



Claim No.: CR-2021-000892

IN THE HIGH COURT OF JUSTICE
BUSINESS & PROPERTY COURTS OF ENGLAND AND WALES
INSOLVENCY & COMPANIES LIST (ChD)
BEFORE SIR ALASTAIR NORRIS
DATED 25 NOVEMBER 2021

CR-2021-000892

IN THE MATTER OF THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

- and -

IN THE MATTER OF PART 26 OF THE COMPANIES ACT 2006

ORDER

UPON THE APPLICATION by Claim Form dated 2 July 2021 of The Royal London Mutual Insurance Society Limited ("**Royal London**"), whose registered office is at 55 Gracechurch Street, London, EC3V 0RL

AND UPON HEARING Martin Moore QC, Counsel for Royal London

AND UPON READING the Claim Form and the supporting evidence

IT IS ORDERED THAT:

1. The Scheme of Arrangement, the terms of which are set out in the Schedule to this Order, be sanctioned by this Court so as to be binding upon Royal London and the Included Policyholders (as defined in the Scheme of Arrangement).
2. Royal London do deliver an office copy of this Order to the Registrar of Companies.
3. There shall be liberty to Royal London to apply.

Service of the Order

The Court has provided a sealed copy of this order to the serving party:

Pinsent Masons LLP
30 Crown Place
Earl Street
London EC2A 4ES

MONDAY



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RM 29/11/2021 #69
COMPANIES HOUSE

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BUSINESS & PROPERTY COURTS OF ENGLAND AND WALES
INSOLVENCY & COMPANIES LIST (ChD)**

IN THE MATTER OF THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

AND

IN THE MATTER OF PART 26 OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

BETWEEN

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

AND

THE INCLUDED POLICYHOLDERS (AS DEFINED IN THIS SCHEME)



Pinsent Masons

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INTRODUCTION

1. BACKGROUND

- 1.1 Royal London is a mutual life insurance company limited by guarantee. Royal London has permission under Part 4A of the FSMA to effect and carry out Long-Term Insurance Business in the UK in classes I (Life and annuity), II (Marriage and birth), III (Linked long-term), IV (Permanent health), VI (Capital redemption contracts) and VII (Pension fund management) set out in Part II of Schedule 1 to the Regulated Activities Order.
- 1.2 The business that is comprised in the UF OB Sub-fund was transferred from, among others, United Friendly Insurance plc to Royal London on 1 January 2001 pursuant to the UAG Scheme and allocated to the Royal London Main Fund, subject to the Additional Account being maintained in respect of that business. Since 2004 the Royal London Main Fund has held within it the UF OB Sub-fund which is a ring-fenced fund under UK Solvency II Requirements. In addition, Royal London maintains the Additional Account in accordance with the UAG Scheme. The Additional Account forms part of the UF OB Sub-fund. The UF OB Sub-fund is closed to new business.
- 1.3 Royal London is undertaking a project to, inter alia, simplify its fund structure by combining and therefore reducing the number of separate closed funds (the "**Closed Funds**") that it maintains (the "**Fund Consolidation Project**"). This Scheme is being undertaken as a scheme of arrangement pursuant to Part 26 of the Companies Act as part of the Fund Consolidation Project. It seeks to compromise the rights of certain with-profits policies allocated to the UF OB Sub-fund and is being undertaken alongside two other schemes. One scheme is proposing to compromise the rights of certain with-profits policyholders with policies allocated to the Scottish Life Fund and the other scheme is proposing to compromise the rights of certain with-profits policyholders with policies allocated to the UF IB Sub-fund. Both of these schemes are intended to be implemented contemporaneously with this Scheme.

