will not have any claim against the Issuer or any other entity of the Group relating to decisions that affect the capital position of the Group, regardless of whether they result in the occurrence of a Trigger Event or a lack of Distributable Items or breach of the Solvency Condition. Such decisions could cause Noteholders to lose the full amount of their investment in the Notes.

***The interest rate on the Notes will be reset on each Reset Date, which may affect the market value of the Notes***

The Notes will initially accrue interest at the Initial Fixed Interest Rate to, but excluding, the First Reset Date. From, and including, the First Reset Date, however, the interest rate will be reset on each Reset Date to the Reset Rate of Interest (as described in Condition 4(e) (*Determination of Reset Rate of Interest*)). This Reset Rate of Interest could be less than the Initial Fixed Interest Rate, which could affect the amount of any interest payments under the Notes and the market value of an investment in the Notes.

As the Notes bear interest at a fixed rate (reset from time to time), an investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

***Subject to certain conditions, the Issuer may redeem the Notes at the Issuer's option on certain dates***

Subject, *inter alia*, to the solvency of the Issuer, to compliance with the Solvency Capital Requirement and Minimum Capital Requirement and to satisfaction of the Regulatory Clearance Condition, the Issuer may redeem all (but not some only) of the Notes at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Such redemption may occur (i) at the option of the Issuer (A) at any time in the six months prior to and including the First Reset Date or (B) any Reset Date thereafter, (ii) at any time in the event of the occurrence of a Tax Event or (iii) at any time following the occurrence of (or if there will occur within the forthcoming period of six months) a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event.

The Issuer shall only be entitled to redeem the Notes upon the occurrence of a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event if (amongst other conditions) it

was reasonable for the Issuer to conclude, judged at the Specified Date, that such event was not reasonably foreseeable.

The right of the Issuer to redeem the Notes in certain circumstances may limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, or in the case of an actual or perceived increased likelihood that the Issuer may so elect, the market value of the Notes generally will not rise above the price at which they can be redeemed.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Variation or substitution of the Notes without Noteholder consent***

Subject as provided in Condition 8 (*Redemption, Substitution, Variation and Purchase*), the Issuer may, at its option and without the consent or approval of Noteholders, elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Securities (i) in the event of the occurrence of a Tax Event or (ii) following the occurrence of (or where there will occur within six months) a Capital Disqualification Event or an Accounting Event. Following the occurrence of (or where there will occur within six months) a Ratings Methodology Event, the Issuer may elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Securities.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Securities and/or Rating Agency Compliant Securities will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Securities and/or Rating Agency Compliant Securities are not materially less favourable to investors than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such variation or substitution (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

***Modification, waivers and substitution***

The Conditions contain provisions for calling meetings of Noteholders (including by way of conference call or videoconference) to consider any matter affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who do not attend and vote at the relevant meeting and Noteholders who vote in a manner contrary to the majority. The Trust Deed also provides that a resolution may be passed in writing and, where the Notes are held in global form by way of electronic consent – see the section headed “*Summary of Provisions Relating to the Notes in Global Form – Electronic Consent and Written Resolution*” for further details.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to, subject to the Relevant Rules and to the Issuer having first satisfied the Regulatory Clearance Condition (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of the successor in business of the Issuer as principal debtor under any Notes in place of the Issuer (or any previous successor in business) in each case in the circumstances described in the Conditions.

***No limitation on the Issuer issuing further securities***

There is no contractual restriction on the Issuer creating liabilities ranking equally with or senior to the Notes and no restriction on the amount of securities which the Issuer may issue or guarantee (as applicable), which securities or guarantees rank *pari passu* with the Notes. The issue, guarantee or granting of security in relation to any other liabilities may reduce the amount recoverable by Noteholders on an Issuer Winding-Up. In an Issuer Winding-Up and after payment of the claims of their respective more senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders under the Notes.

***The terms of the Notes contain very limited covenants***

There is no negative pledge in respect of the Notes. The Issuer is generally permitted to sell or otherwise dispose of any or substantially all of its assets to another corporation or other entity under the terms of the Notes. If the Issuer decides to dispose of a large amount of its assets, investors in the Notes will not be entitled to declare an acceleration of the maturity of the Notes, and those assets will no longer be available to support the Notes.

In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those of the Notes.

***The Notes are denominated in integral multiples***

The Notes have denominations consisting of a minimum principal amount of U.S.\$200,000 (the "**Minimum Denomination**") plus integral multiples of U.S.\$1,000 in excess thereof (together, "**Specified Denominations**"). Therefore, it is possible that the Notes may be traded in amounts in excess of the Minimum Denomination that are not integral multiples of such Minimum Denomination. In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination in his account with the relevant clearing system at the relevant time would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the Minimum Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the Minimum Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the Minimum Denomination may be illiquid and difficult to trade.

***Change of law***

The terms of the Notes and the Trust Deed are based on law in effect as at the relevant Issue Date. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of issue of the Notes.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***The Issuer may not be liable to pay certain taxes***

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions) pay such additional amounts will result in receipt by the Noteholders of such amounts

equal to the amounts of interest as would have been received by them had no such withholding or deduction been required.

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the Noteholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in the Conditions.

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

### **Risks relating to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, interest rate risk, exchange rate risk and credit risk:

#### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Notes are held by a limited number of initial investors.

If the Issuer's financial condition deteriorates such that there is an increased risk that an Automatic Conversion may occur in respect of the Notes or that the Issuer may be wound up or enter into administration, or if at any time there is any actual or anticipated cancellation of interest or redemption in accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes, and could increase volatility and/or reduce liquidity in the market (if any) for the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

If any market in the Notes does develop, it may become severely restricted, or may disappear, if the financial condition and/or the solvency position of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes or of a Trigger Event occurring.

#### ***Interest rate risk***

Investment in the Notes involves the risk that changes in market interest rates after the issue date may adversely affect the value of the Notes.

In particular, a holder of a security with a rate of interest that is fixed from time to time for an extended duration, such as the Notes, is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). Potential movements in the Market Interest Rate over the life of the Notes are difficult to predict. While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market

Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

#### ***Effect of credit rating reduction***

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the Issuer's outstanding securities by standard statistical rating services. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by one of these rating agencies could result in a reduction in the trading value of the Notes. See also the risk factor entitled "*Credit Rating*" above.

#### ***Credit rating may not reflect all risks***

Fitch, an independent credit rating agency, is expected to assign a rating of BBB- to the Notes. This rating may not reflect the potential impact of all risks relating to structure, market, additional factors discussed in this section and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by Fitch at any time.

Rating agencies other than Fitch could seek to rate the Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch, those unsolicited ratings could have an adverse effect on the market value of the Notes.

In general, European regulated investors are restricted under Regulation 1060/2009/EC, as amended (the "**CRA Regulation**") from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third party non-EEA rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under Regulation 1060/2009/EC as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are

required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

***Investors must rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer***

The Notes will be issued in global form. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg and will receive and provide any notices only through Euroclear or Clearstream, Luxembourg.

While the Notes remain in global form, the Issuer will discharge its payment obligations under the Notes by making payments to the order of the registered holder as nominee for the common depository for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Notes held through Euroclear or Clearstream, Luxembourg.

## DOCUMENTS INCORPORATED BY REFERENCE

This Information Memorandum should be read and construed in conjunction with the following:

- (1) the audited consolidated financial statements of Rothesay Limited (formerly Rothesay Holdco UK Limited) for the year ended 31 December 2019 (together with the audit report prepared in connection therewith), which appear on pages 68 to 124 of Rothesay Limited's Annual Report and Accounts for the year ended 31 December 2019 (the "**Rothesay Limited 2019 Annual Report**"), which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/dmmdin2p/rothesaylife\\_rhuk2019-single-page-web.pdf](https://www.rothesay.com/media/dmmdin2p/rothesaylife_rhuk2019-single-page-web.pdf);
- (2) the audited consolidated financial statements of Rothesay Limited for the year ended 31 December 2020 (together with the audit report prepared in connection therewith), which appear on pages 87 to 155 of Rothesay Limited's Annual Report and Accounts for the year ended 31 December 2020 (the "**Rothesay Limited 2020 Annual Report**"), which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/so0d1kpu/rothesay-limited\\_ar2020.pdf](https://www.rothesay.com/media/so0d1kpu/rothesay-limited_ar2020.pdf);
- (3) the unaudited consolidated financial statements of Rothesay Limited for the six months ended 30 June 2021, which appear on pages 19 to 53 of Rothesay Limited's Interim Consolidated Financial Statements for the six months ended 30 June 2021 (the "**Rothesay Limited 2021 Half-year Report**"), which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/l0edvkkp/rothesay\\_limited\\_interimreport\\_2021.pdf](https://www.rothesay.com/media/l0edvkkp/rothesay_limited_interimreport_2021.pdf);
- (4) the audited non-consolidated financial statements of the Issuer for the year ended 31 December 2019 (together with the audit report prepared in connection therewith), which appear on pages 19 to 67 of the Issuer's Annual Report and Accounts for the year ended 31 December 2019 (the "**Issuer 2019 Annual Report**"), which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/sjccszx0/rothesaylife\\_rlp2019-single-page-web.pdf](https://www.rothesay.com/media/sjccszx0/rothesaylife_rlp2019-single-page-web.pdf);
- (5) the audited non-consolidated financial statements of the Issuer for the year ended 31 December 2020 (together with the audit report prepared in connection therewith), which appear on pages 45 to 107 of the Issuer's Annual Report and Accounts for the year ended 31 December 2020 (the "**Issuer 2020 Annual Report**"), which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/z5zfpftc/rothesay-life-plc\\_ar2020.pdf](https://www.rothesay.com/media/z5zfpftc/rothesay-life-plc_ar2020.pdf);
- (6) the unaudited non-consolidated financial statements of the Issuer for the six months ended 30 June 2021, which appear on pages 18 to 51 of the Issuer's Interim Financial Statements for the six months ended 30 June 2021 (the "**Issuer 2021 Half-year Report**"), which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/wxypj00h/rothesay\\_life\\_plc\\_interimreport\\_2021.pdf](https://www.rothesay.com/media/wxypj00h/rothesay_life_plc_interimreport_2021.pdf); and
- (7) the Solvency and Financial Condition Report 2020 of Rothesay Limited and the Issuer for the year ended 31 December 2020, which can be found on the Issuer's website via the following link: [https://www.rothesay.com/media/4rydeafx/rothesay\\_sfcr\\_2020.pdf](https://www.rothesay.com/media/4rydeafx/rothesay_sfcr_2020.pdf).

Such documents shall be incorporated in and form part of, this Information Memorandum, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Information Memorandum. Those parts of the documents incorporated by reference in this Information Memorandum which are not specifically incorporated by reference in



this Information Memorandum are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the written request of any such person, a copy of any or all of the documents which, or portions of which, are incorporated herein by reference. Written requests for such documents should be directed to the Issuer at its registered office set out at the end of this Information Memorandum.

## OVERVIEW

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Information Memorandum. Terms which are defined in the section headed “Terms and Conditions of the Notes” have the same meaning when used in this overview, and references herein to a numbered “Condition” shall refer to the relevant Condition in the section headed “Terms and Conditions of the Notes”.

<b>Issuer</b>	Rothesay Life Plc.
<b>Joint Lead Managers</b>	Barclays Bank PLC BNP Paribas Morgan Stanley & Co. International plc NatWest Markets Plc
<b>Trustee</b>	Citicorp Trustee Company Limited.
<b>Principal Paying and Conversion Agent and Transfer Agent</b>	Citibank, N.A., London Branch.
<b>Registrar</b>	Citibank Europe plc.
<b>Notes</b>	U.S.\$400,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes.
<b>Issue Date</b>	27 October 2021.
<b>Issue Price</b>	100 per cent.
<b>Perpetual Securities</b>	The Notes will be perpetual securities with no fixed redemption date, and the holders of the Notes (the “ <b>Noteholders</b> ”) will have no right to require the Issuer to redeem or purchase the Notes at any time.
<b>Status and Subordination</b>	<p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves.</p> <p>The rights and claims of the Noteholders against the Issuer will be subordinated as described in Condition 3 (<i>Status of the Notes and rights on a winding-up</i>).</p>
<b>No set-off</b>	By acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived any right of set-off, compensation or retention that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes or the Trust Deed.
<b>Interest</b>	<p>The Notes will bear interest on their outstanding principal amount:</p> <ul style="list-style-type: none"><li>(i) from (and including) the Issue Date to (but excluding) 13 October 2027 (the “<b>First Reset Date</b>”) at a fixed rate of 4.875 per cent. per annum; and</li><li>(ii) thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the</li></ul>

First Reset Date thereafter (each such date, a “**Reset Date**”) as the sum of the relevant CMT Rate, plus the Margin.

Interest will, subject as described below in “*Cancellation of Interest Payments*”, “*Mandatory Cancellation of Interest Payments*”, “*Issuer’s Distributable Items*” and “*Interest Payments Discretionary*”, be payable on the Notes semi-annually in arrear on 13 April and 13 October (each, an “**Interest Payment Date**”) in each year commencing on 13 April 2022, in equal instalments (with a short first interest period).

#### **Cancellation of Interest Payments**

Subject as more fully described in the Conditions, Interest Payments shall not be made by the Issuer in the following circumstances:

- (i) the cancellation of such Interest Payment, or such Interest Payment not becoming due and payable, in accordance with the provisions described under “*Mandatory Cancellation of Interest Payments*” below;
- (ii) the Issuer’s exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) as described under “*Interest Payments Discretionary*” below; or
- (iii) the cancellation of payments of accrued interest in accordance with the provisions described under “*Automatic Conversion*” below.

Any Interest Payment (or relevant part thereof) which is cancelled or does not become due and payable in accordance with the Conditions shall not accumulate or be payable at any time thereafter and such cancellation or non-payment shall not constitute a default or event of default for any purpose.

#### **Mandatory Cancellation of Interest Payments**

To the extent required by the Relevant Rules from time to time, subject to certain limited exceptions as further described hereunder, if any event has occurred and is continuing which means that the Issuer must cancel (in whole or in part) an Interest Payment which would otherwise be due in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 1 Capital under the Relevant Rules) the Issuer shall cancel such Interest Payment on the Notes including, without limitation and as applicable, if:

- (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a

result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);

- (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment;
- (v) an Insolvent Insurer Winding-up has occurred and is continuing at the time for payment of such Interest Payment; or
- (vi) the Issuer is otherwise required by the PRA or under the Relevant Rules to cancel the relevant Interest Payment.

The Issuer shall not be required to cancel an Interest Payment where such an event or circumstance has occurred and is continuing, or would occur if payment of interest on the Notes were to be made, to the extent permitted by the Relevant Rules, where:

- (i) it is of the type described in sub-paragraph (ii) above only;
- (ii) the PRA has exceptionally waived the cancellation of the Interest Payment;
- (iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (iv) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

**Issuer's Distributable Items**

Subject as otherwise defined from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

- (i) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Issuer; plus

- (ii) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer’s then latest financial year end to (but excluding) such Interest Payment Date; less
- (iii) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer’s then latest financial year end to (but excluding) such Interest Payment Date.

**Interest Payments Discretionary**

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out in the Conditions. Accordingly, subject as provided under “*Interest cancellation where no redemption for a Capital Disqualification Event*” below, the Issuer may at any time elect to cancel any Interest Payment (or part thereof) which would otherwise be due and payable on any Interest Payment Date.

**Interest cancellation where no redemption for a Capital Disqualification Event**

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Issuer’s Own Fund Items but the Issuer has not exercised its option to redeem such Notes pursuant to Condition 8(h), the Issuer shall not, to the extent permitted under the Relevant Rules, exercise its discretion as set out in Condition 5(a) to cancel any Interest Payments due on such Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event.

**Solvency Condition**

Other than in the circumstances where an Issuer Winding-Up has occurred or is occurring, all payments under or arising from the Notes or (subject to Condition 3(c)) the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due or payable under or arising from the Notes or the Trust Deed (including any damages awarded for breach of any obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities.

Any payment of interest that would have been due and payable but for the Solvency Condition not being satisfied shall be cancelled.

As used herein, “**Assets**”, “**Liabilities**” and “**Senior Creditors**” have the meanings given to such terms in the Conditions.

**Automatic Conversion**

Unless the PRA waives Automatic Conversion in exceptional circumstances (as provided in Condition 6(a)), immediately following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur and the Issuer shall deliver

the Conversion Shares to the Conversion Shares Depository (or such other relevant recipient as described in Condition 6) on the Conversion Shares Delivery Date.

“**Automatic Conversion**” means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release by the Noteholders of all of the Issuer’s obligations under the Notes with effect immediately following the determination that a Trigger Event has occurred (unless the PRA has waived such Automatic Conversion in the circumstances set out in Condition 6(a)) as specified in the relevant Trigger Event Notice including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to such other relevant recipient as contemplated in Condition 6) (on behalf of the Noteholders) at the then prevailing Conversion Price and the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed.

Following such Automatic Conversion there shall be no reinstatement of any part of the principal amount of, or interest on, the Notes at any time, including where the Trigger Event ceases to occur.

Effective upon, and following, the Automatic Conversion, the Issuer’s obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released in consideration for the delivery of the Conversion Shares and shall be cancelled and Noteholders shall not have any rights against the Issuer in a winding-up or administration of the Issuer or otherwise with respect to: (i) repayment of the principal amount of the Notes or any part thereof; (ii) the payment of any interest on the Notes for any period; or (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed (other than rights to claim in respect of the Conversion Shares to which the Noteholders become entitled upon Automatic Conversion).

The release of the principal amount of a Note pursuant to an Automatic Conversion shall be permanent and shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed.

See Condition 6 (*Automatic Conversion*) for further information.

A Trigger Event shall occur if at any time:

**Trigger Event**

- (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;
- (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or
- (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

**Redemption at the option of the Issuer**

Subject to certain conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes, (A) at any time in the six months prior to and including the First Reset Date or (B) any Reset Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

**Redemption, substitution or variation at the option of the Issuer for taxation reasons**

Subject to certain conditions, if a Tax Event has occurred and is continuing, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Securities.

**Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event**

Subject to certain conditions, if at any time a Capital Disqualification Event has occurred and is continuing, or as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain Qualifying Securities,

**Redemption, substitution or variation  
at the option of the Issuer due to a  
Ratings Methodology Event**

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

A “**Capital Disqualification Event**” shall be deemed to have occurred if at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), which change has occurred or which the PRA considers to be sufficiently certain, the whole or any part of the principal amount of the Notes is excluded from counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than a limitation derived from any transitional or grandfathering provisions under the Relevant Rules).

Subject to certain conditions, if a Ratings Methodology Event has occurred and is continuing, or, as a result of any change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the Ratings Methodology Event.

A “**Ratings Methodology Event**” will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology) after the Specified Date as a result of which the “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or as published by the Rating Agency, reduced when compared to (A) the “equity credit” first assigned by the Rating Agency or its predecessor to the Notes on



**Redemption, substitution or variation at the option of the Issuer due to an Accounting Event**

or around the Issue Date or (B) (if this is lower) the lowest “equity credit” assigned by the Rating Agency to the Notes at the time of, or in connection with, any issue of Further Notes pursuant to Condition 17.

Subject to certain conditions, if an Accounting Event has occurred and is continuing, or will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities,

provided, however, that (1) no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Accounting Event and (2) the Issuer shall also deliver to the Trustee an opinion from a recognised accountancy firm of international standing experienced in such matters confirming that an Accounting Event has occurred or will so occur

An “**Accounting Event**” shall be deemed to have occurred if, as a result of a change in the accounting principles under IFRS (or a change in the interpretation of such accounting principles by the Issuer’s auditors) which becomes effective on or after the Specified Date, but not otherwise, at any time the obligations of the Issuer under the Notes must not, or must no longer, be recorded as a ‘financial liability’ pursuant to IFRS for the purposes of the consolidated financial statements of the Issuer.

**Clean-up redemption at the option of the Issuer**

Subject to certain conditions, if at any time after the Specified Date 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), redeem all (but not some only) of the remaining Notes at any time at their principal amount outstanding, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

**Purchases**

Subject to compliance with the Relevant Rules, the Issuer or any of its Subsidiaries may purchase Notes in any manner and at any price.

