

APPENDIX 1:

THE TERMS OF THE IRISH SCHEME

This section summarises the formal terms of the *Irish Scheme*. This summary is a very important part of your Explanatory Booklet and you should read both this summary and the *Irish Scheme* itself carefully. The following summary uses terminology that is defined in the *Irish Scheme* itself.

This section summarises the formal terms of the *Irish Scheme*. Please note that this is a summary only and that a copy of the *Irish Scheme*, setting out its full terms, can be obtained from our website at royallondon.ie/LiverIreland or by calling the helpline on **1800 00 11 52** (or **00 353 1 429 3301** if you are calling from outside the Republic of Ireland) between 8am and 6pm Monday to Friday (excluding bank holidays).

This summary is a very important part of your **Explanatory Booklet** and you should read both this summary and the *Irish Scheme* itself carefully.

The *Irish Scheme* is a scheme of arrangement under Part 9 of the Companies Act 2014. Under the legislation, for the *Irish Scheme* to be approved more than half of the *Eligible Policyholders* voting in person, or by *Proxy* (by post or online) at the *Policyholder Meeting* must vote in favour of the *Irish Scheme*, and they must represent three quarters or more of the *Voting Value* of all of the *Eligible Policyholders* who vote. In order to become effective, the *Irish Scheme* must also be approved (or sanctioned) by the *Irish High Court* at the *Sanction Hearing*. The *Irish Scheme* will become binding on *Royal London Ireland* when the order of the *Irish High Court* sanctioning the *Irish Scheme* has been delivered and registered with the *Registrar of Companies* in Ireland.

The *Irish Scheme* and the *UK Scheme* are interconditional such that neither scheme may be implemented unless (i) the *Irish Scheme* is sanctioned by the *Irish High Court* and (ii) the *UK Scheme* is sanctioned by the *UK High Court*. Following the sanction of the respective courts referred to in (i) and (ii) having been obtained, the *Irish Scheme* and the *UK Scheme* will be implemented simultaneously on the *Implementation Date* in accordance with their respective terms.

The *Irish Scheme* is being proposed by *Royal London Ireland* to *Eligible Policyholders* and the *Irish High Court* has given *Royal London Ireland* permission to call the *Policyholder Meeting*, which will be held at The Morrison Hotel (a DoubleTree by Hilton), Ormond Quay Lower, Dublin 1, D01 K5X5, Ireland commencing at **11:00am** (Irish time) on **20 October 2022**. Virtual attendance at the *Policyholder Meeting* will also be facilitated. *Royal London Ireland* may however withdraw the *Irish Scheme* at any time prior to the *Sanction Hearing* if for any reason it decides not to proceed.

Capitalised defined terms used in paragraphs 1 to 10 below shall have the meanings given to them in the *Irish Scheme* document.

1. Introduction

1.1 Under the terms of the *Irish Scheme*, *Royal London Ireland* is offering each *Eligible RLI DAC Liver Policyholder* an *Uplift* to their *Eligible Benefits* and (in respect of any *Eligible RLI DAC Liver Policy* which is a *With-Profits Policy*) to increase (by the *Percentage Increase*) any *Premium Amounts* paid in respect of *Eligible Contractual Regular Premiums* on or after the *Implementation Date*. The *Liver Sub-Fund Estate* shall be reduced by the amount of the *Uplift*.

1.2 In return, the *Eligible RLI DAC Liver Policyholders* will be asked to permit *Royal London Ireland* to consent to the *UK Scheme* pursuant to which the *Scheme Contribution* will be paid from the *Liver Sub-Fund Estate* to the *Royal London Open Fund*. The *Scheme Contribution* is made up of the *Closed Fund Contribution*, the *Project Costs Allowance* and the *Payment Uplift Contribution*.

1.3 The *Liver Sub-Fund Estate* will be reduced by the amount of:

- 1.3.1 the Uplift applied by Royal London Ireland to the Eligible Benefits in respect of each Included RLI DAC Liver Policy pursuant to the terms of the Irish Scheme;
 - 1.3.2 the RLMIS Uplift applied by RLMIS to RLMIS Eligible Benefits in respect of each Included RLMIS Liver Policy pursuant to the terms of the *UK Scheme*; and
 - 1.3.3 the Scheme Contribution pursuant to the terms of the *UK Scheme*.
- 1.4 All of the *Included RLI DAC Liver Policies* allocated to the *Liver Ireland Sub-Fund* immediately prior to the Implementation Date shall remain allocated to the *Liver Ireland Sub-Fund*.