2. THE PROPOSALS TO ELIGIBLE POLICYHOLDERS

- 2.1 Royal London is offering each Eligible Policyholder an Uplift to the Asset Share of their Included Policy by way of an acceleration of the distribution of the UF OB Sub-fund Estate (less the Scheme Contribution), and to increase (by the Percentage Increase) any Premium Amounts paid in respect of Regular Contractual Premiums on or after the Implementation Date.
- 2.2 If this Scheme becomes effective in accordance with its terms, on and with effect from the Implementation Date:
- 2.2.1 the UF OB Sub-fund Estate shall be fully utilised upon payment of the Scheme Contribution to the Royal London Open Fund and upon application of the Uplift to each Included Policy; and
- 2.2.2 all the Included Policies allocated to the UF OB Sub-fund immediately prior to the Implementation Date (including all assets, liabilities, rights, powers, benefits and business relating thereto) shall be re-allocated to the Royal London Open Fund (to the extent that they are not already allocated to the Royal London Open Fund).
- 2.3 Royal London proposes that:
- 2.3.1 the Project Costs Allowance (which forms part of the Scheme Contribution) shall, on and with effect from the Scheme Contribution Date, be debited from the UF OB Sub-fund and credited to the Royal London Open Fund pursuant to paragraph 4.1 and the Royal London Open Fund shall, on and with effect from the Scheme Contribution Date pursuant to and in accordance with paragraph 0, assume any and all liability for Project Costs and the Asset Shares of the Included Policies shall have no further liability for Project Costs;
- 2.3.2 the Premium Uplift Contribution (which forms part of the Scheme Contribution) shall, on and with effect from the Scheme Contribution Date, be debited from the UF OB Sub-fund and credited to the Royal London Open Fund pursuant to paragraph 4.1; and

2.3.3 the Royal London Open Fund shall, in respect of each Regular Contractual Premium, on and with effect from the Implementation Date, on each Premium Date increase the Premium Amount by the Percentage Increase and apply the Premium Amount (as so increased) to the relevant Included Policy pursuant to and in accordance with paragraph 5.3.

3. **INTERPRETATION**

Definitions and other provisions relating to interpretation of this Scheme are set out in the Schedule.

THE COMPROMISE

4. THE COMPROMISE

4.1 On and with effect from the Scheme Contribution Date:

4.1.1 the UF OB Sub-fund Estate shall be debited with the full amount of the Scheme Contribution; and

4.1.2 the full amount of the Scheme Contribution shall be credited to the Royal London Open Fund,

and in order to give effect to paragraphs 4.1.1 and 4.1.2, the liability for the Scheme Contribution shall notwithstanding any term and condition of an Included Policy or any provision of any other document (including the UAG Scheme and the PPFM) to the contrary be allocated to, and assets equal to such liability shall be deducted from, the UF OB Sub-fund Estate and credited to the Royal London Open Fund.

4.2 On and with effect from the Implementation Date:

4.2.1 the UF OB Sub-fund Estate shall be debited with the aggregate of the Uplift Amounts and each Uplift Amount shall be applied to each Included Policy in accordance with paragraphs 5.1 and 5.2;

4.2.2 in respect of any Regular Contractual Premium, on each Premium Date, Royal London shall increase the Premium Amount by the Percentage Increase, and the Premium Amount, as so increased, shall be applied to the relevant Included Policy in accordance with paragraphs 5.3 and 5.4; and

4.2.3 the Included Policies (including all assets, liabilities, rights, powers and benefits relating thereto) allocated to the UF OB Sub-fund immediately prior to the Implementation Date shall be re-allocated from the UF OB Sub-fund to the Royal London Open Fund in accordance with paragraph 6,

and in order to give effect to paragraph 4.2.1, the liability for the aggregate of the Uplift Amounts shall notwithstanding any term and condition of an Included Policy or any provision of any other document (including the UAG Scheme and the PPFM) to the contrary be allocated to, and assets equal to such liability shall be deducted from, the UF OB Sub-fund Estate and credited to the Royal London Open Fund for the benefit of Included Policyholders,

(the compromise set out in paragraphs 4.1 and 4.2 being the "**Compromise**").

5. THE UPLIFT AND INCREASES TO THE PREMIUM AMOUNTS

5.1 On and with effect from the Implementation Date, the Uplift shall be applied to each Included Policy by increasing the Asset Share attributable to that Policy as at the Implementation Date by the Uplift Amount, calculated in accordance with paragraph 5.2.

5.2 The Uplift Amount in respect of an Included Policy shall be calculated as the value of that Included Policy's Asset Share as at the Implementation Date multiplied by the Percentage Increase, and for the purposes of such calculation, the Uplift Amount shall be rounded to the nearest penny with such rounding applied on the basis that amounts of 0.5p or more shall be rounded upward to the nearest penny and any amounts less than 0.5p rounded downward to the nearest penny.