**Conditions to redemption and purchase**

The Issuer may not redeem or purchase any Notes, save as otherwise permitted pursuant to Condition 8(c), unless (in addition to certain other pre-conditions set out below and in Condition 8(m)) each of the following conditions, to the extent required pursuant to the Relevant Rules at the relevant time, is satisfied:

- (i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Specified Date, either (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or (2) in the case of any redemption pursuant to Condition 8(g) or 8(h), the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans); and (A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or (B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and (C) in either case, the Issuer having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Specified Date;
- (ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Specified Date and (B) before the tenth anniversary of the Specified Date, the PRA has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

- (iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;
- (iv) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (v) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(a));
- (vii) no Insolvent Insurer Winding-up has occurred and is continuing; and/or
- (viii) the Regulatory Clearance Condition is satisfied,

Notwithstanding the above conditions, if at the time of any such redemption or purchase, the prevailing Relevant Rules permit the redemption or purchase only after compliance with one or more additional or alternative requirements or pre-conditions to those set out in Condition 8(b), the Issuer shall comply with such additional and/or any appropriate, alternative requirement or pre-conditions (which shall be deemed to be the “**Redemption and Purchase Conditions**”).

**Preconditions to redemption, variation and substitution**

Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(g), 8(h), 8(i), 8(j) or 8(l), the Issuer shall deliver to the Trustee a certificate signed by two of its directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event has occurred and is continuing or, for the purposes of Condition 8(l), that 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, in any such case as at the date of the certificate or, as the case may be, (in the case of a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event) will occur within a period of six months and (in the case of a redemption, variation or substitution pursuant to Condition 8(g), 8(h), 8(i) or 8(j)) that it would have been reasonable for the Issuer to conclude, judged at the Specified Date, the relevant Tax Event, Capital Disqualification

Event, or Ratings Methodology Event or Accounting Event was not reasonably foreseeable.

In the case of a notice of redemption, variation or substitution on the grounds of a Tax Event, the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser (as further described in the Conditions).

The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless:

- (i) it has notified the PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective; and
- (ii) the Regulatory Clearance Condition has been satisfied.

**Withholding tax and Additional Amounts**

Payments on the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction unless such withholding or deduction is required by law. In any such event, the Issuer will, subject to certain exceptions set out in Condition 9 (*Taxation*), pay such additional amounts in relation to interest (but not in respect of any payments of principal) as will result in receipt by the Noteholders of such amounts equal to the amounts of interest as would have been received by them had no such withholding or deduction been required.

“**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Notes.

**Enforcement**

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for the winding-up of the Issuer.

Subject to a Trigger Event having not occurred at such time, in the event of an Issuer Winding-Up (whether or not instituted by the Trustee), the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been

	indemnified and/or secured and/or pre-funded to its satisfaction) prove or claim in such Issuer Winding-Up, such claim being as provided in, and subordinated in the manner described in, Condition 3(b) (Issuer Winding-Up), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.
<b>Form</b>	The Notes will be issued in registered form and represented upon issue by a Global Certificate which will be registered in the name of a nominee for a common depository (the “ <b>Common Depository</b> ”) for Clearstream Banking S.A. (“ <b>Clearstream, Luxembourg</b> ”) and Euroclear Bank SA/NV (“ <b>Euroclear</b> ”) on or about the Issue Date.
<b>Denomination</b>	The Notes will be issued in denominations of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.
<b>Meetings of Noteholders</b>	<p>The Conditions and the Trust Deed contain provisions for calling meetings of Noteholders (including by way of conference call or videoconference) to consider any matter affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p>The Trust Deed also provides that a resolution may be passed in writing (and where the Notes are held in global form by way of electronic consent) (see the section entitled “<i>Summary of Provisions Relating to the Notes in Global Form – Electronic Consent and Written Resolution</i>” for further details).</p>
<b>Listing</b>	Application has been made for the Notes to be admitted to the Official List and to trading on the Global Exchange Market (“ <b>GEM</b> ”) of Euronext Dublin.
<b>Ratings</b>	<p>The Notes are expected to be assigned a rating of BBB- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Governing Law</b>	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed will be governed by, and construed in accordance with, English law.
<b>ISIN</b>	XS2399976195.
<b>Common Code</b>	239997619.
<b>FISN/CFI</b>	See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
<b>Clearing Systems</b>	Euroclear and Clearstream, Luxembourg.

**Selling Restrictions**

The Notes and the Ordinary Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons. The Notes and the Ordinary Shares may be sold in other jurisdictions only in compliance with applicable laws and regulations. See “*Subscription and Sale*” below.

**UK MiFIR Product Governance / EEA/UK PRIIPs Regulation / FCA CoCo restriction**

Solely for the purposes of each manufacturer’s product approval processes, the manufacturers have concluded that: (i) the target market for the Notes is eligible counterparties and professional clients only; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

No EEA PRIIPs Regulation or UK PRIIPs Regulation key information document (KID) has been prepared as the Notes are not available to retail investors in the EEA or the UK. No sales to UK retail clients within the meaning of COBS 3.4 (as if COBS 22.3 applies to the Notes).

**Use of Proceeds**

The net proceeds of the issue of the Notes are expected to be used to fund general commercial and corporate activities of the Group.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (as defined below) that, save for the paragraphs in italics, shall be applicable to the Certificates (as defined below) in definitive form (if any) issued in exchange for the Global Certificate representing the Notes. The full text of these terms and conditions shall be endorsed on the Certificates relating to such Notes. Provisions in italics do not form part of the Conditions (as defined below).*

The issue of the U.S.\$400,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any Further Notes issued pursuant to Condition 17) was (save in respect of any such Further Notes) authorised by resolutions of the board of directors of Rothesay Life Plc (or any substitute therefor from time to time pursuant to the terms of Condition 14, the “**Issuer**”) passed on 12 October 2021.

The Notes are constituted by a trust deed dated 27 October 2021 (the “**Trust Deed**”) between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being and from time to time appointed as the trustee or trustees under the Trust Deed) as trustee in respect of the Notes. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the paying agency agreement dated 27 October 2021 (the “**Agency Agreement**”) relating to the Notes between the Issuer, the Trustee, Citibank Europe plc as registrar (the “**Registrar**”, which expression shall include any successor thereto) and Citibank, N.A., London Branch as transfer agent (the “**Transfer Agent**”, which expression shall include any successor thereto and any additional transfer agents appointed thereunder), as initial agent bank (the “**Agent Bank**”, which expression shall include any successor thereto) and as initial principal paying and conversion agent (the “**Principal Paying and Conversion Agent**”, which expression shall include any successor thereto, and, together with any further paying agents appointed thereunder, the “**Paying Agents**”, which expression shall include any successors thereto) (i) are available for inspection by Noteholders during usual business hours (being between 9 a.m. and 3 p.m. (London time)) on any weekday at the principal offices of the Principal Paying and Conversion Agent (presently at Citigroup Centre, 6th Floor, 25 Canada Square, London E14 5LB, United Kingdom) and at the specified offices of the Registrar and any Transfer Agent or (ii) may be provided by email to a Noteholder following its prior written request to any Paying Agent, in each case upon provision of proof of holding of Notes and identity (in a form satisfactory to the relevant Paying Agent). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

### 1 **Form, Denomination and Title**

#### *(a) Form and Denomination*

The Notes are issued in registered form in principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the “**principal amount**” of a Note, and references in these Conditions to “**principal**” in relation to a Note shall be construed accordingly) without coupons attached. A certificate (each, a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar (the “**Register**”) on which shall be entered the names, addresses and account details of Noteholders and the particulars of the Notes held by them and of all transfers and repayments of Notes.

(b) *Title*

Title to the Notes passes only by transfer and registration in the Register. The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**holder**” means the person against whose name a Note is registered in the Register (or, in the case of joint holders, the first named thereof). Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

## 2 Transfers of Notes and Issue of Certificates

(a) *Transfers*

Subject to Conditions 2(d) and (e), each Note may be transferred (in whole or in part, subject to such transfer being in a minimum denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof) by depositing the Certificate issued in respect of that Note, together with the form of transfer in respect thereof duly completed and executed at the specified office of the Registrar or a Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons not exceeding four in number) or a nominee.

(b) *Delivery of new Certificates*

Each new Certificate to be issued upon a transfer of Notes will, within five Business Days of receipt by the Registrar or the relevant Transfer Agent of the duly completed, executed and (where applicable) stamped form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note (but free of charge to the Noteholder) to the address specified in the form of transfer. The form of transfer shall be available at the specified offices of the Transfer Agents.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the balance of Notes not so transferred will, within five Business Days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred (but free of charge to the Noteholder) to the address of such holder appearing on the Register or as specified in the form of transfer.

(c) *Formalities free of charge*

Registration of transfer of any Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon (i) payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) the Registrar or the relevant Transfer Agent being satisfied with the documents of title and/or the identity of the person making the application.

(d) *Closed periods*

No Noteholder may require the transfer of a Note (or part thereof) to be registered (i) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8(f), (ii) after the Notes have been called for redemption pursuant to Condition 8 or (iii) during the period of seven days ending on (and including) any Record Date.



(e) *Regulations*

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one and will be available at the specified offices of the Transfer Agents.

### 3 Status of the Notes and rights on a winding-up

(a) *Status*

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in any Issuer Winding-Up are as described in the Trust Deed, this Condition 3 and Conditions 6 and 11.

(b) *Issuer Winding-Up*

The rights and claims of the Noteholders (and the Trustee on their behalf) are subordinated to the claims of Senior Creditors in that if at any time prior to the occurrence of a Trigger Event an Issuer Winding-Up occurs, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Note if, throughout such Issuer Winding-Up, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”) having an equal right to a return of assets in the Issuer Winding-Up to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the Issuer Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Issuer Winding-Up were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

If an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(a), in which case the first paragraph above of this Condition 3(b) shall continue to apply as if such Trigger Event had not occurred), and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Noteholder if, on the day prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would have been entitled to receive upon an Automatic Conversion in accordance with Condition 6, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(c) *Trustee's fees*

Nothing in the Trust Deed or these Conditions shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of Conditions 3(b), 3(d), 5, 6 or 8.

(d) *Solvency Condition*

Other than in the circumstances where an Issuer Winding-Up has occurred or is occurring, all payments under or arising from the Notes or (subject to Condition 3(c)) the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due or payable under or arising from the Notes or the Trust Deed (including any damages awarded for breach of obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

Any payment of interest that would have been due and payable but for the operation of this Condition 3(d) shall be cancelled.

For the purposes of this Condition 3(d), the Issuer will be "**solvent**" if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency or lack thereof of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall (in the absence of manifest error) be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) *Set off, etc.*

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes or the Trust Deed and each Noteholder shall, by virtue of his holding of any Note, be deemed, to the extent permitted under applicable law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer in respect of, or arising under, or in connection with, the Notes is discharged by set-off, such Noteholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

## 4 Interest

### (a) *Interest Rate and Interest Payment Dates*

Subject to Conditions 3(d), 5 and 6, the Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 3(d), 5 and 6, interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments (in respect of each Interest Period ending prior to the First Reset Date, of U.S.\$24.375 per Calculation Amount if paid in full), in each case as provided in this Condition 4, save that the interest payable on the first Interest Payment Date shall be in respect of the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date as provided below (and shall be U.S.\$22.615 per Calculation Amount if paid in full).

Where it is necessary to compute an amount of interest in respect of any Note for any period (other than any full Interest Period), the relevant day-count fraction shall be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

### (b) *Interest Accrual*

Subject to Conditions 3(d), 5 and 6, the Notes will accrue interest in respect of each Interest Period and cease to bear interest from (and including) the due date for redemption or substitution thereof pursuant to Condition 8, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the principal amount of such Note, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4(a) in relation to equal instalments and subject to Conditions 3(d), 5 and 6, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(a) for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards). Where the denomination of a Note is more than the Calculation Amount, the amount of interest payable in respect of each such Note, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

### (c) *Initial Fixed Interest Rate*

For the Initial Fixed Rate Interest Period, the Notes bear interest, subject to Conditions 3(d), 5 and 6, at the rate of 4.875 per cent. per annum (the “**Initial Fixed Interest Rate**”).

### (d) *Reset Rate of Interest*

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 4(d) on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum (rounded, if necessary, to three decimal places, with 0.0005 rounded down) of the relevant CMT Rate and the Margin.

### (e) *Determination of Reset Rate of Interest*

The Agent Bank will, as soon as practicable after 4:00 p.m. (New York City time) on each Reset Determination Date, determine the Reset Rate of Interest in respect of the relevant Reset Period. The

determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

*(f) Publication of Reset Rate of Interest*

The Agent Bank shall cause notice of the relevant Reset Rate of Interest determined in accordance with this Condition 4 in respect of each Reset Period to be given to the Trustee, the Principal Paying and Conversion Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable pursuant to Condition 11 but have not been repaid at the relevant time, the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated by the Agent Bank in accordance with this Condition 4 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

*(g) Agent Bank*

The Issuer will maintain an Agent Bank. The name of the initial Agent Bank is set out in the preamble to these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution of international repute. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 4(e), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution of international repute approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

*(h) Determinations of Agent Bank Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying and Conversion Agent, the Registrar, the Transfer Agents and all Noteholders and no liability to the Noteholders, the Trustee or (in the absence of wilful default or gross negligence) the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

## **5 Cancellation of Interest**

*(a) Interest Payments Discretionary*

Interest on the Notes is due and payable only at the sole and absolute discretion of the Issuer and is subject to the provisions of Conditions 3(d), 5(b) and 6. Accordingly, the Issuer may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be due and payable on any Interest Payment Date.

If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with Condition 3(d), the cancellation of such Interest Payment in accordance with Condition 5(b), the cancellation of interest upon an Automatic

Conversion in accordance with Condition 6 or, as appropriate, the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 5(a), and accordingly such interest shall not in any such case be due and payable.

(b) *Mandatory Cancellation of Interest*

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 5(c), if any event has occurred and is continuing which means that the Issuer must cancel (in whole or in part) an Interest Payment which would otherwise be due in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 1 Capital under the Relevant Rules) the Issuer shall cancel such Interest Payment on the Notes in accordance with this Condition 5 including, without limitation and as applicable, the following events:

- (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment;
- (v) an Insolvent Insurer Winding-up has occurred and is continuing at the time for payment of such Interest Payment; or
- (vi) the Issuer is otherwise required by the PRA or under the Relevant Rules to cancel the relevant Interest Payment,

each of the events or circumstances described in sub-paragraphs (i) to (vi) (inclusive) above being a "**Mandatory Interest Cancellation Event**".

A certificate signed by two Directors confirming that (i) a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (ii) a Mandatory Interest Cancellation Event has ceased to occur and/or payment of interest on the Notes would not result in a new or further Mandatory Interest Cancellation Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(c) *Waiver of Cancellation of Interest Payments by the PRA*

Notwithstanding Condition 5(b), the Issuer shall not be required to cancel an Interest Payment where a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made (to the extent permitted by the Relevant Rules) where:

- (i) the Mandatory Interest Cancellation Event is of the type described in sub-paragraph (ii) of Condition 5(b) only;
- (ii) the PRA has exceptionally waived the cancellation of the Interest Payment;
- (iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (iv) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

A certificate signed by two Directors confirming that the conditions set out in this Condition 5(c) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(d) *Effect of Cancellation of Interest Payments*

Any Interest Payment (or relevant part thereof) which is cancelled in accordance with this Condition 5 or which is otherwise not due and payable in accordance with Condition 3(d) or which is cancelled in accordance with Condition 6 shall not become due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights in respect thereof (whether in an Issuer Winding-Up or otherwise) and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

(e) *Notice of Cancellation of Interest*

If practicable, the Issuer shall provide notice of any cancellation of any Interest Payment (or any part thereof) pursuant to Condition 5(a) or 5(b) to Noteholders in accordance with Condition 13, and to the Trustee in a certificate signed by two Directors, and the Principal Paying and Conversion Agent and the Registrar in writing, at least five Business Days prior to the relevant Interest Payment Date (or, if the determination that such Interest Payment (or any part thereof) is to be cancelled is made after such fifth Business Day, as soon as is practicable following the making of such determination). However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment.

(f) *Interest cancellation where no redemption for a Capital Disqualification Event*

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are fully excluded from the Issuer's Own Fund Items but the Issuer has not exercised its option to redeem such Notes pursuant to Condition 8(h), the Issuer shall not, to the extent permitted under the Relevant Rules, exercise its discretion as set out in Condition 5(a) to cancel any Interest Payments due on such Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event.

This Condition 5(f) is without prejudice to the remainder of the Conditions and the Trust Deed including (without limitation) the continuing application of Conditions 3(d), 5(b) and 6(a). Accordingly, the Notes are intended to continue to have the characteristics of Tier 1 Capital under the Relevant Rules (other than

as set out in this Condition 5(f)) notwithstanding the occurrence of the relevant Capital Disqualification Event and the operation of this Condition 5(f).

## **6 Automatic Conversion**

### *(a) Automatic Conversion upon Trigger Event occurring*

The Notes are not convertible into Conversion Shares at the option of the Noteholders at any time.

If a Trigger Event has occurred, the Issuer shall:

- (i) immediately inform the PRA of the occurrence of the Trigger Event; and
- (ii) (unless the PRA has waived Automatic Conversion in exceptional circumstances, as provided below) immediately give the Trigger Event Notice which notice shall be irrevocable.

Unless the PRA has waived Automatic Conversion as aforesaid, immediately following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur and the Issuer shall deliver the Conversion Shares to the Conversion Shares Depositary (or such other relevant recipient as described below) on the Conversion Shares Delivery Date.

Following such Automatic Conversion there shall be no reinstatement of any part of the principal amount of, or interest on, the Notes at any time, including where the Trigger Event ceases to occur.

Effective upon, and following, the Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and cancelled and Noteholders shall not have any rights against the Issuer in a winding-up or administration of the Issuer or otherwise with respect to:

- (i) repayment of the principal amount of the Notes or any part thereof;
- (ii) the payment of any interest on the Notes for any period; or
- (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

Such Automatic Conversion shall take place without the need for the consent of Noteholders or the Trustee.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer. Any such determination shall be binding on the Trustee and the Noteholders.

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Directors certifying the accuracy of the contents of the Trigger Event Notice upon which the Trustee may rely (without further enquiry and without liability to any person).

Any failure by the Issuer to give a Trigger Event Notice or the aforementioned certificate will not affect the effectiveness of, or otherwise invalidate, any Automatic Conversion, or give Noteholders any rights as a result of such failure.

The release of the principal amount of a Note pursuant to this Condition 6 shall be permanent and shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to take any enforcement action under the Notes or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be exceptionally waived by the PRA at any time prior to the relevant Trigger Event if such an Automatic Conversion (taking into account the write-down or conversion of any other

Own Fund Items on or around the same date) would give rise to a tax liability that would have a significant adverse effect on the solvency or capital position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to the cancellation of any Interest Payment or part thereof pursuant to Condition 5, and further without prejudice to Automatic Conversion upon the occurrence of a subsequent Trigger Event in respect of which the PRA does not grant such a waiver). The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders of the grant of any such waiver as soon as practicable following its receipt from the PRA.

*Under the Relevant Rules in force as at the Issue Date, the PRA is permitted (but not required) exceptionally to waive an Automatic Conversion in certain limited circumstances (being that it was triggered only by limb (c) of the definition of Trigger Event and not by either of limbs (a) or (b) of such definition) where it has received prior to the relevant Trigger Event (i) projections provided by the Issuer and/or the Insurance Group when it submits its recovery plan required by the Relevant Rules, that demonstrate that triggering the principal loss absorbency mechanism in such case would be very likely to give rise to a tax liability that would have a significant adverse effect on Issuer's and/or the Insurance Group's solvency position; and (ii) a certificate issued by the Issuer's or the Insurance Group's statutory auditors certifying that all of the assumptions used in the projections are realistic.*

(b) *Conversion Shares Depositary*

The Issuer shall use all reasonable endeavours to appoint a Conversion Shares Depositary as soon as reasonably practicable following the occurrence of a Trigger Event (unless the PRA has waived Automatic Conversion in respect of such Trigger Event as contemplated in Condition 6(a)).

