

MR01

Particulars of a charge



Companies House

533705/23



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A fee is be payable with this form
Please see 'How to pay' on page 2

☒ **What this form is for**
You may use this form to register
a charge created or evidenced by
an instrument.

☒ **What this form is NOT for**
You may not use this form to
register a charge where there is
no instrument. Use form MR08.

WEDNESDAY



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LD2

02/10/2019

#102

COMPANIES HOUSE

This form **must be delivered to the Registrar for registration within 21 days** beginning with the day after the date of creation of the charge. If delivered outside of the 21 days it will be rejected unless it is accompanied by a court order extending the time for delivery.



You **must** enclose a certified copy of the instrument with this form. This will be scanned and placed on the public record. **Do not send the original.**

1 Company details

Company number 0 0 7 5 3 9 6 4

Company name in full BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED

For official use

→ Filling in this form

Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

2 Charge creation date

Charge creation date d 0 d 1 m 1 m 0 y 2 y 0 y 1 y 9

3 Names of persons, security agents or trustees entitled to the charge

Please show the names of each of the persons, security agents or trustees entitled to the charge.

Name LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

Name

Name

Name

If there are more than four names, please supply any four of these names then tick the statement below.

☐ I confirm that there are more than four persons, security agents or trustees entitled to the charge.

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Particulars of a charge

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Brief description

Please give a short description of any land, ship, aircraft or intellectual property registered or required to be registered in the UK subject to a charge (which is not a floating charge) or fixed security included in the instrument.

Brief description

Please submit only a short description. If there are a number of plots of land, aircraft and/or ships, you should simply describe some of them in the text field and add a statement along the lines of, "for more details please refer to the instrument".

Please limit the description to the available space.

5

Other charge or fixed security

Does the instrument include a charge (which is not a floating charge) or fixed security over any tangible or intangible or (in Scotland) corporeal or incorporeal property not described above? Please tick the appropriate box.

☒ Yes

☐ No

6

Floating charge

Is the instrument expressed to contain a floating charge? Please tick the appropriate box.

☐ Yes Continue

☒ No Go to **Section 7**

Is the floating charge expressed to cover all the property and undertaking of the company?

☐ Yes

7

Negative Pledge

Do any of the terms of the charge prohibit or restrict the company from creating further security that will rank equally with or ahead of the charge? Please tick the appropriate box.

☒ Yes

☐ No

8

Trustee statement ¹

You may tick the box if the company named in Section 1 is acting as trustee of the property or undertaking which is the subject of the charge.

☒

¹ This statement may be filed after the registration of the charge (use form MR06).

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Signature

Please sign the form here.

Signature

Signature

X Macf... LLP

X

This form must be signed by a person with an interest in the charge.

MR01

Particulars of a charge

 Presenter information	
You do not have to give any contact information, but if you do, it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.	
Contact name	CJB/HYM/668400
Company name	Macfarlanes LLP
Address	20 Cursitor Street
Post town	
County/Region	London
Postcode	E C 4 A 1 L T
Country	United Kingdom
DX	DX No: 138 Chancery Lane
Telephone	+44 (0) 20 7849 2000

 Certificate
We will send your certificate to the presenter's address if given above or to the company's Registered Office if you have left the presenter's information blank.

 Checklist
We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following: ☐ The company name and number match the information held on the public Register. ☐ You have included a certified copy of the instrument with this form. ☐ You have entered the date on which the charge was created. ☐ You have shown the names of persons entitled to the charge. ☐ You have ticked any appropriate boxes in Sections 3, 5, 6, 7 & 8. ☐ You have given a description in Section 4, if appropriate. ☐ You have signed the form. ☐ You have enclosed the correct fee. ☐ Please do not send the original instrument; it must be a certified copy.
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 Important information
Please note that all information on this form will appear on the public record.

 How to pay
A fee of £23 is payable to Companies House in respect of each mortgage or charge filed on paper.
Make cheques or postal orders payable to 'Companies House.'

 Where to send
You may return this form to any Companies House address. However, for expediency, we advise you to return it to the appropriate address below:
For companies registered in England and Wales: The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ. DX 33050 Cardiff. For companies registered in Scotland: The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF. DX ED235 Edinburgh 1 or LP - 4 Edinburgh 2 (Legal Post). For companies registered in Northern Ireland: The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG. DX 481 N.R. Belfast 1.

 Further information
For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk
This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



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FILE COPY

CERTIFICATE OF THE REGISTRATION OF A CHARGE

Company number: 753964

Charge code: 0075 3964 0006

The Registrar of Companies for England and Wales hereby certifies that a charge dated 1st October 2019 and created by BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED was delivered pursuant to Chapter A1 Part 25 of the Companies Act 2006 on 2nd October 2019.