5.3 On and with effect from the Implementation Date, and in respect of any Regular Contractual Premium, on each Premium Date, Royal London shall increase the Premium Amount by the Percentage Increase, and the Premium Amount, as so increased, shall be applied and allocated to the relevant Included Policy's Asset Share. For the purposes of the calculation of the increase to the Premium Amount, such increase shall be rounded to the nearest penny with such rounding applied

on the basis that amounts of 0.5p or more shall be rounded upward to the nearest penny and any amounts less than 0.5p rounded downward to the nearest penny.

5.4 For the avoidance of doubt:

5.4.1 the application of paragraph 5.3 shall not result in any increase in the amount of Regular Contractual Premium payable under an Included Policy; and

5.4.2 the Royal London Open Fund shall assume liability for any increase in any Premium Amount applied pursuant to paragraph 5.3.

6. **RE-ALLOCATION**

6.1 On and with effect from the Implementation Date all of the Included Policies (including all assets, liabilities, rights, powers and benefits relating thereto) allocated to the UF OB Sub-fund immediately prior to the Implementation Date shall:

6.1.1 cease to be allocated to the UF OB Sub-fund; and

6.1.2 be allocated to the Royal London Open Fund (to the extent that such assets, liabilities, rights, powers and benefits are not already allocated to the Royal London Open Fund).

ONGOING RIGHTS AND MANAGEMENT

7. MANAGEMENT OF INCLUDED POLICIES

7.1 On and with effect from the Implementation Date:

- 7.1.1 the Royal London Open Fund shall assume all liability and responsibility for the Cost of Smoothing in relation to the Included Policies;
- 7.1.2 Smoothing of payouts in respect of the with-profits policies in the Royal London Open Fund (including, for the avoidance of doubt, the Included Policies) shall be calculated and applied in accordance with the PPFM, provided that Smoothing shall not apply to any increases to Premium Amounts applied in respect of Regular Contractual Premiums in accordance with paragraph 5.3;
- 7.1.3 for a period of 12 months from the Implementation Date, Smoothing shall not apply to any Uplift;
- 7.1.4 Royal London:
 - (a) shall continue to have recourse to all management actions with respect to the Included Policies that it considers appropriate (acting reasonably and in good faith) in order to facilitate the effective management of the Royal London Open Fund; and
 - (b) without prejudice to paragraph 7.1.4(a) may, should an exceptional event occur or be recognised in the future that would, in the reasonable opinion of the With-Profits Actuary have resulted, in the absence of this Scheme, in a credit or charge to the Asset Shares of the Included Policies or to the UF OB Sub-fund Estate, make an equivalent credit or charge to the Asset Shares of the Included Policies on such basis as may be determined by the With-Profits Actuary,

provided that Royal London shall not take any management action to reduce the Asset Shares in respect of the Included Policies nor make any change to the PPFM in relation to the determination of benefits payable under the Included Policies unless the With-Profits Committee and the Royal London Board is satisfied that such action is fair and reasonable taking into account the advice of the With-Profits Actuary, the rationale for this Scheme and the associated representations made by Royal London in respect of this Scheme to Included Policyholders.

8. PROJECT COSTS

8.1 On and with effect from the Implementation Date:

- 8.1.1 the Royal London Open Fund shall assume any and all liability for Project Costs (whether incurred before, on or after the Implementation Date); and
- 8.1.2 the Included Policies (in respect of their Asset Shares or otherwise) shall have no further liability for Project Costs.

9. RIGHTS TO OPEN FUND ESTATE, PROFITSHARE AND TO MEMBERSHIP

9.1 On and with effect from the Implementation Date, the Included Policyholders:

- 9.1.1 subject to paragraph 9.1.2, shall have **no interest, entitlement, right or expectation to** any distributions from the Open Fund Estate, save for any increase in Premium Amount applied to an Included Policy pursuant to paragraph 5.3;

- 9.1.2 shall continue to be eligible for ProfitShare or any entitlement to any distribution of ProfitShare to the extent they were so eligible or entitled immediately prior to the Implementation Date; and
- 9.1.3 shall have no eligibility for membership of Royal London as a consequence of this Scheme.