If the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares to the Noteholders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee for the Noteholders or to the Noteholders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations under the Notes as if the Conversion Shares had been issued to the Conversion Shares Depositary.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares as nominee on behalf of the Noteholders) or the relevant recipient as contemplated above, and each Noteholder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

The number of Conversion Shares to be issued to the Conversion Shares Depositary on the Conversion Shares Delivery Date shall be determined by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion by the Conversion Price prevailing on the date of the Automatic Conversion rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depositary for the benefit of each Noteholder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate principal amount of the Notes held by such Noteholder divided by the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion, rounded down, if necessary, to the nearest whole number of Conversion Shares.



The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's fully paid ordinary shares of the same class in issue (if any) on the Conversion Shares Delivery Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Noteholder shall not be entitled to receive) any rights, the entitlement to which falls prior to the Conversion Shares Delivery Date. The Conversion Shares will not carry voting rights at general meetings of the shareholders of the Issuer.

The Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Noteholders, who shall be entitled to direct the Conversion Shares Depositary or such other recipient, as applicable, to exercise on their behalf all rights of an ordinary shareholder holding shares of the same class as the Conversion Shares (including rights to receive dividends) except that Noteholders shall not be able to sell or otherwise transfer the Conversion Shares until such time (if any) as they have been delivered to Noteholders.

Neither the Issuer, nor any member of the Insurance Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

The Conversion Shares will not be available for delivery (A) to, or to a nominee for, any clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).

(c) *Delivery of Conversion Shares*

The Conversion Shares Depositary shall deliver a notice to the Trustee, any stock exchange on which the Notes were listed or admitted to trading immediately prior to Automatic Conversion and, in accordance with Condition 13, the Noteholders (i) setting out the procedures by which a Noteholder may arrange for the transfer to itself from the Conversion Shares Depositary of the Conversion Shares held for such Noteholder by the Conversion Shares Depositary, and (ii) specifying the date up to which the Notes shall remain in existence for the sole purpose of evidencing each relevant Noteholder's right to receive Conversion Shares from the Conversion Shares Depositary.

Following such cancellation of the Notes, each Noteholder will have to provide evidence of its entitlement to the relevant Conversion Shares satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of Conversion Shares and the Conversion Shares Depositary may include such conditions to delivery as it considers to be appropriate.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

If any Conversion Shares have not been claimed for 12 years after the Conversion Shares Delivery Date, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion

Shares Depository (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares and any such cash proceeds from such sale(s) will be forfeited and will be transferred to the Issuer for its own account unless the Issuer decides, in its sole and absolute discretion, otherwise. The Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the cash proceeds from any such sale(s) as aforesaid (as applicable).

The Trustee shall not be responsible for monitoring or enforcing the obligations of the Conversion Shares Depository. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depository, Noteholders must look to the Conversion Shares Depository (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares due to them at the relevant time.

(d) *Adjustments to the Conversion Price*

If the Issuer proposes any Adjustment Event, the board of directors of the Issuer shall (in its sole discretion, acting in good faith) determine and (conditional upon such Adjustment Event occurring) appoint an Independent Adviser to make any adjustment that such Independent Adviser determines is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders. The Issuer shall give notice to the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders of any adjustment to the Conversion Price as soon as practicable following such determination. The Conversion Price shall not in any event be reduced to below the nominal value at such time of an ordinary share of the class of which Conversion Shares will form part. The Issuer further undertakes that it shall not take any action, and shall procure that no action is taken, that would result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by law and regulation.

(e) *Undertakings*

Whilst any Note remains outstanding, the Issuer shall (if and to the extent permitted by the Relevant Rules from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur), save with the approval of an Extraordinary Resolution at all times keep available, for issue or allotment, free from any pre-emptive or other preferential rights, sufficient Class B Ordinary Shares to enable the issue of all Conversion Shares as would be necessary to satisfy in full the obligation of the Issuer to deliver Conversion Shares on the Conversion Shares Delivery Date following the occurrence of a Trigger Event.

## 7 **Payments**

(a) *Payments in respect of Notes*

- (i) Payments of principal and interest shall be made on the date scheduled for payment to the persons shown on the Register at the close of business on the date falling 15 days before the due date in respect of such payment (the “**Record Date**”). Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder.
- (ii) Payments of principal and interest due at the time of redemption of the Notes will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents.
- (iii) For the purposes of this Condition 7, a Noteholder’s registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars,

details of which appear on the Register at the close of business on the date falling two Business Days before the due date for payment.

(b) *Payments subject to applicable laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) *No commissions*

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.

(d) *Payment on Business Days*

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the due date for payment or, in the case of a payment of principal or interest due at the time of redemption of the Notes, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of any Paying Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day or if the Noteholder is late in surrendering its Certificate (in circumstances where it is required to do so).

(e) *Partial payments*

If the amount of principal or interest which is scheduled to be paid on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid. With respect to the amount of any Interest Payment or part thereof, the Registrar shall have regard to the provisions of Condition 5(a).

(f) *Agents*

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves its right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that it will:

- (i) at all times maintain a Principal Paying and Conversion Agent, a Registrar and a Transfer Agent
- (ii) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank; and
- (iii) at all times maintain such other agents as may be required by any stock exchange on which the Notes may be listed.

Notice of any termination or appointment and of any changes in specified offices of any of the Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

## 8 Redemption, Substitution, Variation and Purchase

### (a) *No Redemption Date*

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase the Notes in accordance with the following provisions of this Condition 8. The Notes are not redeemable at the option of the Noteholders at any time.

### (b) *Conditions to Redemption and Purchase*

To the extent required pursuant to the Relevant Rules at the relevant time, and save as otherwise permitted pursuant to Condition 8(c), the Issuer may not redeem or purchase any Notes unless each of the following conditions is satisfied:

- (i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Specified Date, either:
  - (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or
  - (2) in the case of any redemption pursuant to Condition 8(g) or 8(h), the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans); and
    - (A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or
    - (B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and
    - (C) in either case, the Issuer having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Specified Date;
- (ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Specified Date and (B) before the tenth anniversary of the Specified Date, the PRA has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;

- (iv) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (v) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (vi) no Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(a));
- (vii) no Insolvent Insurer Winding-up has occurred and is continuing; and/or
- (viii) the Regulatory Clearance Condition is satisfied,

the conditions set out in paragraphs (i) to (viii) (inclusive) above (to the extent required pursuant to the Relevant Rules at the relevant time as aforesaid) being the “**Redemption and Purchase Conditions**”.

Notwithstanding the above conditions, if at the time of any such redemption or purchase, the prevailing Relevant Rules permit the redemption or purchase only after compliance with one or more additional or alternative requirements or pre-conditions to those set out above in this Condition 8(b), the Issuer shall comply with such additional and/or any appropriate, alternative requirement or pre-conditions (which shall be deemed to be the “**Redemption and Purchase Conditions**”).

If on the proposed date for redemption of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Conditions 8(c) and 8(d).

(c) *Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by the PRA*

Notwithstanding Condition 8(b), the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:

- (i) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) of Condition 8(b);
- (ii) the PRA has exceptionally waived the cancellation or suspension of redemption or, as the case may be, purchase of the Notes;
- (iii) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes (which, for the avoidance of doubt, will include (without limitation and if then permitted by the Relevant Rules) a redemption or purchase funded out of the proceeds of one or more issues of Tier 1 Own Funds of the same or a higher quality than the Notes); and
- (iv) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Directors confirming that the conditions set out in this Condition 8(c) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

(d) *Suspension of Redemption*

The Issuer shall notify the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be suspended in accordance with Condition 8(b), provided that if an event occurs or is determined less than five Business Days prior to the date set for redemption that results in the Redemption and Purchase Conditions ceasing to be met, the Issuer shall notify the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders as soon as reasonably practicable following the occurrence or determination (as the case may be) of such event.

If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Condition 8 as a result of the operation of Condition 8(b), the Issuer shall redeem such Notes at their principal amount outstanding together with any accrued and unpaid interest (in each case, to the extent that such amounts have not been cancelled pursuant to these Conditions), upon the earlier of:

- (i) the date falling ten Business Days after the date on which the Redemption and Purchase Conditions are met or redemption of the Notes is otherwise permitted pursuant to Condition 8(c) (unless on such tenth Business Day the Redemption and Purchase Conditions are again not met or the redemption of the Notes on such date would result in the Redemption and Purchase Conditions ceasing to be met (in each case save for the Redemption and Purchase Condition at sub-paragraph (iv) of Condition 8(b) to the extent waived under Condition 8(c)), in which case the provisions of Condition 8(b) and this sub-paragraph (i) of this Condition 8(d) will apply *mutatis mutandis* to determine the rescheduled due date for redemption of the Notes); or
- (ii) the date on which an Issuer Winding-Up occurs (insofar as such Issuer Winding-Up occurs prior to a Trigger Event in respect of which the PRA has not waived Automatic Conversion as contemplated in Condition 6(a)).

The Issuer shall notify the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any such date set for redemption pursuant to (i) or (if reasonably practicable in the circumstances) (ii) above.

A certificate signed by two Directors confirming that: (i) the Redemption and Purchase Conditions are not met or would cease to be met if the proposed redemption or purchase were to be made; or (ii) the Redemption and Purchase Conditions are met and would continue to be met if the proposed redemption or purchase were to be made, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely on such certificate absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) *Suspension of Redemption and Cancellation of Purchases Not a Default*

Notwithstanding any other provision in these Conditions or in the Trust Deed, the suspension of redemption of the Notes and any cancellation of any purchases of any Notes in accordance with Condition 8(b) and 8(d) shall not constitute a default or event of default on the part of the Issuer for any purpose and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

(f) *Redemption at the Option of the Issuer*

Provided that the Redemption and Purchase Conditions are met, the Issuer may, at its option, having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(q) below) be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Notes, (A) at any time during the six months prior to and including the First Reset Date or (B) on any Reset Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

(g) *Redemption, substitution or variation at the option of the Issuer due to a Tax Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(m) are met, if a Tax Event has occurred and is continuing, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(q) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(m) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided that:

- (1) no such notice shall be given earlier than 90 days prior to the earliest date on which (A) (i) with respect to limb (a) of the definition of Tax Event, the Issuer would be obliged to pay such Additional Amounts; (ii) with respect to limb (b) of the definition of Tax Event, the Issuer ceases to be entitled to a deduction or its entitlement to a deduction is reduced; or (iii) with respect to limb (d) of the definition of Tax Event, the Issuer would not to a material extent be able to have losses or deductions set against the profits or gains in the manner set out therein, in each case were a payment in respect of the Notes then due; or (B)(i) with respect to limbs (c), (e) and (f) of the definition of Tax Event, such change in treatment is effective; or (ii) with respect to limb (g) of the definition of Tax Event, the relevant adverse tax consequence would arise or be suffered; and
- (2) the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser in the applicable Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in subparagraph (1) applies or (where applicable) will apply on the next Interest Payment Date (save that such opinion need not provide any confirmation as to whether the Issuer could avoid the occurrence of the relevant Tax Event by taking measures reasonably available to it).

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(h) *Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(m) are met, if a Capital Disqualification Event has occurred and is continuing or, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), a Capital Disqualification Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(q) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(m) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(i) *Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(m) are met, if a Ratings Methodology Event has occurred and is continuing or, as a result of a change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(q) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain Rating Agency Compliant Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(m) below and in the definitions of "Qualifying Securities" and "Rating Agency Compliant Securities") agree to such substitution or variation,



provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the Ratings Methodology Event.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(j) *Redemption, substitution or variation at the option of the Issuer due to an Accounting Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(m) are met, if an Accounting Event has occurred and is continuing or will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(q) below) be irrevocable and shall specify, as applicable,

the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(m) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided, however, that (1) no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Accounting Event and (2) the Issuer shall also deliver to the Trustee an opinion from a recognised accountancy firm of international standing experienced in such matters confirming that an Accounting Event has occurred or will so occur.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(k) *Trustee role on redemption, variation or substitution; Trustee not obliged to monitor*

- (i) Subject to Condition 8(b) and 8(m), the Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes for or into Qualifying Securities pursuant to Condition 8(g), 8(h) or 8(j) above or Rating Agency Compliant Securities pursuant to Clause 8(i) above, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations or duties upon it or exposes it to liabilities or reduces its protections. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 8.
- (ii) The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 8 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or

circumstance to which this Condition 8 relates, it shall be entitled without liability to assume that no such event or circumstance exists or has arisen.

(l) *Clean-up redemption at the option of the Issuer*

Provided that the Redemption and Purchase Conditions are met, and subject to Condition 8(m), if at any time after the Specified Date 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), having given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(q) below) be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the remaining Notes at any time at their principal amount outstanding, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Subject as aforesaid, upon expiry of such notice the Issuer shall redeem the Notes.

(m) *Preconditions to redemption, variation and substitution*

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(g), 8(h), 8(i), 8(j) or 8(l), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event has occurred and is continuing or, for the purposes of Condition 8(l), that 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled, in any such case as at the date of the certificate or, as the case may be (in the case of a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event) will occur within a period of six months and (in the case of a redemption, variation or substitution pursuant to Condition 8(g), 8(h), 8(i) or 8(j)) that it would have been reasonable for the Issuer to conclude, judged at the Specified Date, that the relevant Tax Event, Capital Disqualification Event, Ratings Methodology Event or Accounting Event was not reasonably foreseeable.
- (ii) The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless it has notified the PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective and the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

A certificate signed by any two Directors to the Trustee confirming compliance with the relevant requirements set out above shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee, the Noteholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(n) *Compliance with stock exchange rules*

In connection with any substitution or variation of the Notes in accordance with Condition 8(g), 8(h), 8(i) or 8(j), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(o) *Purchases*

Provided that the Redemption and Purchase Conditions are met at the time of such purchase, the Issuer or any of the Issuer's Subsidiaries may purchase Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be held, reissued, resold or, at the option of the relevant purchaser, surrendered for cancellation to the Registrar.

(p) *Cancellations*

All Notes redeemed or substituted by the Issuer pursuant to this Condition 8, and all Notes purchased and surrendered for cancellation pursuant to Condition 8(o), will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(q) *Notices Final*

Subject to and without prejudice to the Redemption and Purchase Conditions and to Condition 8(d), any notice of redemption as is referred to in this Condition 8 shall, except in the circumstances described in the following paragraph of this Condition 8(q), be irrevocable and on the redemption, variation or (as the case may be) substitution date specified in such notice, the Issuer shall be bound to redeem or, as the case may be, vary or substitute the Notes in accordance with the terms of the relevant Condition.

The Issuer may not give a notice of redemption, substitution or variation of the Notes pursuant to this Condition 8 if a Trigger Event has occurred (disregarding, for this purpose, any Trigger Event in respect of which the PRA has waived Automatic Conversion as contemplated in Condition 6(a)). If a Trigger Event occurs after a notice of redemption, substitution or variation has been given by the Issuer but before the relevant redemption, substitution or (as the case may be) variation date, and unless the PRA has waived Automatic Conversion (as contemplated in Condition 6(a)) in respect of such Trigger Event prior to the scheduled date for such redemption, substitution or variation (as applicable), such notice of redemption, substitution or variation (as applicable) shall automatically be revoked and be null and void and the relevant redemption, substitution or variation (as applicable) shall not be made or effected and the Notes shall be subject to Automatic Conversion in accordance with Condition 6.

## 9 Taxation

(a) *Payment without withholding*

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts in relation to interest ("**Additional Amounts**") (but not in respect of any payments of principal) as will result in receipt by the Noteholders of such amounts equal to the amounts of interest as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (i) *Other connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
- (ii) *Lawful avoidance of withholding*: held by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Certificate is presented for payment; or
- (iii) *Surrender more than 30 days after the Relevant Date*: where (in the case of an Interest Payment payable on redemption) the relevant Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or
- (iv) *Combination*: where such withholding or deduction arises out of any combination of paragraphs (i) to (iii) above.

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-Up, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in an Issuer Winding-Up, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an administration, one day prior to the date on which any dividend is distributed).

(b) *Additional Amounts*

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or under any undertakings given in addition to, or in substitution for, this Condition 9 pursuant to the Trust Deed.

## 10 Prescription

Claims against the Issuer in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

## 11 Non-payment of principal when due

### (a) *Proceedings for an Issuer Winding-Up*

The right to institute winding-up proceedings by the Trustee on behalf of the Noteholders in respect of the Issuer is limited to circumstances where a payment of principal in respect of the Notes by the Issuer under the Conditions or any provisions of the Trust Deed has become due and is not duly paid. No amount shall be due from the Issuer in circumstances where payment of principal could not be made in compliance with the Solvency Condition, after a Trigger Event has occurred (save to the extent that the PRA permits payment if it has waived Automatic Conversion (as contemplated in Condition 6(a)) in respect of such Trigger Event), where payment cannot be made in compliance with the Redemption and Purchase Conditions or where redemption is suspended pursuant to Condition 8(d).

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) institute proceedings for the winding-up of the Issuer.

Subject to Condition 6, in the event of an Issuer Winding-Up (whether or not instituted by the Trustee), the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or pre-funded to its satisfaction) prove or claim in such Issuer Winding-Up, such claim being as provided in, and subordinated in the manner described in, Condition 3(b), but may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 11(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received no objection from, the PRA, which the Issuer shall confirm in writing to the Trustee and upon which the Trustee may rely conclusively without liability to any person.

### (b) *Enforcement*

Without prejudice to Condition 11(a), the Trustee may at its discretion and without notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including any payment of damages awarded for breach of any obligations thereunder, but excluding any payments made to the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 11(b) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 11(a).

### (c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) above against the Issuer to enforce the terms of the Trust Deed or the Notes or to take any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of

the Noteholders or requested in writing by the holders of at least one quarter in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) *Right of Noteholders*

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or to prove or claim in an Issuer Winding-Up unless the Trustee, having become so bound to proceed, is unable or fails to do so within 60 days or, being entitled to prove or claim in such Issuer Winding-Up, is unable or fails to do so within 60 days and, in each case, such inability or failure shall be continuing, in which case the Noteholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) *Extent of Noteholders' remedy*

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depository (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, a Noteholder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares issued and delivered in accordance with Condition 6.

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, with effect from the Conversion Shares Delivery Date, Noteholders shall have recourse only to the Conversion Shares Depository (or to such other relevant recipient, as applicable) for the delivery to them of the Conversion Shares to which such Noteholders are entitled.

## **12 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or other Transfer Agent (or any other place notice of which shall have been given in accordance with Condition 13) upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **13 Notices**

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

## 14 Substitution of Issuer

The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution, on a subordinated basis equivalent to that referred to in Condition 3, of the successor in business of the Issuer incorporated in any country in the world (the “**Substitute Obligor**”) in place of the Issuer (or any previous Substitute Obligor under this Condition 14) as a new principal debtor under the Trust Deed and the Notes, provided that:

- (a) (without prejudice to the rights of reliance of the Trustee under Condition 14(c)) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (b) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (c) two directors of the Substitute Obligor or other officers acceptable to the Trustee certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial position, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer (or any previous Substitute Obligor under this Condition 14));
- (d) two directors of the Substitute Obligor certify to the Trustee that such substitution will not give rise to a Tax Event, a Capital Disqualification Event, a Ratings Methodology Event or an Accounting Event;
- (e) (without prejudice to the generality of Condition 14(a)) the Trustee may, in the event of such substitution, agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes, provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders;
- (f) the provisions of Condition 6 and the effect thereof, including (without limitation) the rights of Noteholders to receive or direct delivery of Conversion Shares following the occurrence of a Trigger Event, are preserved in all material respects and in such circumstances references to the Conversion Shares shall be to the ordinary shares of the Substitute Obligor;
- (g) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the “**Issuer’s Territory**”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or, as the case may be, the addition to, the references in that Condition and in the definitions of Relevant Jurisdiction, Tax Event and Tax Law Change to the Issuer’s Territory of references to the Substituted Territory, whereupon the Trust Deed and the Notes will be read accordingly; and
- (h) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

Any substitution pursuant to this Condition 14 shall be subject to the Issuer having complied with the Regulatory Clearance Condition and the Relevant Rules including (to the extent required by the Relevant Rules) (i) if prior to the fifth anniversary of the Specified Date, Condition 8(b)(i); and (ii) if (A) on or after the fifth anniversary of the Specified Date and (B) before the tenth anniversary of the Specified Date, Condition 8(b)(ii).