2. The Compromise

2.1 *Royal London Ireland* shall consent to the implementation of the *UK Scheme* in accordance with the terms of the *Implementation Deed* so that on and with effect from the *Scheme Contribution Date*, the following actions shall be each undertaken pursuant to the *UK Scheme*:

- 2.1.1 the *Scheme Contribution* will be debited from the *Liver Sub-Fund Estate*; and
- 2.1.2 the *Scheme Contribution* will be credited to the *Royal London Open Fund*,

so that upon implementation of the *UK Scheme*, the liability for the *Scheme Contribution* shall, notwithstanding any term and condition of an *Included RLI DAC Liver Policy* or any provision of any other document (including the *UK Scheme*, the *RLMIS IoT*, the *RLI DAC Part VII Transfer*, the *WPOP* and the *Liver Sub-Fund PPFM*) to the contrary, be allocated to, and assets equal to such liability shall be deducted from, the *Liver Sub-Fund Estate* and credited to the *Royal London Open Fund*.

2.2 On and with effect from the *Implementation Date*:

- 2.2.1 the total of the *Uplift Amounts* will be deducted from the *Liver Sub-Fund Estate* and each *Uplift Amount* will be applied to the *Eligible Benefits* of each *Included RLI DAC Liver Policy*; and
- 2.2.2 for *With-Profits Policies*, in respect of any *Eligible Contractual Regular Premium*, on each *Premium Date*, *Royal London Ireland* shall increase the *Premium Amount* by the *Percentage Increase* and that increased *Premium Amount* will be applied to the relevant *Asset Share* of the relevant *Included RLI DAC Liver Policy*,

and in order to give effect to paragraph 2.2.1, the liability for the aggregate of the *Uplift Amounts* shall in accordance with the terms and conditions of the *Included RLI DAC Liver Policies* be borne by *Royal London Ireland* and allocated to the *Liver Ireland Sub-Fund*, and assets equal to such liability shall pursuant to the *UK Scheme* be deducted from, the *Liver Sub-Fund Estate* and credited to the *Royal London Open Fund* to meet any reinsured liability of RLMIS to *Royal London Ireland* pursuant to the *Liver Reinsurance Agreement*.

3. The Uplifts and increases to the Premium Amounts

3.1 The *Uplift Amount* to be applied to the *Eligible Benefits* of each *Included RLI DAC Liver Policy* will be the *Percentage Increase* multiplied by the value of the *Included RLI DAC Liver Policy's Eligible Benefits* (as at the *Implementation Date*). Each *Uplift Amount* will be rounded to the nearest cent, with amounts of 0.5 cents or more being rounded upward to the nearest cent and amounts of less than 0.5 cents being rounded downward to the nearest cent.

3.2 For *With-Profits Policies*, the *Irish Scheme* also provides that on each *Premium Date* following the *Implementation Date*, *Royal London Ireland* will increase the *Premium Amount* in respect of any *Eligible Contractual Regular Premium* by the *Percentage Increase*. The increased *Premium Amount* will be applied to the relevant *Asset Share* of the relevant *Included RLI DAC Liver Policy*. The amount by which the *Premium Amount* will be increased, once calculated, will be rounded to the nearest cent, with amounts of 0.5 cents or more being rounded upward

to the nearest cent and amounts of less than 0.5 cents being rounded downward to the nearest cent.

- 3.3 The *Irish Scheme* states, for clarity, that the increase referred to in paragraph 3.2 above will not lead to any increase in the amount of *Eligible Contractual Regular Premium* payable under a relevant *Included RLI DAC Liver Policy* that is a *With-Profits Policy*, and the *Liver Ireland Sub-Fund* shall assume liability for any *Percentage Increase* in respect of any *Premium Amount* applied pursuant to paragraph 3.2 above.

4. **No right to opt out of the *Irish Scheme***

- 4.1 If the *Irish Scheme* is implemented, all *Included RLI DAC Liver Policyholders* will be bound by it. *Included RLI DAC Liver Policyholders* cannot opt out of the *Irish Scheme*.