MISCELLANEOUS PROVISIONS

10. MODIFICATIONS, AMENDMENTS OR ADDITIONS

- 10.1 Royal London may consent for and on behalf of itself and all other persons concerned (other than the Regulators) to any modification of or addition to this Scheme or to any further condition or provision affecting the same which, prior to the sanction of this Scheme, the Court may approve or impose (for the avoidance of doubt, without prejudice to the position which the Regulators may take in relation to any such modification or addition).
- 10.2 The consent of the Court shall not be required in relation to minor and/or technical amendments to the terms of this Scheme (including amendments to correct manifest errors), which may be approved by the Royal London Board having regard to advice from the With-Profits Actuary, provided that the Regulators have been notified of the terms of the amendment proposed at least 60 days in advance of the amendment being made and have not objected thereto (unless the Regulators have confirmed their non-objection prior to that date).

11. EFFECTIVE DATE OF THE SCHEME

- 11.1 Royal London may, in its absolute discretion, withdraw this Scheme at any time prior to its sanction by the Court.
- 11.2 This Scheme shall become effective when a copy of the Court Order has been delivered for registration to the Registrar of Companies in accordance with section 899(4) of the Companies Act.

12. IMPLEMENTATION OF THIS SCHEME

- 12.1 The Compromise and other provisions of this Scheme shall apply on and from the Implementation Date (save as expressly stated otherwise).
- 12.2 The Implementation Date shall be 23.59 on 31 December 2021 (or such later date and time specified by Royal London being no later than the date referred to in paragraph 12.3) (the "**Implementation Date**"). If the Implementation Date is to be delayed from 23.59 on 31 December 2021 pursuant to this paragraph 12.2, Royal London shall notify the Regulators and comply with their requirements, if any, as to notification of Included Policyholders of the delay.
- 12.3 Unless the Implementation Date shall fall on or before 23.59 on 31 March 2022, this Scheme shall lapse and none of its terms shall apply.

13. THIRD PARTY RIGHTS

It is not intended that any person who is not a party to this Scheme may enforce any of its terms, whether by virtue of the Contracts (Rights of Third Parties) Act 1999 or otherwise.

14. CONFLICTS

In the event of any conflict between the provisions of this Scheme and the UAG Scheme, the provisions of this Scheme shall prevail.

15. GOVERNING LAW

- 15.1 This Scheme shall be governed by, and construed in accordance with, English law. Subject to paragraph 15.2, the Included Policyholders agree that the Court shall have exclusive jurisdiction to hear and determine any Proceedings and to settle any dispute which may arise out of or in connection with this Scheme and any documents sent to or any communications with any of the Included Policyholders in relation to:
- 15.1.1 the Compromise between Royal London and the Included Policyholders to be implemented pursuant to this Scheme; and

15.1.2 any action taken or omitted to be taken under this Scheme or the administration of this Scheme,

and for such purposes the Included Policyholders irrevocably submit to the jurisdiction of the Court provided however that nothing in this paragraph 15 shall affect the validity of any provisions determining governing law and/or jurisdiction between Royal London and any of the Included Policyholders whether contained in any Policy.

15.2 Nothing in this Scheme shall limit or otherwise affect any rights which any person (including any Included Policyholder) may have to refer any complaint to the Financial Ombudsman Service or any jurisdiction which the Financial Ombudsman Service may have to consider and determine any such complaint or any complaint currently with the Financial Ombudsman Service. Accordingly, and without prejudice to the generality of the foregoing, Included Policyholders shall be entitled to submit any complaint to the Financial Ombudsman Service regarding the operation or application of this Scheme by Royal London (including any action taken or determination made by Royal London pursuant to this Scheme) which falls within the jurisdiction of the Financial Ombudsman Service.

SCHEDULE

DEFINITIONS AND INTERPRETATION

1. DEFINITIONS

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

"Additional Account"	means the notional account required to be held and maintained by Royal London in respect of the business that is allocated to the UF OB Sub-fund pursuant to and in accordance with Schedule 2 to the UAG Scheme;
"Asset Share(s)"	means the accumulation of premiums paid in respect of and investment return attributed to any Eligible Policies, less charges (which may include set up costs, commission payments, administrative fees, investment management costs, the cost of risk benefits, the cost of guarantees, the Cost of Smoothing and the cost of tax), or any other equivalent measure, which is used as a guide to setting payout levels, as calculated by Royal London in accordance with the accounting and actuarial policies and practices used for the purposes of the preparation of Royal London's regulatory returns at the time of calculation of such asset share;
"Calculation Date"	means 31 March 2021;
"Closed Funds"	has the meaning given to it at paragraph 1.3;
"COBS"	means the Conduct of Business Sourcebook issued by the FCA and forming part of the FCA Rules;
"Companies Act"	means the Companies Act 2006;
"Compromise"	has the meaning given to that term in paragraph 4.2;
"Cost of Smoothing"	means any additional liability that arises as a result of Smoothing;
"Court"	means the High Court of Justice in England and Wales;
"Court Order"	means an order made by the Court sanctioning this Scheme (including any subsequent order);