Any such substitution shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

## **15 Meetings of Noteholders, Modification, Waiver and Authorisation**

### **(a) *Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of the Noteholders (including by way of conference call or videoconference) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which falls within the proviso to paragraph 3 of Schedule 3 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

The Trust Deed also provides that (i) a written resolution executed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or (ii) consent to a resolution given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 75 per cent. in principal amount of the Notes outstanding who (in either case) would have been entitled to vote upon such resolution if it had been proposed at a meeting at which they were present shall take effect as if it were an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in connection with the substitution or variation of the Notes pursuant to Condition 8(g), 8(h), 8(i) or 8(j) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 14.

### **(b) *Modification, waiver, authorisation and determination***

Without prejudice to Conditions 8(g), 8(h), 8(i), 8(j) and 14, the Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 3 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 8(g), 8(h), 8(i) or 8(j) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 14.



(c) *Trustee to have regard to interests of Noteholders as a class*

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 15 shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

(e) *Notice to the PRA*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have first satisfied the Regulatory Clearance Condition.

## **16 Indemnification of the Trustee and its Contracting with the Issuer**

(a) *Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

Nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Condition 3 or Condition 11) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

(b) *Trustee contracting with the Issuer*

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and/or any Substitute Obligor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries and/or any Substitute Obligor, (ii) to exercise and

enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(c) *Reports and certificates*

The Trust Deed provides that the Trustee may rely and act upon the advice, opinion or report of or any information obtained from any lawyer, accountant (including the auditors of the Issuer), valuer, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee may also rely and act upon certificates and/or information addressed to it from, or delivered by, the Issuer, any Substitute Obligor or any two or more Directors or any Substitute Obligor or any of their respective auditors, liquidators, administrators or other insolvency officials. The Trustee will not be responsible to anyone for any liability occasioned by so relying and acting. Any such advice, opinion, information or certificate may be sent or obtained by letter, electronic communication or fax and the Trustee shall not be liable for acting in good faith on any advice, opinion, information or certificate purporting to be conveyed by such means even if it contains an error or is not authentic.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 3(d), 5, 6 or 8. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with the foregoing.

(d) *Trustee may refrain from acting*

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

## 17 Further Issues

The Issuer may from time to time without the consent of the Noteholders, but subject to any consent or non-objection required from the PRA, create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Notes (“**Further Notes**”). Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

## 18 Governing Law

The Trust Deed and the Notes, and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes, are governed by, and shall be construed in accordance with, English law.

## 19 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 20 Defined Terms

In these Conditions:

an “**Accounting Event**” shall be deemed to have occurred if, as a result of a change in the accounting principles under IFRS (or a change in the interpretation of such accounting principles by the Issuer’s auditors) which becomes effective on or after the Specified Date, but not otherwise, at any time the obligations of the Issuer under the Notes must not, or must no longer, be recorded as a ‘financial liability’ pursuant to IFRS for the purposes of the consolidated financial statements of the Issuer;

“**Additional Amounts**” has the meaning given to it in Condition 9;

“**Adjustment Event**” means the occurrence or existence at any relevant time of a subdivision, consolidation or reclassification of any ordinary shares of the Issuer or a free distribution or dividend of any ordinary shares of the Issuer to existing holders of ordinary shares by way of bonus, capitalisation or similar issue;

“**Agency Agreement**” has the meaning given in the preamble to these Conditions;

“**Agent Bank**” has the meaning given in the preamble to these Conditions;

“**Agents**” means the Principal Paying and Conversion Agent, the Agent Bank, the Registrar and the Transfer Agents or any of them and shall include such other agents appointed from time to time under the Agency Agreement;

“**Assets**” means the unconsolidated gross assets of the Issuer as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors may determine;

“**Automatic Conversion**” means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release by the Noteholders of all of the Issuer’s obligations under the Notes with effect immediately following the determination that a Trigger Event has occurred (unless the PRA has waived such Automatic Conversion in the circumstances set out in Condition 6(a)) as specified in the relevant Trigger Event Notice including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer’s issuance of the Conversion Shares to the Conversion Shares Depository (or to such other relevant recipient as contemplated in Condition 6) (on behalf of the Noteholders) at the then prevailing Conversion Price and the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed;

“**Business Day**” means (i) except for the purposes of Conditions 2 and 7(d), a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London and New York City, (ii) for the purposes of Condition 2, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located and (iii) for the purpose of Condition 7(d), a day (other than a Saturday, Sunday or public holiday) on

which commercial banks are open for business in London and New York City and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered;

“**Calculation Amount**” means U.S.\$1,000 in principal amount of the Notes;

a “**Capital Disqualification Event**” shall be deemed to have occurred if at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), which change has occurred or which the PRA considers to be sufficiently certain, the whole or any part of the principal amount of the Notes is excluded from counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than a limitation derived from any transitional or grandfathering provisions under the Relevant Rules);

“**Certificate**” has the meaning given in Condition 1(a);

“**Class B Ordinary Shares**”<sup>1</sup> means Class B non-voting ordinary shares in the share capital of Rothesay Life Plc which, as at the Issue Date, have a nominal value of £1.00 per share;

“**CMT Rate**” means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Agent Bank, and expressed as a percentage, equal to:

- (i) the yield for United States Treasury Securities at “constant maturity” for a designated maturity of five years, as published in the H.15(519) under the caption “treasury constant maturities (nominal)”, as that yield is displayed on the CMT Rate Screen Page on such Reset Determination Date; or
- (ii) if the yield referred to in paragraph (i) above is not published by 4:00 p.m. (New York City time) on the CMT Rate Screen Page on such Reset Determination Date, the yield for the United States Treasury Securities at “constant maturity” for a designated maturity of five years, as published in the H.15(519) under the caption “treasury constant maturities (nominal)” on such Reset Determination Date; or
- (iii) if the yield referred to in paragraph (ii) above is not published by 4:30 p.m. (New York City time) on such Reset Determination Date, the Reset Reference Rate on such Reset Determination Date;

“**CMT Rate Screen Page**” means H15T5Y on the Bloomberg service or any successor service or such other page as may replace that page on that service for the purpose of displaying “treasury constant maturities” as reported in H.15(519);

“**Companies Act**” means the United Kingdom Companies Act 2006 (as amended or re-enacted from time to time);

“**Conversion Price**” means U.S.\$1,000<sup>2</sup> per Conversion Share, subject to adjustment in accordance with Condition 6;

“**Conversion Shares**” means, subject as provided in Condition 14(g), the ordinary shares of the Issuer (which, for so long as Rothesay Life Plc is the Issuer, shall mean the Class B Ordinary Shares) to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with Condition 6) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion by the

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<sup>1</sup> Nominal value set at £1.00 so as to match the nominal value of the Class A ordinary shares. The Class B Ordinary Shares will rank *pari passu* with Class A Ordinary Shares in liquidation. They would have no general voting rights (just class voting rights).

<sup>2</sup> This would result in 400,000 Class B Ordinary Shares being issued at the initial Conversion Price, being approximately 0.078 per cent. of the total issued share capital as at 26 October 2021 (based on a total issued share capital of 510,528,697 ordinary shares as stated at Companies House). This excludes any marginal impact on the issued share capital that would be caused by a Trigger Event under the Issuer’s £450,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes issued on 13 October 2021.

prevailing Conversion Price on the date of Automatic Conversion rounded down, if necessary, to the nearest whole number of ordinary shares;

“**Conversion Shares Delivery Date**” means the date specified in the Trigger Event Notice as the date on which the Conversion Shares shall be delivered, which is expected to be not more than 30 Business Days following Automatic Conversion;

“**Conversion Shares Depositary**” means a financial institution, trust company, depositary entity, nominee entity or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Noteholders, to hold the Conversion Shares on behalf of such Noteholders in one or more segregated accounts and, in any event, on terms consistent with these Conditions;

“**Directors**” means the directors of the Issuer or a Substitute Obligor (as the case may be) from time to time;

“**Distributable Items**” means, subject as otherwise defined from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

- (a) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Issuer; plus
- (b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer’s then latest financial year end to (but excluding) such Interest Payment Date; less
- (c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer’s then latest financial year end to (but excluding) such Interest Payment Date;

“**Distributable Profits**” has the meaning given to such term under section 736 of the Companies Act (or, in the case of any Substitute Obligor which is not a United Kingdom company, the relevant provision under the law of the jurisdiction of incorporation of the Substitute Obligor) or (in each case) any equivalent or replacement provision;

“**EEA**” means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

“**Euronext Dublin**” means the Irish Stock Exchange plc, trading as Euronext Dublin;

“**EUWA**” means the European Union (Withdrawal) Act 2018, as amended;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**First Reset Date**” means 13 October 2027;

“**Further Notes**” has the meaning given in Condition 17;

“**Global Exchange Market**” means Euronext Dublin’s Global Exchange Market;

“**Group Insurance Undertaking**” means an insurance undertaking or reinsurance undertaking whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Insurance Group pursuant to the Relevant Rules;

“**H.15(519)**” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication;

“**IFRS**” means the International Financial Reporting Standards or such other accounting standards that may replace them as applicable to the Issuer from time to time;

**“Independent Adviser”** means an independent financial institution of international repute or other independent adviser with appropriate standing and experience in the international capital markets, in each case appointed by the Issuer at its own expense;

**“Initial Fixed Interest Rate”** has the meaning given to it in Condition 4(c);

**“Initial Fixed Rate Interest Period”** means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

**“Insolvent Insurer Winding-up”** means:

- (a) the winding-up of any Group Insurance Undertaking; or
- (b) the appointment of an administrator of any Group Insurance Undertaking,

in each case where the Issuer has determined, acting reasonably, that all Policyholder Claims of the policyholders or beneficiaries under contracts of insurance and reinsurance of that Group Insurance Undertaking may or will not be met in full;

**“Insurance Group”** means, at any time, the Insurance Group Parent Entity and its Subsidiaries at such time;

**“Insurance Group Parent Entity”** means Rothesay Limited or, if the Issuer has an ultimate insurance holding company that is subject to consolidated supervision by a United Kingdom regulatory authority for the purposes of the Relevant Rules, such ultimate insurance holding company (such company being, as at the Issue Date, Rothesay Limited);

**“insurance undertaking”** has the meaning given to it in the Relevant Rules;

**“Interest Payment”** means, in respect of any Interest Payment Date, the amount of interest which is (or would, but for cancellation in accordance with these Conditions, be) due and payable on such Interest Payment Date;

**“Interest Payment Date”** means 13 April and 13 October in each year, commencing on 13 April 2022;

**“Interest Period”** means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

**“Interest Rate”** means the Initial Fixed Interest Rate and/or the applicable Reset Rate of Interest, as the case may be;

**“Issue Date”** means 27 October 2021;

**“Issuer”** has the meaning given in the preamble to these Conditions;

**“Issuer’s Territory”** has the meaning given to it in Condition 14;

**“Issuer Winding-Up”** means:

- (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable); or
- (b) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer;

**“Level 2 Regulations”** means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union

on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as amended by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019;

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer as shown in the latest published audited balance sheet of the Issuer but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors may determine;

“**Mandatory Interest Cancellation Event**” has the meaning given to such term in Condition 5(b);

“**Margin**” means 3.58 per cent. per annum;

“**Minimum Capital Requirement**” means the Minimum Capital Requirement of the Issuer, the minimum consolidated group Solvency Capital Requirement or other minimum capital requirements relating to the Issuer or the Insurance Group (as applicable) referred to in the Relevant Rules;

“**Noteholder**” has the meaning given in Condition 1(b);

“**Notes**” has the meaning given in the preamble to these Conditions;

“**Notional Preference Shares**” has the meaning given to such term in Condition 3(b);

“**Official List**” means the official list of Euronext Dublin;

“**Own Fund Items**” means any own fund item referred to in the Relevant Rules;

“**Paying Agents**” has the meaning given in the preamble to these Conditions;

“**Policyholder Claims**” means claims of policyholders or beneficiaries under contracts of insurance or reinsurance in a winding-up, liquidation or administration of a Group Insurance Undertaking to the extent that those claims relate to any debt to which the Group Insurance Undertaking is, or may become, liable to a policyholder or such a beneficiary pursuant to a contract of insurance or reinsurance, including all amounts to which policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up or administration of insurance companies to reflect any right to receive, or expectation of receiving, benefits which such policyholders or such beneficiaries may have;

“**PRA**” means the Bank of England acting as the United Kingdom Prudential Regulation Authority through its Prudential Regulation Committee or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer, the Insurance Group and/or the Insurance Group Parent Entity;

“**Principal Paying and Conversion Agent**” has the meaning given in the preamble to these Conditions;

“**Qualifying Securities**” means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue or, as appropriate, variation of the relevant securities);
- (b) (subject to (a) above) shall (1) contain terms which comply with the then current requirements of the Relevant Rules in relation to Tier 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) rank *pari passu* with the ranking of the

Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to the tenth anniversary of the Specified Date except in circumstances analogous to those referred to in Condition 8(g), 8(h), 8(i) or 8(j) of the Notes (in each case subject to all applicable Redemption and Purchase Conditions); (5) contain terms providing for the cancellation and/or suspension of payments of interest or principal (including, without limitation, conversion of principal into equity or automatic write down of principal (which shall be deemed not to be materially less favourable to an investor than terms providing for the conversion of principal into equity)) only if such terms are not materially less favourable to an investor than the cancellation and/or suspension provisions, respectively, contained in the terms of the Notes and (6) preserve any existing rights under these Conditions to any accrued interest which has accrued to Noteholders but not been paid (but without prejudice to any right of the Issuer subsequently to cancel any such rights so preserved in accordance with the terms of the Qualifying Securities); and

- (c) are listed on the Official List and admitted to trading on the Global Exchange Market or are listed and/or admitted to trading on such other regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA as selected by the Issuer and approved by the Trustee, provided that such stock exchange is a Recognised Stock Exchange;

**“Rating Agency”** means Fitch Ratings Ltd or any affiliate thereof or successor thereto;

**“Rating Agency Compliant Securities”** means securities which are (i) Qualifying Securities and (ii) assigned substantially the same “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower “equity credit” (provided such “equity credit” is still higher than the “equity credit” assigned to the Notes immediately after the occurrence of the Ratings Methodology Event) as that which was (A) first assigned by the Rating Agency (or its predecessor) to the Notes on or around the Issue Date or (B) (if later) as at (or in connection with an issue of Further Notes on) the Specified Date, and provided that a certification to such effect signed by two Directors shall have been delivered to the Trustee prior to the issue or, as appropriate, variation of the relevant securities (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof);

a **“Ratings Methodology Event”** will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology) after the Specified Date as a result of which the “equity credit” (or such other nomenclature as may be used by the Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or as published by the Rating Agency, reduced when compared to (A) the “equity credit” first assigned by the Rating Agency (or its predecessor) to the Notes on or around the Issue Date or (B) (if this is lower) the lowest “equity credit” assigned by the Rating Agency to the Notes at the time of, or in connection with, any issue of Further Notes pursuant to Condition 17;

**“Recognised Stock Exchange”** means a recognised stock exchange as defined in section 1005 of the United Kingdom Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

**“Record Date”** has the meaning given to such term in Condition 7(a);

**“Redemption and Purchase Conditions”** has the meaning given to such term in Condition 8(b);



“**Register**” has the meaning given in Condition 1(a);

“**Registrar**” has the meaning given in the preamble to these Conditions;

“**Regulatory Clearance Condition**” means, in respect of any proposed act on the part of the Issuer, the PRA having approved, granted permission for, consented to, or provided a non-objection to and having not withdrawn its approval, permission or consent to, such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the PRA, the Relevant Rules or any other applicable rules of the PRA at the relevant time);

“**reinsurance undertaking**” has the meaning given to it in the Relevant Rules;

“**Relevant Date**” has the meaning given in Condition 9(a);

“**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject to tax in respect of payments made by it of principal and/or interest on the Notes;

“**Relevant Rules**” means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applying to the Issuer, the Insurance Group Parent Entity or the Insurance Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the PRA relating to such matters; and references in these Conditions to any matter, action or condition being required or permitted by, or in accordance with, the Relevant Rules shall be construed in the context of the Relevant Rules as they apply to Tier 1 Capital and on the basis that the Notes are intended to continue to have the characteristics of Tier 1 Capital of the Issuer and the Insurance Group under the Relevant Rules notwithstanding the occurrence of a Capital Disqualification Event;

“**Reset Date**” means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

“**Reset Determination Date**” means, in respect of a Reset Period, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period;

“**Reset Period**” means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

“**Reset Rate of Interest**” has the meaning given to it in Condition 4(d);

“**Reset Reference Banks**” means five banks which are primary U.S. Treasury securities dealers or market makers in pricing corporate bond issues denominated in U.S. dollars in New York, as selected by the Issuer;

“**Reset Reference Rate**” means the percentage rate determined by the Agent Bank on the basis of the Reset United States Treasury Securities Quotations provided by the Reset Reference Banks to the Agent Bank at the request of the Issuer at or around 4:30 p.m. (New York City time) on the relevant Reset Determination Date and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on

the First Reset Date, the relevant CMT Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 1.295 per cent.;

**“Reset United States Treasury Securities Quotation”** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate quoted by a Reset Reference Bank as being the yield-to-maturity based on the arithmetic mean of the secondary market bid price of such Reset Reference Bank for Reset United States Treasury Securities at approximately 4:30 p.m. (New York City time) on such Reset Determination Date;

**“Reset United States Treasury Securities”** means, on the relevant Reset Determination Date, the United States Treasury Securities with an original maturity equal to five years, a remaining term to maturity of no less than four years and in a principal amount equal to an amount that is representative for a single transaction in such United States Treasury Securities in the New York City market. If two or more United States Treasury Securities have remaining terms to maturity of no less than four years, the United States Treasury Security with the longer remaining term to maturity will be used and if two or more United States Treasury Securities have remaining terms to maturity equally close to five years, the United States Treasury Security with the largest nominal amount outstanding will be used;

**“Senior Creditors”** means (save as required by mandatory provisions of applicable law) creditors of the Issuer:

- (a) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance or reinsurance of the Issuer (for the avoidance of doubt, the claims of such policyholders and beneficiaries shall include all amounts to which such policyholders or beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance or reinsurance companies to reflect any right to receive or expectation of receiving benefits which policyholders or beneficiaries may have), if any;
- (b) whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute) upon issue or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital (including, for so long as any of the same remain outstanding, the Issuer’s £250,000,000 8.00 per cent. Subordinated Notes due 2025 (ISIN: XS1312953596), the Issuer’s £300,000,000 6.05 per cent. Subordinated Notes due 2028, the Issuer’s £100,000,000 Floating Rate Perpetual Preferred Callable Securities and the Issuer’s £400,000,000 Fixed Rate Reset Subordinated Notes due 2029 (ISIN: XS2049622272)) or Tier 3 Capital (including, for so long as any of the same remain outstanding, the Issuer’s £500,000,000 3.375 per cent. Subordinated Notes due 2026 (ISIN: XS2027400063));
- (c) whose claims are, or are expressed to be, subordinated to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
- (d) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed by their terms to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding up or administration of the Issuer occurring prior to a Trigger Event;

**“Solvency II”** means the United Kingdom transposition of the Solvency II Directive and the Level 2 Regulations, as they each form part of United Kingdom law (including, where relevant, as retained EU law pursuant to the EUWA), as amended from time to time and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise);

**“Solvency II Directive”** means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);

“**Solvency Capital Requirement**” means the solvency capital requirement of the Issuer or the group solvency capital requirement of the Insurance Group referred to in the Relevant Rules (howsoever described or defined in the Relevant Rules) or any other solvency capital requirement, group solvency capital requirement or any other equivalent capital requirement relating to the Issuer or the Insurance Group (other than the Minimum Capital Requirement) howsoever described or defined in the Relevant Rules;

“**Solvency Condition**” has the meaning given in Condition 3(d);

“**Specified Date**” means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Notes have been issued pursuant to Condition 17;

“**sterling**” or “**£**” or “**penny**” means the lawful currency of the United Kingdom from time to time;

“**Subsidiary**” has the meaning given to that term under section 1159 of the Companies Act;

“**Substitute Obligor**” has the meaning given in Condition 14;