5. **Ongoing management of *Included RLI DAC Liver Policies***

- 5.1 The *Irish Scheme* sets out how an *Included RLI DAC Liver Policy* will be managed after their allocation to the *Royal London Open Fund*. The following will apply from the *Implementation Date*:

5.1.1 the *Liver Ireland Sub-Fund* shall retain all liability and responsibility to the *Eligible RLI DAC Liver Policyholders* for the *Cost of Smoothing* in relation to the *Included RLI DAC Liver Policies* which are *With-Profits Policies*;

5.1.2 *Smoothing* of pay-outs in respect of *With-Profits Policies* in the *Liver Ireland Sub-Fund* shall be calculated and applied in accordance with the *WPOP*;

5.1.3 for a period of 12 months from the **Implementation Date**, *Smoothing* will not apply to any *Uplift*;

5.1.4 *Royal London Ireland* shall continue to have recourse to all management actions with respect to the *Included RLI DAC Liver Policies* that it considers appropriate (acting reasonably and in good faith) in order to facilitate the effective management of the *RLI DAC Liver Sub-Fund*; and

5.1.5 without prejudice to paragraph 5.1.4 above, *Royal London Ireland* may make charges in respect of exceptional events to the *Eligible Benefits* in accordance with Schedule 4 - Part 3 of the *Amended RLI DAC Part VII Transfer*.

- 5.2 In the case of the items referred to at paragraphs 5.1.4 and 5.1.5 above, *Royal London Ireland* shall not take any management action (including that referred to at paragraph 5.1.5) to reduce the *Eligible Benefits* of the *Included RLI DAC Liver Policies* nor make any change to the *WPOP* in relation to the determination of benefits payable under the *Included RLI DAC Liver Policies* unless (i) the *Head of Actuarial Function* and (ii) the *Royal London Ireland Board* is satisfied that such action is fair and reasonable taking into account the advice of the *Head of Actuarial Function*, the rationale for the *Irish Scheme* and for the calculation of the *Closed Fund Contribution* and the associated representations made by *Royal London Ireland* in respect of the *Irish Scheme* to *Included RLI DAC Liver Policyholders*.

- 5.3 In exchange for the payment of the *Project Costs Allowance*, on and with effect from the *Implementation Date*, the *Included RLI DAC Liver Policies* (in respect of their *Eligible Benefits* or otherwise) shall have no further liability for *Project Costs*.

6. **Rights to the Open Fund Estate**

- 6.1 On and with effect from the *Implementation Date*, the *Included RLI DAC Liver Policyholders* shall have no interest, entitlement, right or expectation to any distributions from the *Open Fund Estate*.

7. **The Implementation Date**

7.1 The *Implementation Date* of the *Irish Scheme* will be 23.59.01 on 31 December 2022 (or such later date and time specified by *Royal London Ireland* being no later than 23.59.00 on 31 March 2023) and provided that, if the equivalent *Implementation Date* of the *UK Scheme* is delayed for any reason, the *Implementation Date* for the purposes of the *Irish Scheme* shall occur on the same date and time as (and, for the avoidance of doubt shall occur no earlier than) the equivalent *Implementation Date* of the *UK Scheme*.

8. **Modification or additions to the *Irish Scheme***

8.1 *Royal London Ireland* may consent for and on behalf of itself and all other persons concerned (other than the *Regulator*) to any modification of or addition to the *Irish Scheme* or to any further condition or provision affecting the same which, prior to the sanction of the *Irish Scheme*, the *Irish High Court* may approve or impose (for the avoidance of doubt, without prejudice to the position which the *Regulator* may take in relation to any such modification or addition).

8.2 *Royal London Ireland* may make minor and/or typographical amendments to the terms of the *Irish Scheme* (including amendments to correct manifest errors), which may be approved by the *Royal London Ireland Board* upon:

8.2.1 *Royal London Ireland* having consulted with the *Royal London Ireland Board* a reasonable period in advance of the implementation of the proposed amendment to the *Irish Scheme* and taken into account the reasonable comments of the *RLMIS Board* with respect to the proposed amendment; and

8.2.2 the *Royal London Ireland Board* having taken account of advice from the *Head of Actuarial Function*,

provided that the *Regulator* has been notified of the terms of the amendment proposed at least 60 days in advance of the amendment being made and have not objected thereto (unless the *Regulator* has confirmed its non-objection prior to that date).

9. **Conflicts**

9.1 In the event of any conflict between the provisions of the *Irish Scheme* and the *RLMIS IoT*, the provisions of the *Irish Scheme* shall prevail.

10. **Governing law**

10.1 The *Irish Scheme* is governed by, and construed in accordance with, Irish law.