"Eligible Policy"	<p>means a With-Profits Policy allocated to the UF OB Sub-fund which is not an Excluded Policy and:</p> <ul style="list-style-type: none"> (a) which will not have reached its scheduled maturity or retirement date prior to the Reference Date; (b) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death, in each case in accordance with the terms of the Policy as at the Calculation Date or as at the date of the Policyholder Meeting; and (c) in respect of which the Eligible Policyholder has not (in accordance with the terms of the Policy) otherwise ceased to be entitled to receive benefits as at the Calculation Date or as at the date of the Policyholder Meeting;
"Eligible Policyholders"	<p>means:</p> <ul style="list-style-type: none"> (a) Royal London as holder of certain Eligible Policies as at the Calculation Date in its capacity as the trustee of the United Friendly Insurance Plc Additional Contribution Plan as at the Calculation Date; (b) the members of the United Friendly Insurance Plc Additional Contribution Plan who have an interest in an Eligible Policy as at the Calculation Date; and (c) any other person who is the legal holder of an Eligible Policy as at the Calculation Date;
"Encumbrance"	<p>means any mortgage, charge, pledge, security assignment, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including title transfer and retention agreements) having a similar effect;</p>
"Excluded Policy"	<p>means a With-Profits Policy allocated to the UF OB Sub-fund immediately prior to the Calculation Date in respect of which, based on Royal London's best estimate assumptions applied as at the Calculation Date, the projected value of the benefits payable under the With-Profits Policy as at the expected date of claim is not expected to be increased by the application of the Uplift and the increase in the Premium Amounts (if applicable) under this Scheme;</p>
"FCA"	<p>means the Financial Conduct Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to Long-Term Insurance Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority under FSMA;</p>
"FCA Rules"	<p>means the rules and guidance contained in the FCA Handbook of Rules and Guidance;</p>
"Financial Ombudsman Service"	<p>means the scheme provided under Part XVI of the FSMA (or any successor thereto or replacement thereof);</p>

"FSMA"	means the Financial Services and Markets Act 2000;
"Fund Consolidation Project"	has the meaning given to that term in paragraph 1.2;
"Implementation Date"	has the meaning given in paragraph 12.2;
"Included Policy"	means an Eligible Policy: <ul style="list-style-type: none"> (a) which has not reached its scheduled maturity or retirement date; (b) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death, in each case in accordance with the terms of the Policy; (c) in respect of which the Eligible Policyholder has not (in accordance with the terms of the Policy) ceased to be entitled to receive benefits; in each case as at the Reference Date;
"Included Policyholder"	means: <ul style="list-style-type: none"> (a) Royal London as holder of certain Included Policies as at the Implementation Date in its capacity as the trustee of the United Friendly Insurance Plc Additional Contribution Plan as at the Reference Date; (b) the members of the United Friendly Insurance Plc Additional Contribution Plan who have an interest in an Included Policy as at the Reference Date; and (c) any other person who is the legal holder of an Included Policy as at the Reference Date;
"Independent Expert"	means the independent actuary appointed by Royal London for the purpose of considering this Scheme and its likely effect on Royal London's policyholders, in particular, with regard to whether this Scheme is fair and reasonable to Royal London's policyholders, being Oliver Gillespie of Milliman LLP or, in the event that such office is vacated, such other person as Royal London may select with the approval of the Regulators;
"Independent Expert's Report"	means the report dated 1 July 2021 prepared by the Independent Expert and any supplementary report, note or letter thereto;
"Long-Term Fund"	means the fund (or funds) established and maintained by Royal London from time to time in respect of its Long-Term Insurance Business;
"Long-Term Insurance Business"	means the business of effecting and carrying out long-term insurance contracts as principal, being contracts falling within Part II of Schedule 1 to the Regulated Activities Order;