“**Substituted Territory**” has the meaning given to it in Condition 14;

“**successor in business**” has the meaning, with respect to the Issuer, given in the Trust Deed;

a “**Tax Event**” is deemed to have occurred if as a result of a Tax Law Change:

- (a) in making any Interest Payments on the Notes, the Issuer will or would on the next Interest Payment Date be required to pay Additional Amounts; or
- (b) the Issuer is no longer entitled to claim a deduction in respect of any Interest Payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced in the Relevant Jurisdiction; or
- (c) the Notes are prevented from being treated as loan relationships for United Kingdom tax purposes; or
- (d) in respect of an Interest Payment, the Issuer would not to any material extent be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist); or
- (e) the Notes or any part thereof are treated as a derivative or an embedded derivative for United Kingdom tax purposes;
- (f) the Issuer would be subject to a tax liability in a Relevant Jurisdiction if a Trigger Event or an Automatic Conversion were to occur or such Trigger Event or Automatic Conversion would result in a deemed receipt of income or profit for the Issuer that would be subject to tax in a relevant jurisdiction; or
- (g) the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction,

and, in any such case the Issuer could not avoid the foregoing by taking measures reasonably available to it;

“**Tax Law Change**” means a change in (or proposed change in) or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment (x) (subject to (y)) becomes (or will become) effective on or

after the Specified Date, or (y) in the case of a change in law, is (or will be) enacted on or after the Specified Date;

“**Tier 1 Capital**” has the meaning given to such term by the Relevant Rules from time to time;

“**Tier 2 Capital**” has the meaning given to such term by the Relevant Rules from time to time;

“**Tier 3 Capital**” has the meaning given to such term by the Relevant Rules from time to time;

“**Tier 1 Own Funds**” means subordinated notes, ordinary shares or any other share capital of any class which constitute Tier 1 Capital for the purposes of the Issuer or the Insurance Group, whether on a solo, group or consolidated basis;

“**Transfer Agent**” has the meaning ascribed to it in the preamble to the Conditions;

a “**Trigger Event**” shall occur if at any time:

- (a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;
- (b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or
- (c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed;

“**Trigger Event Notice**” means the notice referred to as such in Condition 6 which shall be given by the Issuer to the Noteholders, in accordance with Condition 13, the Trustee, the Registrar, the Principal Paying and Conversion Agent and the PRA, and which shall state with reasonable detail (i) the nature of the relevant Trigger Event, (ii) the basis of its calculation, (iii) the prevailing Conversion Price, (iv) the date of the relevant Automatic Conversion which shall be immediately following the determination that the relevant Trigger Event has occurred and which may be a date prior to the date of the Trigger Event Notice, (v) the relevant Conversion Shares Delivery Date, (vi) details of the Conversion Shares Depository and (vii) details of how to give notices required or permitted by these Conditions to the Conversion Shares Depository;

“**Trust Deed**” has the meaning given in the preamble to these Conditions;

“**Trustee**” has the meaning given in the preamble to these Conditions;

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

“**United States Treasury Securities**” means securities that are direct obligations of the United States Treasury, issued other than on a discount rate basis;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

“**U.S.\$**” or “**U.S. dollars**” means the lawful currency of the United States of America.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM**

The following provisions apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions.

### **1 Relationship of Accountholders with Clearing Systems**

Subject as otherwise provided in the Trust Deed, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for its share of each payment made by the Issuer to or to the order of the registered holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to or to the order of the holder of the Global Certificate in respect of each amount so paid.

### **2 Cancellation**

Cancellation of any Note following its redemption or purchase or conversion or substitution by the Issuer or any of the subsidiaries of the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and shall be duly endorsed (for information purposes only) in the schedule to the Global Certificate, and the records of Euroclear, Clearstream, Luxembourg and any other relevant Alternative Clearing System will be updated accordingly.

### **3 Payments**

Payments of principal and interest in respect of the Notes represented by the Global Certificate will be made to or to the order of the registered holder of the Global Certificate. Upon payment of any principal or interest, the amount so paid shall be endorsed by or on behalf of the Registrar on behalf of the Issuer on the schedule to the Global Certificate.

Principal and interest shall be payable in accordance with the Conditions, save that the calculation of interest will be made in respect of the total aggregate principal amount of the Notes represented by this Global Certificate.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg or any Alternative Clearing System will be credited to the cash accounts of participants in Euroclear, Clearstream, Luxembourg or any Alternative Clearing System in accordance with the relevant clearing system’s rules and procedures.

All payments in respect of the Notes whilst they are represented by the Global Certificate will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday (inclusive) except 25 December and 1 January.

### **4 Meetings**

The registered holder of the Global Certificate shall be treated as having one vote in respect of each U.S.\$1.00 in principal amount of Notes represented by the Global Certificate. The Trustee may allow to attend and speak

(but not to vote unless such person is a proxy or a representative) at any meeting of Noteholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Notes represented by the Global Certificate on confirmation of entitlement and proof of his identity.

## **5 Notices**

So long as all of the Notes are represented by the Global Certificate and it is held by or on behalf of one or more clearing systems, notices to Noteholders will be given by delivery of the relevant notice to such clearing system(s) for communication by such clearing system(s) to entitled accountholders, in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to the relevant clearing system(s) for delivery to entitled accountholders.

Whilst any of the Notes are represented by the Global Certificate, notices to be given by a Noteholder will be given by such Noteholder (where applicable) through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and otherwise in such manner as the relevant clearing system may approve for this purpose.

## **6 Prescription**

Claims against the Issuer for payment in respect of the Notes will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **7 Exchange**

Owners of beneficial interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual Certificates if each of Euroclear, Clearstream, Luxembourg and (if applicable) any Alternative Clearing System are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so, and no successor clearing system satisfactory to the Trustee is available.

In such circumstances, the Issuer will cause sufficient Certificates to be executed and delivered to the Registrar and the Transfer Agent for completion, authentication and despatch to the relevant Noteholders within 14 days following a request therefor by the registered holder of the Global Certificate. A person with an interest in the Notes represented by the Global Certificate must provide the Registrar and the Transfer Agent with (A) a written order containing instructions and other such information as the Issuer, the Transfer Agent and the Registrar may require to complete, execute and deliver such Certificates; and (B) a certificate to the effect that such person is not transferring its interest in the Global Certificate.

## **8 Transfer**

Notes represented by the Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

## **9 Trustee's Powers**

In considering the interests of Noteholders, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (A) have regard to such information as may have been made available to it by or on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Notes and (B)

consider such interests on the basis that such accountholders were the holders of the Notes represented by the Global Certificate.

## 10 Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Notes represented by the Global Certificate shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

## 11 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding who (in either case) would have been entitled to vote upon such resolution if it had been proposed at a meeting at which they were present (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting which is a special quorum resolution), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent. The Principal Paying and Conversion Agent shall confirm the result of voting on any Electronic Consent in writing to the Issuer and the Trustee (in a form satisfactory to the Trustee) (which confirmation may be given by email), specifying (as of the deadline for the Electronic Consent): (A) the outstanding principal amount of the Notes and (B) the outstanding principal amount of the Notes in respect of which consent to the resolution has been given in accordance with this provision. The Issuer and the Trustee may rely and act without further enquiry on any such confirmation from the Principal Paying and Conversion Agent and shall have no liability or responsibility to anyone as a result of such reliance or action. The Trustee shall not be bound to act on any Electronic Consent in the absence of such a confirmation from the Principal Paying and Conversion Agent in a form satisfactory to it; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error,

be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes are expected to be used to fund general commercial and corporate activities of the Group.

## DESCRIPTION OF THE ISSUER AND THE GROUP

### 1 Description of the Issuer and the Group

#### 1.1 Overview of the Group

The Group was established in 2007 as a wholly-owned subsidiary of The Goldman Sachs Group, Inc. (“**Goldman Sachs**”) and originally operated as an insurance company specialising in the provision of annuities. It has since become a leading provider of regulated insurance solutions in the UK pensions risk transfer market. The Group’s principal activity is providing wholesale insurance annuity products to UK defined benefit pension schemes and their members, which involves the Group conducting “buy-in” and “buy-out” transactions (as set out in section 3.1 (*Key services and products*)) with the trustees of defined benefit pension plans. The Group also acquires bulk and individual annuities through the reinsurance of the portfolios of other insurance companies and/or acquisition of in-force annuity portfolios from other insurance companies, as well as through strategic acquisitions of other insurance companies specialising in annuities. A detailed explanation of the Group’s business is provided in “*Business of the Group – Key services and products*”.

The Group’s strategy is to increase assets under management through the acquisition of additional annuity liabilities by writing bulk annuity contracts, reinsurance, and the strategic acquisition of other insurance companies expanding its annuities, primarily in the UK.

The Group now has two institutional shareholders: Cambourne Life Investment Pte Ltd (“**GIC**”) and MM Rothesay Holdco US L.L.C. (MassMutual) (“**MassMutual**”), which are supportive of the Group’s growth plans and have access to substantial capital resources to back those plans.

The ultimate holding company of the Group is Rothesay Limited. Rothesay Limited was incorporated in England and Wales on 29 August 2013 as Rothesay Holdco UK Limited with registered number 08668809. On 8 October 2020 Rothesay Holdco UK Limited’s name was changed to Rothesay Limited. The principal operating company in the Group is the Issuer. The Issuer was incorporated on 26 February 2007 with registered number 06127279. The Issuer was incorporated and registered as a private limited company in England and Wales under the Companies Act 1985 and re-registered as a public company under the Companies Act 2006 on 24 March 2016. The Issuer is authorised by the PRA and regulated by the PRA and the FCA.

The principal legislation under which the Group and its subsidiaries operate is the Companies Act 2006 and FSMA, and the regulations made thereunder.

The registered office of the Group and its UK based subsidiaries and the business address of each of their directors for matters concerning the Group and/or its subsidiaries’ business is The Post Building, 100 Museum Street, London WC1A 1PB, United Kingdom. The telephone number of the registered office is +44 (0) 20 7770 5300.

#### 1.2 History and ownership of the Group

When the Group was established in 2007 it was a wholly-owned subsidiary of Goldman Sachs. In December 2017, Goldman Sachs divested all of its remaining shares to subsidiaries of Blackstone, GIC and MassMutual. In November 2020, Blackstone sold its entire shareholding to GIC and MassMutual, who are the ultimate shareholders of the Group and its subsidiaries and hold their interest through shares in Rothesay Limited.

As at 30 June 2021, these shareholders held the following percentage interests in the Group (such percentages representative of each shareholder’s nominal holding of shares in Rothesay Limited):

- Cambourne Life Investment Pte Ltd, a fund managed by GIC, holds a 49 per cent. interest in Rothesay Limited (the “**GIC Shareholder**”); and
- MM Rothesay Holdco US LLC, a fund managed by MassMutual, holds a 49 per cent. interest in Rothesay Limited (the “**MassMutual Shareholder**”),

(together, the “**Shareholders**”).

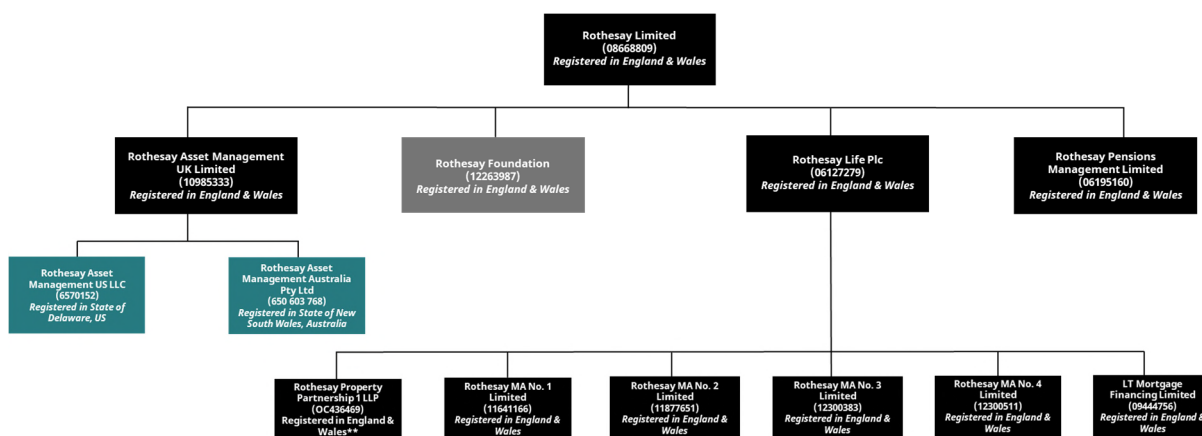
The remaining shares are held by the management of the Group and the Employee Benefit Trust.

The Group is subject to certain shareholder reserved matters which, in broad terms, require the consent of each of the two Shareholders that own ordinary voting shares in the capital of Rothesay Limited (“**Shareholder Reserved Matters**”). The Shareholder Reserved Matters include items which are outside the scope of the ordinary course or day-to-day operations of the Group, such as any changes to the constitution or the capital structure of the Group, the approval of significant transactions, as well as amendments to the Group’s risk, investment and capital policies. Consent of the relevant Shareholders is also required for material decisions relating to expenditure, business operational and regulatory matters, as well as certain changes to the Group’s directors and the overall governance of the Group.

Each entity within the Group is managed by a board of directors, with the board of Rothesay Limited having overall responsibility for the Group and its subsidiaries. The board of the Issuer shares common directors with the board of Rothesay Limited. The articles of association of the Issuer require that (unless not entitled to vote pursuant to such articles) a director appointed by each shareholder holding at least 25 per cent. of the “A” ordinary voting shares of Rothesay Limited is required to be present in order for a meeting of the board of directors of the Issuer to be quorate. As at the date hereof a shareholder director appointed by each of the Shareholders will therefore need to be present at any meeting of the board of directors of the Issuer as part of the quorum requirement. See “– *Board of Directors*” for further information regarding the board and governance structure.

### 1.3 Organisational structure of the Group and its subsidiaries

The organisational structure of the Group and the other operating subsidiaries within the Group’s corporate structure as at 30 June 2021 is outlined below:



Rothesay Limited is the holding company of the Issuer, Rothesay Asset Management UK Limited (“**RAM**”) and Rothesay Pensions Management Limited (“**RPML**”). The nature of Rothesay Limited’s business is to act as the ultimate holding company for all entities within the Group and their subsidiaries.

RPML provides the management and operational services required by the Group and manages the provision of certain related services to the Group through outsourcing arrangements. RPML was

incorporated as a private limited company in England and Wales on 30 March 2007, with registered number 06195160. The services provided by RPML are conducted exclusively for the Group and include policy administration, information technology, finance and facility management services. All UK-based employees and consultants of the Group are employed by RPML. Any costs associated with RPML are recharged back to the operating companies in the Group.

As at 30 June 2021, the Group and its subsidiaries had 330 employees, excluding the Non-Executive Directors

#### 1.4 Summary of Group entities

Name of entity	Shareholders <sup>34</sup>	Country of incorporation <sup>5</sup>	Nature of business
Rothesay Limited <sup>6</sup>	Cambourne Life Investment Pte Ltd (GIC Special Investments Pte Ltd): 49% MM Rothesay Holdco US LLC (Massachusetts Mutual Life Insurance Company): 49%	England and Wales	Holding company
Rothesay Life Plc (the Issuer)	Rothesay Limited: 100%	England and Wales	Operating company
Rothesay Pensions Management Limited	Rothesay Limited: 100%	England and Wales	Service company
Rothesay Life Foundation	Rothesay Limited: 100%	England and Wales	Charitable foundation
Rothesay Asset Management UK Limited	Rothesay Limited: 100%	England and Wales	Service company
Rothesay Asset Management US, LLC	Rothesay Asset Management UK Limited: 100%	Delaware, United States of America	Service company
LT Mortgage Financing Limited	Rothesay Life Plc: 100%	England and Wales	Service company
Rothesay MA No.1 Limited	Rothesay Life Plc: 100%	England and Wales	Service company
Rothesay MA No.2 Limited	Rothesay Life Plc: 100%	England and Wales	Service company (dormant)

<sup>3</sup> Each subsidiary has only one class of ordinary shares. Rothesay Limited has ordinary shares and certain other classes of non-voting shares in issue.

<sup>4</sup> Each shareholder's nominal holding of shares in Rothesay Limited is stated as at 30 June 2021.

<sup>5</sup> Each subsidiary operates mainly in its country of incorporation.

<sup>6</sup> The remaining shares are held by the management of the Group and the Employee Benefit Trust.

Name of entity	Shareholders <sup>34</sup>	Country of incorporation <sup>5</sup>	Nature of business
Rothsay MA No.3 Limited	Rothsay Life Plc: 100%	England and Wales	Service company
Rothsay MA No.4 Limited	Rothsay Life Plc: 100%	England and Wales	Service company (dormant)
Rothsay Property Partnership 1 LLP	Rothsay Life Plc: 100% <sup>7</sup>	England and Wales	Service company (dormant)

## 2 Pension Risk Transfer Market Overview

The Group operates in the pension risk transfer market. The pension risk transfer market involves (i) the sale and acquisition of wholesale insurance annuity portfolios to defined benefit pension schemes and their members, as well as (ii) the sale and acquisition of existing annuity portfolios from other insurers and reinsurers. The pension risk transfer market also includes longevity reinsurance transactions, the aim of which is to transfer the risk of defined benefit pension scheme members living longer than expected from defined benefit pension schemes to an insurer. De-risking pension schemes by means of longevity reinsurance transactions is not a primary transaction structure pursued by the Group.

## 3 Business of the Group

### 3.1 Key services and products

The Group conducts buy-in and buy-out transactions for companies and defined benefit pension schemes in the UK. In addition, the Group sources wholesale annuity business through reinsurance transactions and/or by acquiring insurance companies or their in-force annuity portfolios.

The Issuer is authorised by the PRA and regulated by the PRA and the FCA to write long-term insurance covering certain specific risks associated with their clients' pension obligations.

A summary and explanation of the Group's three product categories is as follows:

- bulk annuity pension buy-in transactions:** a defined benefit pension scheme acquires a bulk annuity policy from the Issuer under which the Issuer agrees to pay to the defined benefit pension scheme trustee certain specific benefits that may become payable to all or a portion of the defined benefit pension scheme's members and their eligible dependants for as long as they live. The responsibility and obligation for payment to the defined benefit pension scheme's members remains with the defined benefit pension scheme. As a result, the bulk annuity policy insures the pension benefit payments due to be paid by the defined benefit pension scheme to the relevant portion of such defined benefit pension scheme's members and the defined benefit pension scheme holds the bulk annuity policy as an investment. This type of transaction is often a first step towards a pension buy-out;
- bulk annuity pension buy-out transactions:** a defined benefit pension scheme acquires a bulk annuity policy from the Issuer under which the Issuer agrees to pay all pension benefit payments due to all of the defined benefit pension scheme's existing members, and the defined benefit pension scheme is subsequently wound up entirely by the defined benefit pension scheme trustee.

<sup>7</sup> Rothsay Life Plc's capital interest is 99.9 per cent., Rothsay Limited's capital interest is 0.1 per cent.

For an interim period prior to such winding-up, the Issuer pays to the defined benefit pension scheme trustee all of the current benefits payable to the defined benefit pension scheme's members. During this period, the responsibility for payments to the members of the pension scheme remains with the trustee of the defined benefit pension scheme while the Issuer prepares to take on the administration of such payments. After the Issuer completes such preparations, the bulk annuity policy is replaced with a collection of individual policies which are then issued to each member of the defined benefit pension scheme, with the effect that such members become policyholders of an annuity issued by the Issuer and the original defined benefit pension scheme is wound up. Many of the Group's bulk annuity arrangements begin as buy-in transactions and will likely evolve into buy-out transactions over time as trustees take the necessary steps to wind up their defined benefit pension schemes; and

- **reinsurance:** an insurance company enters into a reinsurance agreement with the Issuer under which the Issuer agrees to insure a specified number of annuity obligations that have previously been acquired by the insurance company. These obligations arise from both bulk annuity business and the sale of individual annuities. Upon entering into such agreement, the Issuer becomes responsible for the payment of a defined number of pension payments on behalf of the insurance company, in consideration for the Issuer receiving an upfront premium from the insurance company. This upfront premium is typically paid by the insurance company transferring assets to the Issuer. Reinsurance is often followed by a full legal transfer to the Group of the underlying annuities that have been insured by it, pursuant to a Part VII Transfer (at which point the Group becomes the insurer).

### 3.2 New business origination

All new business within the group is currently written by the Issuer. The Group originates new business with the assistance of a team comprising experienced insurance and pensions professionals who are experts in their relevant fields. The team focuses on a solutions-driven approach through the disciplined selection of new business opportunities and is a market leader in the execution of large transactions. The Group has completed many types of pensions de-risking transactions, including buy-in transactions, buy-out transactions, longevity reinsurance transactions and reinsurance-related acquisitions. Such transactions have ranged in size from £60 million to £12 billion. This includes two successful corporate acquisitions, each of which involved greater than £2.7 billion of assets being acquired by the Group. The result of such transactions is that the total lives insured by the Group were over 850,000 at the end of the financial year 2020.

### 3.3 Capital management and reserves

The Group's (and the Issuer's) capital resources are of critical importance. The Group's (and the Issuer's) capital management framework is designed to meet the following objectives:

- to maintain financial strength in adverse conditions;
- to give customers long-term confidence in the Group (and the Issuer);
- to satisfy its regulatory obligations;
- to match the profile of its assets and liabilities, taking account of the risk inherent in the business;
- to allocate capital efficiently to support new business growth; and
- to retain financial flexibility by maintaining strong liquidity.

More detail can be found in the Solvency and Financial Condition Report of Rothesay Limited and the Issuer dated 11 May 2021 (the “**Solvency and Financial Condition Report**”), which is incorporated by reference herein.

The Group (and the Issuer) has implemented a dynamic capital management framework which uses interest rate and other hedging to protect both the solvency position and the embedded value of the business.

The Issuer targets SCR Coverage in the range of 130 per cent. to 150 per cent. Capital in excess of 150 per cent. can be returned to shareholders as dividends or retained for future business growth.

As coverage falls towards 130 per cent. then a range of actions could be taken, such as:

- Increased use of reinsurance which would reduce the SCR and Risk Margin;
- Change in investment mix, reducing exposure to assets with material capital requirements;
- Increased solvency hedging;
- Reduction in discretionary spend;
- Reduction in new business – because the Group does not have regular new business, new business volume can easily be reduced at the management’s discretion without impacting franchise value; and
- Capital raising – a revolving credit facility can be injected as equity into the Issuer to improve solvency. It may also be possible to secure additional bank loans or to raise further equity or long-term debt.

The solvency position of RLP for the years ended 31 December 2019 and 31 December 2020, and also as at 30 June 2021, is set out below under “*Solvency and capital position*”.

The minimum capital requirement (“**MCR**”) is intended to be the minimum amount of capital an insurer is required to hold pursuant to Solvency II below which policyholders and beneficiaries would become exposed to an unacceptable level of risk if an insurer was allowed to continue its operations. The MCR is calculated according to a formula prescribed by the Solvency II regime and is subject to a floor of 25 per cent. of the SCR or €3.7 million, whichever is higher, and a cap of 45 per cent. of the SCR. The MCR formula is based on factors applied to technical provisions and capital at risk. The eligible Own Funds to cover the MCR is subject to quantitative limits as shown below:

- the eligible amounts of Tier 1 capital should be at least 80 per cent. of the MCR; and
- the eligible amounts of Tier 2 capital shall not exceed 20 per cent. of the MCR.

MCR coverage ratio (“**MCR Coverage**”) is the ratio of eligible Own Funds to cover the MCR to MCR.

The Group’s MCR at 30 June 2021 was the same as RLP’s MCR at £1,103 million. RLP’s eligible own funds to cover the MCR were £5,925 million, which translates to an MCR Coverage of 537 per cent.

### **3.4 Solvency and capital position**

The Issuer is authorised by the PRA and regulated by the PRA and the FCA. Under the Solvency II regime, the Group is required to hold the greater of the capital required under the Solvency II Pillar 1 framework and the capital required under its own economic capital models, Solvency II Pillar 2. The Group also ensures that its insurance company subsidiary, RLP, is capitalised to the greater of the economic capital requirement and the regulatory Pillar 1 position.

In practice, it is the Pillar 1 requirement which is more onerous. There is a formal target at the Group and the Issuer level, both aim to maintain a coverage of at least 130 per cent. of the regulatory minimum SCR. As at 30 June 2021, RLP had an SCR Coverage of 204 per cent and the Group had an SCR Coverage of 202 per cent.

The solvency position of RLP for the years ended 31 December 2019 and 31 December 2020, and also as at 30 June 2021, is set out below:

<b>£m (other than percentages)</b>	<b>RLP Solvency Position</b>		
	<b>31 Dec 2019</b>	<b>31 Dec 2020</b>	<b>30 Jun 2021</b>
Tier 1 capital (£m).....	4,658	5,857	5,703
Tier 2 capital (£m).....	1,059	984	966
Tier 3 capital (£m).....	396	512	500
Own Funds available to meet SCR (£m).....	6,113	7,353	7,169
SCR (£m) .....	3,038	3,623	3,508
<b>Surplus above SCR (£m) .....</b>	<b>3,075</b>	<b>3,730</b>	<b>3,661</b>
<b>SCR coverage (%).....</b>	<b>201</b>	<b>203</b>	<b>204</b>
MCR (£m).....	973	1,126	1,103
Own Funds available to meet MCR (£m) .....	4,852	6,083	5,925
MCR coverage (%) .....	499	540	537

### 3.5 Key sensitivities to RLP’s solvency position

The risks to RLP’s solvency position are described in “*Risk Factors*”. The key sensitivities in relation to RLP’s solvency position are described in the Solvency and Financial Condition Report, which is incorporated by reference into this Information Memorandum.

The risk profile of the business is relatively unchanged since 31 December 2020.

## 4 Dividend Policy

The Group does not have a formal dividend policy. The Group and Issuer aim to manage SCR Coverage in the range of 130 per cent. to 150 per cent. Capital can be returned to shareholders as dividends or retained for future business growth, provided that SCR Coverage remains in the range of 130 per cent. to 150 per cent.

## 5 The Group’s commitments to tackling climate change

### 5.1 Net zero by 2050 and carbon neutral by 2023

The Group is committed to transitioning its investment portfolio to net zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels and intends to partner with governments, and industry, to identify ways to support a low carbon economy. Further, the Group aims to become carbon neutral in its direct operations by 2023.

### 5.2 Intermediate targets

The Group intends to establish and report on intermediate targets every five years in line with Paris Agreement Article 4.9. In the first of these five-year periods the Group aims to achieve, by 2025, a 20



per cent. reduction in the carbon intensity of its portfolio of publicly traded corporate debt from that set out in its Environmental, Social and Governance Report 2020.

### **5.3 Disclosures**

The Group is a supporter of the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (TCFD) and endorses its recommendations. The Group intends to regularly report on its progress and publish the carbon intensity of its portfolio on an annual basis.

### **5.4 Carbon intensity of investment portfolio**

The Group intends to have fully embedded the management of climate risk into its business and risk management processes by year end 2021. The Group already integrates climate-related risks into its business and risk management processes in the following manner:

- Transactions presented across its new asset approval committees need to address Environmental, Social and Governance (“ESG”) issues.
- Climate data is stored bond by bond in the Group’s trading and risk management system and is as easily accessed as yield or credit rating. The Vigeo-Eiris online ESG tool is available to all employees, encouraging them to undertake risk assessments relevant for their own work

### **5.5 The Group’s direct emissions and its action plans**

The Group’s office is located in The Post Building, 100 Museum Street, London WC1A 1PB, United Kingdom (the “**Post Building**”). The Energy Performance Certificate for this new building, issued in 2019, states that the Energy Performance Asset Rating is 31 which gives it a rating of B, very close to the A rating boundary. The Post Building therefore provides the Group with a highly energy efficient office, minimising its energy consumption. The Group intends that by the year ended 2021, all electricity provided to the Group’s office within the Post Building will come from a supplier of 100 per cent. renewable electricity as certified by the Carbon Trust.

### **5.6 Next steps**

The Group is investigating the use of carbon offsets with the intention of becoming carbon neutral or negative in its residual direct emissions within two years. The Group is exploring an implementation of this plan which funds improvements to housing stock. This has the greatest natural synergies with the Group’s existing business.

The Group believes that climate stewardship should be embedded throughout the Group’s organisation. In 2021 employee performance reviews will include a component devoted to any efforts made to contribute to the Group’s ESG goals.

## **6 Board of Directors**

### **6.1 Members of the boards of the Group and the Issuer**

#### **6.1.1 Naguib Kheraj**

Naguib Kheraj is a Senior Advisor to the Aga Khan Development Network and serves on the Boards of various entities within the Network. Naguib is also Chairman of Petershill Partners, Deputy Chairman of Standard Chartered, a member of the Finance Committee of the University of Cambridge and a member of the Board of GAVI, the Vaccine Alliance. He was formerly a member of the investment committee of Wellcome Trust, the Finance Committee of Oxford University Press and served on the Board of NHS England. Mr Kheraj began his career at Salomon Brothers and went on to hold a number of senior positions at leading financial

institutions. He served as Group Finance Director and Vice-Chairman and in various leadership positions at Barclays and was CEO of JP Morgan Cazenove.

Mr Kheraj is appointed as Chairman and Independent Non-Executive Director to the boards of Rothesay Limited and the Issuer. Mr Kheraj is also Chair of the Group's Remuneration Committee and Nomination Committee.

#### **6.1.2 Antigone (Addy) Loudiadis**

Addy Loudiadis is the founder and Chief Executive Officer of RLP. Prior to establishing the business in 2007, Addy was a partner of Goldman Sachs and served as the co-head of the Investment Banking Division in Europe. Before moving to Investment Banking, Addy was head of European Fixed Income Sales at Goldman Sachs, having joined in 1994. Ms Loudiadis sits on the Board of the Association of British Insurers.

Ms Loudiadis is appointed to the boards of Rothesay Limited and the Issuer. She also serves as Chair of the Senior Management Committee. Ms Loudiadis is also a trustee of Rothesay Foundation, the Group's charitable entity.

#### **6.1.3 Thomas (Tom) Pearce**

Tom Pearce is Managing Director and a co-founder of RLP, responsible for strategy and business development. Prior to the establishment of the Group in 2007, Tom was previously in the European Financing Group at Goldman Sachs responsible for UK Life insurance. Tom joined Goldman Sachs in 2000 in European Fixed Income.

Mr Pearce is appointed to the boards of Rothesay Limited and the Issuer.

#### **6.1.4 Andrew Stoker**

Andrew Stoker is the Chief Financial Officer of RLP following his appointment in 2014. At RLP, Andrew has responsibility for the finance, actuarial and HR functions. Andrew was previously a partner in Ernst & Young's risk and actuarial practice and prior to that was Chief Actuary at Lucida plc. Andrew has also held roles at PricewaterhouseCoopers LLP ("PwC"), Tillinghast and Legal & General. Andrew is an Associate Trustee of the Great Ormond Street Hospital Children's Charity.

Mr Stoker is appointed to the boards of Rothesay Limited and the Issuer.

#### **6.1.5 Constant (Stan) Beckers**

Stan Beckers retired from his role as Chief Executive Officer of NN Investment Partners B.V. in 2017, having previously been Co-Head of Blackrock Solutions at Blackrock Advisors (UK) Limited and, prior to that, had spent six years with Barclays Global Investors Ltd, most recently as Chief Investment Officer of Scientific Active Equity Europe. Stan started his career at BARRA (now MSCI BARRA) where, over a 20-year period, he established and managed its non-U.S. operations. Stan was previously a Non-Executive Director of Robeco N.V. and a Non-Executive Director of Kas Bank N.V. Mr Beckers is currently Non-Executive Chair of Nomura Asset Management UK, Non-Executive Chair of the AQR Asset Management Institute at London Business School, and an Advisory Board Member of Avida International.

Mr Beckers is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director. Mr Beckers is also Chair of the Group's Board Risk Committee.

#### **6.1.6 Edward (Ed) Giera**

Ed Giera is the Senior Independent Director of Santander UK Group Holdings and Chair of the bank's Risk Committee and its Responsible Banking Committee. He previously chaired Pension Insurance Corporation Group's Audit & Risk Committee where he was also a member of the Board Origination Committee. Mr Giera was Global Head of Pensions Advisory at JP Morgan and held other senior roles during a twenty-year career with the investment bank, and is currently Managing Partner of a private partnership investing in the global financial services sector.

Mr Giera is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director.

#### **6.1.7 Jane Hanson**

Jane Hanson is a Non-Executive Director of Direct Line Insurance Group, where she is a member of the Audit Committee and chairs the Board Risk Committee. She is also a Non-Executive Director and Audit Committee Chair designate of Glas Cymru, the owner of Welsh Water, Chair of the Reclaim Fund Ltd and Honorary Treasurer and Independent Trustee of the Disasters Emergency Committee. Jane was previously on the Boards of William Hill plc, Old Mutual Wealth plc and Calderdale & Huddersfield NHS Foundation Trust. Jane is a qualified chartered accountant and started her career at KPMG and Aviva, where her roles included Head of Audit and Risk & Governance Director. Ms Hanson is also a Magistrate.

Ms Hanson is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director.

#### **6.1.8 Heather Jackson**

Heather Jackson has held senior positions across retail and financial services, specialising in technology leadership. She was Chief Information Officer for Capital One (in the UK and Europe) and, subsequently, HBOS. At HBOS, she has led several functions, including payments, procurement, print/post operations and human resources. Ms Jackson currently holds Non-Executive Directorship positions at JD Sports Fashion, Ikano Bank AB and Skipton Building Society Group. Ms Jackson previously held Non-Executive directorship positions at Lookers PLC, Tandem Bank, and the Child Maintenance Enforcement Commission.

Ms Jackson is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director.

#### **6.1.9 Raymond (Ray) King**

Ray King is a Non-Executive Director of RLP, having stepped down as Chairman in December 2017. Previously he held Non-Executive Directorships at Saga Plc, Infinis Energy plc and Friends Provident plc. He has also previously been a board member of the Financial Reporting Council, a panel member at the Competition and Markets Authority and a non-executive on the board at the ABI. Ray ended his executive career as Group CEO of Bupa, having previously been Finance Director. Earlier in his career he held senior management roles at Diageo/Guinness plc, Southern Water plc and ICI plc, having qualified as a chartered accountant with PwC.

Mr King is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director. Mr King is also a trustee of Rothesay Foundation, the Group's charitable entity.

#### **6.1.10 Therese (Terry) Miller**

Terry Miller is a Non-Executive Director and the Senior Independent Director of Galliford Try Plc and a Non-Executive Director of Goldman Sachs International Bank. Terry is also an

independent panel member for the recruitment process for non-executive directors of the Court of the Bank of England, and a trustee of the Sebastian Coe Charitable Foundation. She was previously General Counsel of The London Organising Committee of the Olympic and Paralympic Games (“**LOCOG**”), a Non-Executive Director of the British Olympic Association, and Director and Trustee of the Invictus Games Foundation. Prior to her LOCOG appointment, she was with Goldman Sachs for 17 years, most recently as International General Counsel.

Ms Miller is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director. Ms Miller is also Chair of the Group’s Customer and Conduct Committee.

#### **6.1.11 Charles Pickup**

Charles Pickup was previously a partner in the Risk Consulting and Software division of Towers Watson (formerly Tillinghast) and acted as Actuarial Function Holder for Lucida plc, Countrywide and Blackrock. Prior to this Charles worked at Commercial Union and Prudential Bache Securities specialising in UK life insurance.

Mr Pickup is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director.

#### **6.1.12 William (Bill) Robertson**

Bill Robinson was previously the Global Life Chief Risk Officer and Global Life Chief Actuary for Zurich Financial Services and also held various senior positions at Aegon. Prior to this, Bill was a partner at Hymans Robertson and Head of Actuarial at Scottish Amicable.

Mr Robertson is appointed to the boards of Rothesay Limited and the Issuer as an Independent Non-Executive Director. Mr Robertson is also Chair of the Group’s Audit Committee.

#### **6.1.13 Melvin Timothy (Tim) Corbett**

Tim Corbett is Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company. Tim is responsible for MassMutual’s overall investment strategy and has oversight of the company’s Investment Account. Prior to joining MassMutual in May 2011, Tim had been Chief Investment Officer and head of Pension Fund Management with the State of Connecticut Treasurer’s Officer since 2009.

Mr Corbett is appointed to the board of Rothesay Limited and the Issuer by the MassMutual Shareholder as a Non-Executive Director.

#### **6.1.14 Robin Jarratt**

Robin Jarratt is Head of the Global Private Credit group at GIC. Robin has responsibility for all private credit investment by the firm in the US, Europe and Asia. Robin is a member of GIC PE’s Management and Investment Committees.

Mr Jarratt is appointed to the boards of Rothesay Limited and the Issuer by the GIC Shareholder as a Non-Executive Director.

## **7 Conflicts of Interest**

The directors of the Group may, from time to time, hold directorships or other significant interests with companies outside of the Group which may have business relationships with the Group. Directors have a statutory duty to avoid conflicts of interest with the entities within the Group, and, in particular, the Issuer. The articles of association of each of the entities of the Group allow its directors to authorise conflicts of interest.

The boards of the entities within the Group have adopted policies and effective procedures to manage and, where appropriate, approve conflicts or potential conflicts of interest. Under these procedures, directors are required to declare all directorships of companies which are not part of the Group, along with other appointments which could result in conflicts or could give rise to a potential conflict. The Nomination Committee, or the board of the relevant entity of the Group, where appropriate, evaluates and approves each such situation individually.

The following directors have been appointed to the boards of the relevant Group entities as representatives of the Shareholders:

- Robin Jarratt, shareholder director of Rothesay Limited and the Issuer (appointed by the GIC Shareholder); and
- Timothy Corbett, shareholder director of Rothesay Limited and the Issuer (appointed by the MassMutual Shareholder).

From time to time, circumstances may arise in which the duties of these individuals as directors of the relevant Group entities may conflict with their interests as the representatives of Shareholders.

The Chairman and the following executive directors are also shareholders through their holding of certain classes of non-voting shares in Rothesay Limited:

- Naguib Kheraj, Chairman and Independent Non-Executive Director of Rothesay Limited and the Issuer;
- Antigone Loudiadis, director of Rothesay Limited and the Issuer;
- Thomas Pearce, director of Rothesay Limited and the Issuer; and
- Andrew Stoker, director of Rothesay Limited and the Issuer.

From time to time, circumstances may arise where the duties of each of these individuals as directors of the relevant Group entities may conflict with their interests as holders of certain classes of non-voting shares in Rothesay Limited.

There are no other potential conflicts of interest between the duties of each of the directors to the Issuer and his/her private interests or other duties. The Group has appropriate procedures in place to identify and manage conflicts of interest should they arise.

## **8 Other Items**

### **8.1 Pension schemes**

The Group does not sponsor any defined benefit pension schemes and as such has no liabilities. Employees participate in a defined contribution scheme to which the Group provides a monthly contribution for eligible employees.

## **9 Recent Developments**

### **9.1 Issuance of securities**

On 13 October 2021, the Issuer issued £450,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (ISIN: XS2393498204) which are admitted to the Official List of Euronext Dublin and trading on the Global Exchange Market of Euronext Dublin.

## REGULATORY OVERVIEW

### 1 Introduction

The Group and its subsidiaries are subject to extensive laws and regulations, in particular, the UK regulatory framework established under FSMA. Such regulatory framework is enforced by a number of different governmental authorities and non-governmental agencies and other regulators. The Issuer is authorised by the PRA, and regulated by the PRA (in relation to prudential and organisational requirements) and the FCA (in relation to conduct of business requirements).

As a company carrying on an insurance business in the UK, the Group (and, in particular, the Issuer) is subject to detailed regulatory requirements, including requirements to be authorised to carry on an insurance business and to comply with comprehensive prudential and conduct of business rules.

This section provides an overview of the key features of the regulatory regime governing insurance business in the UK as it applies to the Group and, in particular, the Issuer.