"Open Fund Estate"	means the excess of the assets realistically required to meet the current expectations of policyholders with policies allocated to the Royal London Open Fund and to settle other liabilities relating to each class of business allocated to the Royal London Open Fund;
"Percentage Increase"	means 6.437653 per cent.;
"Policy"	means a contract of life insurance or a contract effected to provide pension (including an annuity), lump sum, gratuity or other like benefit given or to be given on or in relation to retirement, death or by virtue of a pension sharing order or provision, written by Royal London (whether originally written by, or transferred to, Royal London) and as amended from time to time;
"Policyholder"	means the holder of a Policy;
"Policyholder Meeting"	means the meeting of Eligible Policyholders convened by the Court for the purpose of considering and, if thought fit, approving, this Scheme;
"PPFM"	means the principles and practices of financial management document prepared and maintained by Royal London from time to time in respect of, <i>inter alia</i> , the Royal London Open Fund as required by COBS 20.3.1R;
"PRA Rulebook"	means the rules and guidance contained in the rulebook issued by the Prudential Regulation Authority;
"Premium Amount"	means the amount of any Regular Contractual Premium;
"Premium Date"	means any date on or after the Implementation Date upon which any Regular Contractual Premium is paid;
"Premium Uplift Contribution"	means the amount of £0.9m, which, as a component of the overall Scheme Contribution, is to be debited from the UF OB Sub-fund Estate and credited to the Royal London Open Fund pursuant to paragraph 4.1;
"Proceedings"	means any action or other legal or administrative proceedings or step (whether direct or indirect, by way of a claim, demand, legal proceedings, execution of judgment, arbitration, complaint or otherwise) including arbitration, mediation, adjudication, any other dispute resolution procedure (whether or not it involves submission to any court), any judicial, quasi-judicial, administrative or regulatory review or process or any complaint or claim to any court, authority or ombudsman, including the Financial Ombudsman Service, or other proceedings for the resolution of a dispute or claim, in each case whether current, future, pending, threatened or otherwise (including those not yet in contemplation);
"ProfitShare"	means the mechanism by which Royal London shares its financial performance with policyholders in the Royal London Open Fund who are eligible for ProfitShare, which (as at the Implementation Date) is allocated by an enhancement to the asset shares of eligible with-profits policies and unit fund values of eligible unit linked with-profits policies. ProfitShare is allocated at the sole discretion of the Royal London Board;

"Project Costs"	means the costs, expenses and liabilities (actual or best estimated) in respect of, <i>inter alia</i> , actuarial, legal, communications and project management costs and regulatory fees incurred or to be incurred in respect of the Fund Consolidation Project and certain product changes applicable to the Closed Funds;
"Project Costs Allowance"	means the amount of £16.9m, being the portion of the Project Costs, including an amount in consideration of the assumption by the Royal London Open Fund of liability pursuant to paragraph 8.1.1, which, as a component of the overall Scheme Contribution, is to be debited from the UF OB Sub-fund and credited to the Royal London Open Fund pursuant to paragraph 4.1;
"Reference Date"	means 23.59 on 31 December 2021;
"Registrar of Companies"	means the Registrar of Companies in England and Wales;
"Regular Contractual Premium"	means any premium due and paid on or after the Implementation Date pursuant to the terms and conditions of an Included Policy, excluding any additional premium, top-ups or increments;
"Regulated Activities Order"	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
"Regulator(s)"	means, as the context requires, the Financial Conduct Authority or the Prudential Regulation Authority or both of them, or such other governmental, statutory or other authority or authorities as shall from time to time carry out such functions in relation to Long-Term Insurance Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority and the Prudential Regulation Authority under the FSMA;
"Royal London"	means The Royal London Mutual Insurance Society Limited, a company limited by guarantee and not having a share capital and incorporated in England and Wales with registered number 99064, whose registered office is at 55 Gracechurch Street, London EC3V 0RL;
"Royal London Board"	means the board of directors of Royal London or any duly constituted committee or representative thereof;
"Royal London Main Fund"	means the sub-fund of the Long-Term Fund that bears the name "Royal London Main Fund";
"Royal London Open Fund"	means that part of the Royal London Main Fund that is not comprised of the UF OB Sub-Fund, the "Refuge Assurance IB Sub-Fund" or the "United Friendly IB Sub-Fund";
"Scheme"	means this scheme of arrangement made pursuant to Part 26 of the Companies Act with or subject to any modification, amendment or addition made in accordance with its terms;
"Scheme Contribution"	means the aggregate of the Project Costs Allowance and the Premium Uplift Contribution;
"Scheme Contribution Date"	means 23:58 on the day on which the Implementation Date occurs;