### 2 Regulation by the Bank of England, the PRA and the FCA

The framework regulating the UK financial system separates prudential regulation (carried out by the PRA) and conduct of business regulation (carried out by the FCA). The Bank of England is responsible for ensuring and protecting the stability of the UK financial system and supervising financial market infrastructures.

The PRA, the Bank of England acting through its Prudential Regulation Committee, is responsible for the safety and soundness of the financial services sector through the micro-prudential regulation of insurers, banks, building societies, credit unions and major investment firms. The PRA started with two primary statutory objectives introduced by the amendments to FSMA under the Financial Services Act 2012 (the “FS Act”), as follows:

- a general objective to promote the safety and soundness of the firms it regulates, focusing on the adverse effects that they can have on the stability of the UK financial system; and
- an objective specific to insurance firms, to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders.
- In 2014, an additional secondary objective to promote effective competition in the markets for services provided by PRA-authorised firms was introduced. This further objective is complementary to, rather than the equivalent of, the FCA’s primary competition objective.

The FCA is the independent conduct of business regulator and, in broad terms, is responsible for, among other things, regulating standards of conduct in the retail and wholesale markets. The FCA has the strategic objective of ensuring that the retail and wholesale markets function effectively, as well as operational objectives focused on market integrity, consumer protection and effective competition. The FCA regulates the conduct of every authorised insurer in the UK.

The Bank of England has specific responsibilities in relation to financial stability, including:

- ensuring the stability of the financial system of the UK;
- the oversight of financial market infrastructures, in particular, inter-bank payment systems; and
- maintaining a broad overview of the financial system through its monetary stability role.

The Financial Policy Committee (“**FPC**”), a committee of the Bank of England’s board of directors, is responsible for monitoring and responding to systemic risks to the UK financial system. The FPC considers prudential regulation issues across the UK financial system on a macro-level, in contrast to the PRA’s micro-prudential role. The FPC may direct the PRA and the FCA to take action to address systemic risks.

As an authorised insurance company, the Issuer is required to comply with the provisions of FSMA, as well as the rules made by the PRA and the FCA under FSMA. These rules are set out in the PRA’s rulebook (“**PRA Rulebook**”) and the FCA’s handbook (“**FCA Handbook**”), respectively (see – “*The PRA Rulebook and the FCA Handbook*” below).

The PRA and the FCA have extensive powers to supervise and intervene in the affairs of the insurers that they are responsible for regulating. For example, the PRA and the FCA can supervise and/or intervene should they consider it appropriate in order to protect policyholders against a risk that an insurer may be unable to meet its liabilities as they fall due, that the threshold conditions (as discussed in more detail below) may cease to be met, that the insurer has failed to comply with obligations under the relevant legislation or rules, that the insurer has furnished them with misleading or inaccurate information or that there has been substantial departure from any proposal or forecast submitted to the relevant regulator.

The PRA Rulebook, the FCA Handbook and secondary legislation made under FSMA have been used to implement the requirements contained in a number of EU directives relating to financial services and to insurance businesses in particular, prior to the UK’s departure from the EU.

The PRA and the FCA have continued the more direct style of regulation adopted by the FSA following the onset of the financial crisis in 2008. This strategy, combined with (i) an outcome-focused regulatory approach and (ii) a more proactive approach to enforcement and more punitive approach to penalties for infringements, means that authorised firms continue to face increased supervisory scrutiny, resulting in increased internal compliance costs and supervision fees.

In addition, the FS Act provides for additional specific powers for the PRA and the FCA, including:

- the ability of the FCA to intervene in order to ban financial products from sale or to prevent an insurer from selling a widely accepted product if it determines such firm’s sale process to be unacceptable; and
- the ability of the FCA or the PRA to direct an unregulated UK holding company of an authorised firm (for example, Rothesay Limited) to take particular action, or refrain from taking a particular action, and to censure or fine such company if it does not so comply.

### **3 The PRA Rulebook and the FCA Handbook**

The FCA Handbook and the PRA Rulebook set out the rules, guidance and other provisions made by the FCA and the PRA, respectively, under powers given to them under FSMA.

The FCA’s approach to regulation and the standards it requires insurers to maintain are set out in the FCA Handbook. In addition, the PRA Rulebook sets out the PRA’s rules in respect of which insurance companies are expected to comply, which focus on prudential matters.

The PRA Rulebook and the FCA Handbook comprise a number of sourcebooks containing regulatory obligations which are binding on firms or manuals containing provisions relevant to the regulatory relationship which the regulators have with firms, such as in relation to supervision and enforcement, which set out the rules which apply to dual-regulated insurers. They include the following which are, amongst other sourcebooks and manuals, relevant to the Group:

- the Fundamental Rules and Principles for Businesses (each as defined below);

- the Senior Management Arrangements, Systems and Controls (“**SYSC**”);
- the conduct of business rules contained in the “Conduct of Business Sourcebook” (“**COBS**”);
- the “Insurance: Conduct of Business Sourcebook” (“**ICOBS**”); and
- the “Mortgages and Home Finance: Conduct of Business Sourcebook” (“**MCOB**”).

The PRA Rulebook and the FCA Handbook provide the core ongoing requirements for PRA-authorized insurers, as discussed in further detail below.

### **3.1 The Principles for Businesses**

Insurance companies that are authorized by the PRA are subject to certain overarching principles issued by the PRA (the “**Fundamental Rules**”) and the FCA (the “**Principles for Business**”). These principles are intended to ensure fairness and integrity in the provision of financial services in the UK and contain the fundamental obligations of insurers. The Fundamental Rules also focus on the effectiveness of the risk management frameworks of insurance companies that are authorized by the PRA. The emphasis and reliance on these principles by the PRA and the FCA has marked a move to more “judgment-based” regulation in recent years.

### **3.2 Prudential standards**

It is a fundamental requirement of the PRA’s prudential rules that insurance companies maintain adequate financial resources. This requirement and the obligation for an insurer to carry out a risk-based assessment of its own capital requirements are contained in the PRA Rulebook. Provisions relating to the requirement to manage risks in general and details relating to management of particular types of risk are set out in the PRA Rulebook and in SYSC of the FCA Handbook.

The PRA Rulebook covers the overall requirement to have adequate financial resources (referred to as eligible own funds) to satisfy the technical provisions, minimum capital requirement and solvency capital requirement and sets out what constitutes eligible own funds and how different insurers should calculate their capital requirement. These are explained further in the section 8 below.

There are rules in SYSC which aim to encourage senior managers and directors to take appropriate practical responsibility for an insurer’s affairs. They elaborate on the Principles for Businesses and require an insurer’s senior managers to ensure that, among other things:

- the insurer’s employees have suitable skills, knowledge and expertise;
- the insurer has in place appropriate risk management systems and controls; and
- the insurer has in place appropriate compliance, record-keeping and audit systems.

### **3.3 The Senior Managers & Certification Regime**

The Senior Managers & Certification Regime (“**SMCR**”) came into effect for insurers from 10 December 2018.

The SMCR comprises the following elements:

- a senior managers’ regime, which applies to individuals performing a senior management function (“**SMF**”). A SMF is a function that requires the person performing it to be responsible for managing one or more aspects of the relevant firm’s affairs (so far as such affairs relate to regulated activities) and those aspects involve, or may involve, a risk of serious consequences for



the relevant firm, or for business or other interests in the United Kingdom. Firms must ensure that every activity, business area and management function has a Senior Manager with overall responsibility for it. Appointment of an individual performing a SMF continues to require prior regulatory approval;

- a certification regime, which applies to employees of relevant firms who could pose a risk of significant harm to the firm or to any of its customers (for example, staff who give investment advice or administer benchmarks) (“**Certified Persons**”). Such employees are not pre-approved by the PRA or FCA. Rather, firms are required to certify that such employees are fit and proper for their roles on an on-going basis. Insurers were required to identify and train the individuals performing certification functions by the commencement date of the SMCR. Fitness and propriety assessments were required to be completed by 10 December 2019. Every Certified Person receives one certificate which covers FCA functions and any PRA functions; and
- conduct rules, which are high level requirements that apply to persons within the scope of the senior managers’ regime and the certification regime. The FCA’s Conduct Rules apply to most employees of relevant firms based in the United Kingdom or those who deal with customers in the United Kingdom. The conduct rules also apply to Certified Persons. In addition, the SMCR confers the FCA and/or the PRA with the power to make conduct rules that are not limited to senior managers and employees. This enables the FCA and/or the PRA to apply the conduct rules directly to directors of firms who are not SMFs and are considered to be outside the scope of the senior managers’ regime.

### 3.4 Conduct of business requirements

Through COBS and ICOBS, the FCA regulates the distribution and sale of insurance products. COBS applies where such insurance products have an investment element, such as pension policies, and ICOBS applies to non-investment insurance products. Accordingly, differing requirements apply to the sale of general and pure protection insurance contracts as compared to long-term insurance contracts that function as savings and investment vehicles.

The scope and range of the obligations imposed on an authorised company under COBS and ICOBS varies according to the scope of the insurer’s business and the nature of its clients. Many of the provisions only apply to insurance companies that deal directly with retail customers or to transactions with retail customers or provide packaged products. Such insurance companies are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for private customers, the range and scope of the advice which the insurer provides, and fee and remuneration arrangements.

COBS and ICOBS are supplemented by the Principles for Business, including the principle that insurers should provide information to consumers which is clear, fair and not misleading, as well as to treat customers fairly. Such principles are actionable by the FCA. In recent years, conduct of sales of insurance products have come under greater scrutiny, resulting in an increase in the fines levied on insurers by the FCA and compensation orders made against insurers by the Financial Ombudsman Service (“**FOS**”) for breaches of conduct of COBS and ICOBS. An example of such action is the extensive regulatory review and subsequent fines levied and compensation orders made in relation to the sales of payment protection insurance products noted above.

In general, COBS and ICOBS govern the sale of new policies. However, they also include rules applicable in the course of administration of in-force policies by the Group relating to:

- information to be provided to existing policyholders;

- cancellation rights;
- the handling of claims;
- reporting to clients;
- the provision of certain protections in relation to clients' assets;
- treating policyholders fairly; and
- pensions transfer and the open market option.

These may apply regardless of whether or not an insurer is actively selling its products.

COBS and ICOBS implement the Insurance Mediation Directive (“**IMD**”) in the UK, further details of which are provided in section 10 below.

Through MCOB, the FCA regulates the distribution and sale of home finance activities. Of particular relevance to the Issuer, it sets specific standards for the advising and selling of equity release mortgages, as well as rules and guidance relating to related product disclosure.

### **3.5 Treating customers fairly**

There is a clear focus in the UK on the fair treatment of customers, in particular, on the manner in which insurance companies sell and administer insurance policies and other products. Principle 6 of the FCA's Principles for Business requires a firm to pay due regard to the interests of its customers and to treat them fairly. The emphasis of this initiative is to achieve fair outcomes for customers.

The FCA has wide-ranging powers to take enforcement action against insurers and individuals (for example, against senior management if it considers that they have failed in relation to their responsibilities) for breach of the TCF principle, including where it finds that an insurance company's systems and controls or actions cause actual or potential consumer detriment.

### **3.6 Proposed consumer duty**

On 14 May 2021, the FCA published a consultation paper (CP21/13) proposing to introduce a new “Consumer Duty” on firms that provide services to retail clients, that would set higher expectations for the standard of care that firms provide. In summary the duty would require relevant firms to ask themselves what outcomes consumers should be able to expect from their products and services, act to enable rather than hinder those outcomes and assess the effectiveness of their actions. This consultation has now closed; the FCA currently expects to publish a second consultation by 31 December 2021 and make any new rules by 31 July 2022.

## **4 Enforcement and Supervision**

### **4.1 Enforcement**

The PRA and the FCA have powers to take a range of investigative, disciplinary or enforcement actions, including the ability to sanction companies and individuals. Most notably, enforcement action may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an approved person's status. The PRA and the FCA also have the power to undertake a range of investigative actions. In addition, the PRA (and, where relevant, the FCA) can grant, vary, revoke or cancel the permissions or authorisations of an authorised insurance company that has not engaged in regulated activities for 12 months or that fails to

meet the threshold conditions (see “– *Permission to Carry on Insurance Business in the UK*”) below. They may also impose product intervention rules and require the maintenance of adequate financial resources.

In addition to the above, the FCA has the power to impose sanctions on an authorised person who is found to have committed market abuse and it has the power to institute criminal proceedings for offences under:

- FSMA or any statutory instruments made under it (with the exception of certain provisions for which the PRA is the relevant regulator);
- the insider dealing provisions of the Criminal Justice Act 1993; and
- certain provisions contained in anti-money laundering and counter-terrorist financing legislation.

The PRA and the FCA may also make enquiries of the insurance companies that they regulate regarding compliance with applicable regulations.

#### 4.2 Supervision

The PRA has wide powers to supervise, and intervene in, the affairs of an insurance company under FSMA. It can, for instance, require insurance companies to provide particular information or documents to it, require the production of a report by a “skilled person” appointed by the PRA or formally investigate an insurer.

The nature and extent of the PRA’s supervisory relationship with an insurer depends on how much of a risk the PRA considers it could pose to its statutory objectives. The PRA assigns insurers to one of five “impact categories”, based on its overall assessment of an insurer’s systemic importance, its proximity to failure, the context in which the insurer operates and a bespoke selection of activities which PRA supervisors deploy as they judge necessary.

The FCA’s supervisory approach is built around three pillars, which can broadly be described as follows:

- **Pillar 1:** involves “proactive firm supervision” (also referred to as the “firm systematic framework”) which is designed to be a forward-looking assessment of an insurer’s conduct risk;
- **Pillar 2:** involves the FCA’s event-driven work where it reacts to what is actually happening at the insurer; and
- **Pillar 3:** relates to products and issues, where the FCA carries out thematic reviews and market studies across a particular sector or sectors, which are becoming more common.

### 5 Permission to Carry on Insurance Business in the UK

Pursuant to section 19 of FSMA, it is unlawful to effect or carry out contracts of insurance in the UK, or carry on the business of an insurer, without permission to do so from the PRA under Part 4A of FSMA (a “**Part 4A Permission**”). The FCA must also consent to the granting of the permission.

In order to grant a Part 4A Permission, the PRA (with input from the FCA, where appropriate) must determine that the applicant meets the requirements of FSMA, including certain “threshold conditions”. The threshold conditions are the minimum conditions which must be satisfied, both at the time of authorisation and on an ongoing basis, in order for an insurer to gain and continue to have permission to carry on the relevant regulated activities under FSMA. Dual-regulated insurers (like the Issuer) must meet both the PRA’s and the FCA’s threshold conditions. These relate to matters including the applicant’s legal form, whether the applicant has

adequate resources (both financial and non-financial) to carry on its business and whether, having regard to all the circumstances (including whether the applicant's affairs are conducted soundly and prudently), the applicant is fit and proper to conduct the relevant regulated activities.

The Part 4A Permission contains a description of the activities that an authorised insurer is permitted to carry on. When granting a Part 4A Permission, the PRA may impose such limitations and requirements as it considers appropriate.

Once authorised, in addition to continuing to meet the threshold conditions, insurers must comply with the Principles for Businesses, as well as other rules in the PRA Rulebook and the FCA Handbook, as discussed above.

## **6 Change of Control of Insurance Companies**

The FCA and PRA regulate the acquisition and increase (or decrease) of control of authorised firms. Under section 178 of FSMA, any person who intends to acquire or increase its "control" over a UK authorised insurance company must notify the PRA of its decision and receive approval from the PRA before becoming a "controller" or increasing its interest in such insurance company to or above certain thresholds.

The PRA must, within 60 working days of the date on which it acknowledges receipt of a notification (provided it has received all the necessary information), either approve, or notify the applicant that it does not approve, the relevant acquisition of or increase in control. In considering whether or not to grant or withhold its approval to the change of control, the PRA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by its acquisition of, or increase in, control. Additionally, in reaching its decision, the PRA is required to consult with the FCA and the FCA may require the PRA to reject the application or impose conditions on the approval of the application in certain circumstances.

The PRA must also be notified when the transaction which results in the change of control takes place. No prior approval for reducing control below one of the thresholds referred to below is required, although (pursuant to section 191D of FSMA) notification must still be given to the PRA of the relevant transaction prior to effecting the disposition.

A "controller" is any natural or legal person or such persons "acting in concert" who has or have taken a decision to acquire or increase, directly or indirectly, a holding above a certain level in a UK authorised insurance company. Broadly, "control" over a UK authorised insurer will occur if the acquirer (together with other persons acting in concert with it):

- holds 10 per cent. or more of the shares or voting rights in that company or in its parent undertaking; or
- is able to exercise significant influence over the management of an insurer by virtue of the acquirer's shares or voting power in the company or its parent undertaking.

Increases in control of an insurance company require the prior approval of the PRA where they reach thresholds of 20 per cent., 30 per cent. and 50 per cent. or more of the shares or voting power in the insurer or its parent undertaking, or where the acquirer becomes the parent undertaking of the insurance company.

Breach of the requirements to notify the PRA of a decision to acquire or increase (or decrease) control or to obtain approval before effecting the relevant transaction in question is a criminal offence attracting fines, and other offences exist for breaches of the provisions of the change of control regime described above.

## 7 Transfers of Insurance Business

Any transfer of UK insurance business (as defined under FSMA) must be effected in accordance with Part VII of FSMA and relevant secondary legislation, which requires a scheme of transfer to be prepared and approved by the High Court of England and Wales (the “**Court**”). A Part VII transfer enables insurers and reinsurers to transfer all or part of their book of business to another approved insurer by operation of law without the need for individual policyholder consent, although policyholders have the right to object to the proposed scheme at the Court hearing. The proposed scheme may also allow for the transfer of assets and other contracts related to the transferring business so as to give proper effect to the transfer.

A report of an independent expert is required on the terms of the scheme, which would consider amongst other things, whether the proposed transfer would have a material adverse effect on policyholders including in relation to their security of benefits and benefit expectation. The regulators also have an important role in a transfer under Part VII of FSMA, including in relation to the approval of the appointment of the independent expert and review of the independent expert’s report, and in advising the Court whether a transfer should be approved.

## 8 Solvency II

Solvency II has applied since 1 January 2016. Consistent with the general approach to the onshoring of EU law, following the expiry of the Brexit transitional period on 31 December 2020, Solvency II has been retained in the United Kingdom in substantially complete form with policy changes only being made to the extent they are necessary to reflect the United Kingdom’s position outside the EU. The rules may diverge further in future, including as a result of reviews of Solvency II currently being undertaken by HM Treasury in the United Kingdom and the EU Commission in the EU.

The main aim of the Solvency II framework is to protect policyholders through establishing prudential requirements better matched to the true risks of the business, taking into account other regulatory objectives of ensuring the financial stability of the insurance industry and stability of the markets. Solvency II adopts a three-pillar approach to prudential regulation, which can broadly be described as follows:

- **Pillar 1:** quantitative requirements covering the amount of capital an insurer should hold;
- **Pillar 2:** qualitative requirements in relation to undertakings such as risk management and supervisory activities; and
- **Pillar 3:** enhanced public and supervisory reporting, disclosure and transparency requirements.

More specifically, Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of a minimum capital requirement (“**MCR**”) and a higher and more risk-sensitive solvency capital requirement (“**Solvency Capital Requirement**” or “**SCR**”);
- what capital (that is, own funds) is eligible (and in what proportions) to cover technical provisions, the MCR and the Solvency Capital Requirement;
- what capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm’s entire operations;
- on what basis an insurer calculates its Solvency Capital Requirement;
- governance requirements, including risk management processes;

- requirements covering (i) matters to be reported privately to the firm’s supervisor leading to a full supervisory review process, and (ii) matters to be published and made publicly available in a “solvency and financial condition report” (“SFCR”);
- rules providing for the Solvency Capital Requirement to be supplemented by a “capital add-on” in appropriate cases, the add-on to be imposed by the PRA;
- rules on insurance products which are linked to the value of specific property or indices; and
- the application of the above requirements across insurance groups.

A key aspect of Solvency II is the focus on a supervisory review at the level of the individual legal entity. Accordingly, the assessment of risks and capital requirements under Solvency II are intended to be aligned more closely with economic capital methodologies and include the option for insurance companies to calculate their own solvency requirements by using (with the approval of the PRA) an internal economic capital model. The process of obtaining approval to use an internal (or partial internal) model is a rigorous one involving a full review of the insurer’s governance arrangements and the PRA being satisfied that the internal economic capital model is fully used within the insurer’s business. The Group has received approval from the PRA for the use of a partial internal economic capital model for calculating its Solvency Capital Requirements in relation to credit and counterparty risk and continues to use the Standard Formula for other risks. Work has begun on development of a full internal model which would also cover the risk modules which are currently calculated by the Group using the standard formula. The PRA may impose capital add-ons if it considers that the resultant capital requirement under Standard Formula or any internal (or partial internal) model does not reflect the risk exposure of the insurer and the Group currently has a small capital add on. This predominantly relates to the risk that a higher proportion of pensioners than assumed have dependants and the inflation risk associated with inflation-linked liabilities.

Firms with illiquid liabilities such as annuity business can (with the approval of the PRA) discount these illiquid liabilities using the risk-free rate plus what is known as the ‘matching adjustment’. The matching adjustment is broadly equivalent to the illiquidity premium that can be earned on the illiquid assets held to back illiquid liabilities. The Issuer has received the approval of the PRA to apply the matching adjustment. The Group applies the matching adjustment in calculating the Best Estimate Liabilities for almost all of its single premium insurance business. The remaining liabilities are discounted at the risk-free rate.

The technical implementation of Solvency II resulted in a significant increase in the overall capital requirements of the Issuer. However, these increases were mitigated to an extent by the regime’s introduction of transitional provisions on technical provisions, which were designed to ensure a smooth transition to Solvency II. On 2 December 2015, the PRA confirmed that it had approved an application by the Issuer to apply transitional measures on technical provisions. This allows for a transitional deduction on technical provisions which is the difference between the net technical provisions calculated in accordance with the Solvency II rules and the net technical provisions calculated in accordance with the previous regime. The benefit of the transitional provisions will be phased out over a 16 year period from 2016.

An application can be made to re-calculate the amount of transitional provisions that can be taken if the risk profile of the Group changes materially. For example, the Group made such an application as at 31 December 2018 at the time its partial internal model was approved and also as at 31 December 2020.

Solvency II also requires insurers to disclose a considerably greater level of qualitative and quantitative information as compared to the previous rules, both to their own supervisor through “regular supervisory reporting” and to the market through the publication of the SFCR. This is intended to increase transparency, allowing easier comparison across the industry and enabling supervisors to identify sooner if insurers are

heading for financial difficulty. In turn, increased transparency is intended to drive market discipline, arising from the reaction of rating agencies and the capital markets to insurers' performance.

In addition to these capital requirements and procedures, the Solvency II regime also imposes various requirements in relation to insurers' business operations, including the organisation of internal processes, the roles and responsibilities among certain key officers and external reporting obligations, as well as to the presentation of financial information.

## 9 Markets in Financial Instruments Directive

Although the Markets in Financial Instruments Directive does not apply to insurance businesses, it has driven changes to the conduct of business rules, including those that apply to insurance businesses.

The original Markets in Financial Instruments Directive 2004/39/EC ("MiFID") and its predecessor legislation, the Investment Services Directive, set out detailed and specific requirements in relation to organisational and conduct of business matters for investment firms and regulated markets. In particular, MiFID and its implementing measures made specific provision in relation to, among other things, organisational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling and suitability and appropriateness, and investment research and financial analysis, pre- and post-trade transparency obligations, transaction reporting and substantial changes to the responsibility for the supervision of cross-border investment services (including the UK).

In May 2014, MiFID was replaced by (i) a substantially revised Markets in Financial Instruments Directive; (ii) the Markets in Financial Instruments Regulation (EU) No 600/2014; and (iii) secondary legislation in the form of Delegated Acts made thereunder (together, "MiFID II"). MiFID II came into force on 3 January 2018 and represents a significant overhaul of the EU regulatory regime for financial services. The Markets in Financial Instruments Regulation (EU) No 600/2014 forms part of domestic law by virtue of the EUWA ("UK MiFIR").

MiFID II and UK MiFIR set out detailed and specific requirements in relation to organisational, trading and conduct of business matters for investment firms and trading venues. Each of MiFID II and UK MiFIR is more wide ranging than MiFID and has direct impact on MiFID and UK MiFIR investment firms respectively and indirect impact on non-MiFID and non-UK MiFIR financial services firms respectively who deal in EU securities and derivatives markets and UK securities and derivatives markets respectively.

## 10 Insurance Distribution

The United Kingdom insurance distribution regime is derived in part from the Insurance Distribution Directive, which was transposed into UK law through legislation, regulations and FCA rules, including amendments to FSMA, ICOBS and COBS. Similarly to Solvency II, to the extent that on-shoring was necessary following the expiry of the Brexit transitional period, policy changes were not made except to the extent necessary to reflect the United Kingdom's position outside of the EU.

A key focus of the IDD is on the regulation of distribution products. The key elements of the IDD include:

- extending the scope to cover all sales of insurance products, whether by insurance intermediaries or insurance undertakings, including proportionate requirements for those who sell insurance products on an ancillary basis;
- identifying, managing and mitigating conflicts of interest;

- strengthening administrative sanctions, as well as measures to be applied in the event of a breach of key provisions;
- enhancing the suitability and objectiveness of insurance advice;
- mandatory disclosure at the pre-contractual stage by insurance intermediaries of the nature and basis (but not amount) of remuneration received;
- ensuring that sellers' professional qualifications match the complexity of the products that they sell; and
- clarifying the procedure for cross-border market entry.

The IDD will continue to be a minimum harmonisation directive, enabling EU Member States to impose higher standards if they wish.

In the UK, the Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 (the “**IDD Order**”) transposed the IDD into UK law, and amended the relevant provisions of FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. The IDD Order came into force on 1 October 2018.

## 11 Whistleblowing

In October 2015, the PRA and FCA published policy statements containing new rules in relation to whistleblowing by employees with respect to the conduct of their employers or others within their firm.

The rules go further than the requirements of the Public Interest Disclosure Act 1998 (“**PIDA**”), which is the legislation that protects employees who act as whistleblowers in relation to the conduct of their employer or others within their firm. The rules are designed to encourage individuals with concerns about a firm's practices to raise them, and to ensure that such concerns are properly managed and reported to the regulator where appropriate.

The rules apply to:

- insurance and reinsurance firms within the scope of Solvency II and the Society of Lloyd's and managing agents;
- PRA-designated investment firms; and
- UK deposit takers with assets of £250 million or more (including banks, building societies and credit unions).

Under the rules, such firms must:

- appoint a senior manager in accordance with the requirements of the SIMR or SMCR (as applicable) who is a non-executive director to act as a “whistleblowers' champion”. The whistleblowers' champion is responsible for oversight of the firm's whistleblowing policies and procedures, and for ensuring an annual report on whistleblowing is presented to the board and made available to the regulator;
- put internal arrangements in place to handle any type of disclosure by any person (including anonymous disclosures) as opposed to only those disclosures that currently fall within the scope of the PIDA;
- put in place systems which protect confidentiality, allow for the escalation of concerns to the appropriate regulator or law enforcement agency, track the outcome of whistleblowing reports, provide feedback to whistleblowers and have measures in place to protect whistleblowers from victimisation;



- inform the FCA and the PRA if there is an unsuccessful judgment against the firm in an employment tribunal claim for whistleblowing and there are findings relating to a claim that the whistleblower was victimised;
- ensure that employees based in the United Kingdom are informed about the whistleblowing services offered by the PRA and the FCA and they can approach these regulators directly without first raising concerns with their employer; and
- ensure their appointed representatives and tied agents inform their own staff about the FCA and the PRA's whistleblowing arrangements.

## **12 Money Laundering and Financial Crime**

The FCA has a duty to consider the importance of minimising the risk of the insurance companies that it regulates being used for financial crime. It therefore looks at measures an insurer takes to monitor, detect and prevent financial crime. This includes measures in respect of money laundering, terrorist financing, data security, bribery and corruption, fraud and sanctions breaches. The EU's money laundering framework was recently updated by the Fourth Money Laundering Directive ("MLD4") which was implemented in the UK on 26 June 2017. The EU authorities have now adopted a Fifth Money Laundering Directive ("MLD5") to clarify certain aspects of MLD4, which were required to be implemented in EU Member States by 10 January 2020. The UK has implemented MLD5 and it came into force in the UK on 10 January 2020.

## **13 Consumer Complaints and Compensation**

The Financial Services Compensation Scheme ("FSCS"), established under FSMA, seeks to protect policyholders where a UK authorised insurer is unable or unlikely to be able to meet its financial obligations to policyholders. The FSCS provides compensation to certain categories of customer who suffer loss as a consequence of the failure by an insurer to meet its liabilities arising from claims made in connection with regulated activities. The FSCS can pay compensation if an insurer is unable, or likely to be unable, to pay claims against it. Participating insurers and other financial services firms are responsible for contributing to compensation schemes in respect of insurers and other financial services firms that are unable to meet their obligations to policyholders. In this respect, the FSCS is funded by way of levies imposed on all of its participating insurers, including the Issuer.

Insurance companies, along with other authorised entities and certain other unregulated businesses, fall within the jurisdiction of the FOS, which is a body established under FSMA. The FOS is a free and independent service for individuals and small business customers designed to resolve disputes where the customer is not satisfied with the response received from an authorised insurer. Authorised insurers are required to have adequate complaints-handling procedures in place but, where these are exhausted and a complaint or dispute has not been resolved, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought by individuals and small business customers. This service covers most financial products and services in (or from) the UK. Insurers that are covered by the FOS are required to pay levies and case fees, which provide the funding for the FOS. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve matters on the basis of what is fair and reasonable. In this regard, the FOS is not bound by its own precedent; however, the decisions made by the FOS are binding on insurers.

In addition, where larger groups or matters of public policy are concerned, the PRA and/or the FCA may intervene directly to provide redress to consumers.

## **14 Data Protection**

On 25 May 2018, the General Data Protection Regulation 2016/679 (“**GDPR**”) came into force and replaced the previous regime set out in the first Data Protection Directive (Directive 95/46/EC) on the protection of individuals with regard to the processing of personal data and on the free movement of such data. The GDPR contains measures that seek to harmonise data protection procedures and enforcement across the EU. It is directly binding on data controllers (as well as introduced certain direct obligations on data processors) in all EU member states without the need for implementation by the member states. Importantly, the GDPR introduced more substantial penalties for data breaches, as well as greater enforcement power by data protection authorities. The GDPR forms part of the domestic law of the UK by virtue of the EUWA.

In the UK, the Data Protection Act 2018 (the “**DPA**”) exercised on the UK’s part the limited discretion accorded to member states under the GDPR, and dealt with data processing issues not covered by the GDPR.

The Group is required to comply with the GDPR, the UK GDPR and the DPA, and any breach could give rise to criminal or civil liability and other enforcement action by the Information Commissioner’s Office.

## **15 Competition Regulation**

The CMA is the UK’s competition authority. Its regulatory and enforcement powers could impact the insurance sector in a number of ways, including powers to investigate and impose remedies on any feature, or combination of features, of a market in the UK. In addition, since 1 April 2015, the FCA has also had competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector, which it holds concurrently with the CMA.

## TAXATION

*The following is a general description of certain UK tax considerations relating to the Notes, as well as a description of FATCA. It is not intended as tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. It relates to the position of persons who are the absolute beneficial owners of the Notes and who hold the Notes as investments, and some aspects do not apply to certain classes of taxpayer (such as Noteholders who are connected or associated with the Issuer for relevant tax purposes). The statements in this section do not constitute tax or legal advice. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. This summary is based upon the law as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.*

*Investors should also note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

### **United Kingdom**

#### **General**

The comments in this part are of a general nature and are not intended to be exhaustive. They are based on current United Kingdom (“UK”) tax law as applied in England and Wales and published HM Revenue & Customs practice. There can be no assurance that HM Revenue & Customs will apply its published practice, and both law and practice may be subject to change, sometimes with retrospective effect. The comments assume that there will be no substitutions of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). Further, they relate only to certain material UK withholding taxation matters at the date hereof in relation to payments of principal and interest (as that term is understood for UK tax purposes) in respect of the Notes and certain UK stamp duty and stamp duty reserve tax implications of acquiring, holding and disposing of the Notes. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

#### **Payments of Interest**

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the “Act”)) or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or EEA regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

The GEM of the Euronext Dublin is a multilateral trading facility operated by an EEA regulated recognised stock exchange for the purposes of section 987 of the Act.

Under current UK legislation, if the exemption referred to above does not apply, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.).

### **Other considerations**

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the UK for tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

### **Stamp duty and Stamp duty reserve tax**

The Finance Act 2019 introduced a new regime for hybrid capital instruments (the “**HCI rules**”). The HCI rules contain an exemption from all stamp duties on transfer so that no liability to UK stamp duty or stamp duty reserve tax should arise on the issue or transfer of the Notes provided that the Notes each constitute a “hybrid capital instrument” for the purposes of the HCI rules and there are no arrangements, the main purpose, or one of the main purposes, of which is to secure a tax advantage.

The Notes should constitute “hybrid capital instruments” for the purposes of the HCI rules provided that:

- the Issuer is entitled to defer or cancel a payment of interest under the Notes;
- the Notes “have no other significant equity features”; and
- the Issuer has made an election in respect of the Notes.

The Notes would “have no other significant equity features” provided that:

- the Notes carry neither significant voting rights in the Issuer nor a right to exercise a dominant influence over the Issuer;
- any provision in the Notes for altering the amount of the principal is limited to write-down or conversion events in certain qualifying cases and that is not a right exercisable by the Noteholders; one of the qualifying cases is where a provision is included solely because of a need to comply with a regulatory or other legal requirement; and
- any provision for the holder to receive anything other than interest or principal is limited to conversion events in qualifying cases.

The Issuer has made a hybrid capital election in respect of the Notes pursuant to section 475C of the Corporation Tax Act 2009 and the instrument is not issued in consequence of, or otherwise in connection with, any arrangements, the main purpose, or one of the main purposes of which, is to secure a tax advantage. Consequently, the Issuer expects that the HCI rules should apply to the Notes such that they would benefit from the exemption from all stamp duties.

Even if the HCI rules did not apply to the Notes, no UK stamp duty or stamp duty reserve tax should be payable on the issue of the Notes and no stamp duty or stamp duty reserve tax should be payable on the transfer of Notes within a clearing system (such as Euroclear or Clearstream, Luxembourg) without a written instrument of transfer provided that no election is or has been made by the relevant clearing system under section 97A of the Finance Act 1986 (a “**97A election**”) that applies to the Notes. However, if a 97A election were to apply to the

Notes in the future, transfers of the Notes within the relevant clearing system could, unless the HCI rules or another exemption applies, be subject to stamp duty reserve tax, generally at the rate of 0.5 per cent of the consideration given under the agreement to transfer the Notes.

No liability to UK stamp duty or stamp duty reserve tax will generally arise on a cash redemption of Notes, provided no issue or transfer of shares or other Notes is effected upon or in connection with such redemption.

No liability to UK stamp duty or stamp duty reserve tax will arise for a Holder on the release of Notes on Automatic Conversion.

No liability to UK stamp duty or stamp duty reserve tax will arise for a Holder on the issuance of new ordinary shares in the Issuer by the Issuer to the Noteholders under an Automatic Conversion.

### **FATCA Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Managers have entered into a Subscription Agreement dated 20 October 2021 (the “**Subscription Agreement**”) in respect of the Notes. Pursuant to the Subscription Agreement, subject to the satisfaction of certain conditions, the Managers will jointly and severally subscribe or procure subscribers for the Notes at a price equal to 100.00 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers, on behalf of the Managers, to terminate it in certain circumstances prior to payment being made to the Issuer.

### **Selling Restrictions**

#### ***United States***

The Notes and the Ordinary Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Each Manager has represented and agreed that, it will not offer or sell the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of any identifiable tranche of which such Notes are a part, within the U.S. or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the U.S. by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### ***UK***

Each Manager has represented, warranted and agreed that:

- (A) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (B) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

#### ***Prohibition of Sales to EEA Retail Investors***

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### ***Prohibition of Sales to UK Retail Investors***

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

### ***Hong Kong***

Each Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***Singapore***

Each Manager has acknowledged that this document has not been registered as a prospectus with the Monetary Authority of Singapore.

Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA;
- (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

### ***General***

No action has been taken by the Issuer or the Managers that would, or is intended to, permit a public offer of the Notes or possession or distribution of this Information Memorandum or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, information memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance in all material respects with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any parent company or affiliate of any Manager is a licensed broker or dealer in that jurisdiction and so agrees, the offering shall be deemed to be made by such Manager or such parent company or affiliate on behalf of the Issuer in such jurisdiction.



## GENERAL INFORMATION

### General

1. It is expected that listing of the Notes on the Official List of Euronext Dublin and admission of the Notes to trading on the GEM will be granted on or around 27 October 2021, subject only to the issue of the Global Certificate. Prior to official listing and admission to trading of the Notes, however, dealings will be permitted by Euronext Dublin in accordance with its rules. Transactions will normally be effected for delivery on the second working day after the day of the transaction. The expenses in connection with the admission to trading of the Notes are expected to amount to €4,540.
2. The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom, in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the Board passed on 12 October 2021.
3. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 239997619. The International Securities Identification Number (ISIN) for the Notes is XS2399976195.
4. The indicative yield to (but excluding) the First Reset Date of the Notes is 4.875 per cent. per annum, calculated on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the Issue Price and on the assumption (solely for the purposes of determining the indicative yield) that all interest payments were to be made in full and that the Notes were to be redeemed on the First Reset Date. It is not an indication of future yield.
5. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
6. The legal entity identifier of the Issuer is MFQO711J5UPYBWXSPG12.
7. There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.
8. The Issuer was incorporated as Hackremco (No. 2460) Limited on 26 February 2007. It was renamed as First Premium Company Limited on 14 March 2007 and Rothesay Life Limited on 14 May 2007. It was re-registered as Rothesay Life Plc on 24 March 2016.
9. The Issuer does not intend to provide any post-issuance information in relation to the Notes.
10. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the GEM.

### No Significant Change and No Material Adverse Change

11. Since 30 June 2021 there has been no significant change in the financial or trading position of the Issuer and its subsidiaries.
12. Since 31 December 2020, there has been no material adverse change in the prospects of the Issuer and its subsidiaries.

### Documents available for Inspection

13. For so long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the GEM, electronic copies of the following documents will be available, during usual business hours on

any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:

- (a) the Agency Agreement and Trust Deed (which includes the form of the Global Certificate);
- (b) the Memorandum and Articles of Association of the Issuer;
- (c) the Rothesay Limited 2020 Annual Report and Accounts, the Rothesay Limited 2019 Annual Report and Accounts and the Rothesay Limited 2021 Half-year Report;
- (d) the Issuer 2020 Annual Report and Accounts, the Issuer 2019 Annual Report and Accounts and the Issuer 2021 Half-year Report;
- (e) the Solvency and Financial Condition Report 2020 of Rothesay Limited and the Issuer for the year ended 31 December 2020; and
- (f) a copy of this Information Memorandum together with any supplement to this Information Memorandum or further Information Memorandum in relation to the Notes.

14. This Information Memorandum will also be available on the website of Euronext Dublin at <https://live.euronext.com/>.

#### **Auditor**

15. PwC, Registered Auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK) issued by the Auditing Practices Board and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, the financial statements of the Issuer and the Group for the year ended 31 December 2020, and audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK) issued by the Auditing Practices Board and International Financial Reporting Standards as adopted by the European Union, the financial statements of the Issuer and the Group for the year ended 31 December 2019. . PwC has no material interest in the Issuer or the Group.
16. The audit report in respect of the Issuer for the financial years ended 2019 and 2020 stated that the report, including the opinion, was prepared for and only for the Issuer's members as a body in accordance with sections 495, 496 and 497 of the Companies Act 2006 and for no other purpose and that the auditors did and do not, in giving the audit opinion, accept or assume responsibility for any other purpose or to any other person to whom the report was shown or into whose hands the report came except where expressly agreed with the auditor's prior consent in writing.

#### **Litigation**

17. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 month period preceding the date of this Information Memorandum which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer.

#### **Managers transacting with the Issuer**

18. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans)

for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Managers or their affiliates may have a lending relationship with the Issuer and routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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