"Smoothing"	means the mechanism by which the impact on With-Profits Policy payouts of fluctuations in the value of underlying assets is reduced from one period to the next, as applied in accordance with the PPFM;
"UAG Scheme"	means the scheme of transfer under Schedule 2C to the Insurance Companies Act 1982 (as amended) with an effective date of 1 January 2001, pursuant to which certain long term business of, among others, Refuge Assurance plc and United Friendly Insurance plc was transferred to Royal London;
"UF OB Sub-fund"	means the sub-fund of the Royal London Main Fund that bears the name the "United Friendly Ordinary Branch Sub-fund";
"UF OB Sub-fund Estate"	means the excess of the assets realistically required to meet the current expectations of holders of policies allocated to the UF OB Sub-fund and to settle other liabilities relating to each class of business allocated to the UF OB Sub-fund, including any such amounts which are held or allocated to the Additional Account;
"UK Solvency II"	means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance as enacted in the law of the United Kingdom by the European Union (Withdrawal Agreement) Act 2020 and subordinate legislation;
"UK Solvency II Requirements"	means UK Solvency II and any legislation, regulation, decision, order, decree, determination, award, standard, guidance or rule which implements, gives effect to or is made pursuant to UK Solvency II including the PRA Rulebook or any such other legislation or enactment as shall from time to time enact the same provisions as any of the foregoing in the United Kingdom;
"Uplift"	means the increase to the Asset Share of each Included Policy in the UF OB Sub-fund calculated, in respect of each Included Policy, in accordance with paragraph 5.2 and allocated to each Included Policy pursuant to paragraph 5.1;
"Uplift Amount"	means, in respect of an Included Policy, the amount of the Uplift;
"With-Profits Actuary"	means the person appointed from time to time by Royal London to perform the "With-Profits Actuary" Controlled function (SMF20a) or the equivalent successor function;
"With-Profits Committee"	means the committee established by Royal London pursuant to COBS 20.5.1R, inter alia, to consider the interests of all of Royal London with-profits policyholders; and
"With-Profits Policy"	means a Policy which entitles the holder to participate in the discretionary distributions based on profits arising from Royal London's business, payable by the addition of bonuses to the Policy.

2. INTERPRETATION

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

- 2.1 **"asset"** includes assets, loans, real property, cash, Encumbrances, causes of actions, rights and powers of every description (whether present or future, actual or contingent), including income or

interest accrued but unpaid, and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;

- 2.2 any reference to "including" or "includes" means "including without limitation" or "includes without limitation" (as the case may be);
- 2.3 any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa;
- 2.4 any reference to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time whether before or after the Implementation Date (as applicable) and to any instrument or order made whether before or after the Implementation Date (as applicable) under such enactment, statutory provision or subordinated legislation;
- 2.5 any reference to any rules or regulations issued by the Regulators shall be deemed to include a reference to such rules or regulations as amended, replaced or re-enacted from time to time whether before or after the Implementation Date (as applicable);
- 2.6 any reference to this Scheme shall include the Schedule to it and, unless otherwise specified, references to paragraphs, Parts or the Schedule are to paragraphs, Parts or Schedule to this Scheme;
- 2.7 any reference to (or to any specified provision of) this Scheme shall be construed as a reference to this Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of this Scheme;
- 2.8 any reference to a calculation, decision, determination or opinion of any of the Royal London Board (or any similar expression) shall be deemed to include a calculation, decision, determination or opinion of a duly constituted committee or duly authorised representative of the Royal London Board;
- 2.9 if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- 2.10 any reference to a time shall be construed as a reference to that time according to GMT or (if applicable) BST;
- 2.11 the expression "**variation**" shall include any variation, supplement, deletion, replacement or termination, however effected;
- 2.12 headings are inserted for convenience only and shall not affect the interpretation of this Scheme;
- 2.13 any reference to a person shall include a reference to an individual, firm, partnership (whether or not having separate legal personality), company, body corporate, an unincorporated association or body of persons, or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- 2.14 any reference to writing shall include any modes of reproducing words in a legible and non-transitory form; and
- 2.15 any reference to an amount shall be exclusive of any applicable value added or other tax.

End.