Given at Companies House, Cardiff on 10th October 2019



Companies House



**THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES**

EXECUTION VERSION

VSEL CSD DEED OF NOVATION AND AMENDMENT

Date 1 October 2019

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

HADRIAN TRUSTEES LIMITED

**(ACTING IN ITS CAPACITY AS THE TRUSTEE OF THE VSEL SUPPORT SECTION OF
THE SHIPBUILDING INDUSTRIES PENSION SCHEME)**

BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED

**(ACTING IN ITS CAPACITY AS THE TRUSTEE OF THE BAE SYSTEMS SECTION OF
THE BAE SYSTEMS PENSION SCHEME)**

DEED OF NOVATION AND AMENDMENT

of the VSEL Credit Support Deed

SAVE FOR MATERIAL REDACTED PURSUANT TO S.859G
COMPANIES ACT 2006, THIS COPY INSTRUMENT IS
CERTIFIED TO BE A CORRECT COPY OF THE ORIGINAL
INSTRUMENT.

[Signature] MACFARLANES LLP
20 CURSITOR STREET
LONDON EC4A 1LT
DATE: *02/10/19*

MACFARLANES

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

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DATE 1 October 2019

PARTIES

- 1 **LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED**, a company registered in England and Wales under registration number 00166055, whose registered address is at One Coleman Street, London, EC2R 5AA (the "Continuing Party");
- 2 **HADRIAN TRUSTEES LIMITED**, a company registered in England and Wales under registration number 02002504, whose registered address is at PO Box 87, Warwick House, Farnborough Aerospace Centre, Farnborough, Hampshire, England GU14 6YU in its capacity as the sole trustee of the VSEL Section of the Shipbuilding Industries Pension Scheme (the "Outgoing Party"); and
- 3 **BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED** a company registered in England and Wales under registration number 00753964, whose registered address is at Warwick House, PO BOX 87, Farnborough Aerospace Centre, Farnborough, Hants GU14 6YU, in its capacity as the sole trustee of the BAE Systems Section of the BAE Systems Pension Scheme (the "Incoming Party")

(each a "Party" and together, the "Parties").

BACKGROUND

- A The Outgoing Party is the trustee for the time being of the Shipbuilding Industries Pension Scheme ("SIPS").
- B SIPS is divided into three sections (each a "Section"): the Fleet Support Section; the BAE Systems (VSEL) Section (the "VSEL Section"); and the BAE Systems (Portsmouth) segregated section of the BAE Systems (VSEL) Section.
- C On 18 December 2013 the Outgoing Party, in its capacity as the trustee of the VSEL Section, entered into the VSEL IA and the VSEL CSD with the Continuing Party.
- D The Incoming Party is the sole trustee of the BAE Systems Pension Scheme (the "Pension Scheme").
- E The Pension Scheme is divided into two sections: the BAE Systems Section (the "BAE Section") and the Airbus Section.
- F The VSEL IA includes collateral arrangements pursuant to which the Outgoing Party and the Continuing Party are required to provide collateral for certain of their obligations under the VSEL IA on an outright title transfer basis. There are also separate fee collateral arrangements in respect of the VSEL IA pursuant to the VSEL CSD.
- G It is proposed that each Section of SIPS, the majority of the 2000 Plan (with the other members transferring from the 2000 Plan being Airbus employees transferring to the Airbus Section, where such members are not the subject of the Kensington IA) and one other UK registered occupational pension scheme will be merged into the BAE Section by the assets of those Sections, the majority of the assets of the 2000 Plan and the assets of one other UK registered occupational pension scheme being transferred to the BAE Section and the Incoming Party as trustee of the BAE Section in return for the Incoming Party agreeing to provide benefits for and in respect of the members and beneficiaries of the Sections and one other UK registered occupational pension scheme and majority of members and beneficiaries of the 2000 Plan (which, for the avoidance of doubt, will include all members and beneficiaries of the 2000 Plan which are the subject of the Kensington IA) (the "Merger").

- H The Parties have agreed that, in connection with the Merger, subject to and in accordance with the terms and conditions of this Deed, the rights and obligations of the Outgoing Party under the VSEL CSD shall, on an *ab initio* basis, be transferred by novation to the Incoming Party.
- I The Incoming Party and the Continuing Party have agreed that, immediately following the time at which the novation referred to in recital H has taken effect, the VSEL CSD shall be amended and restated subject to and in accordance with the terms of this Deed.

THIS DEED WITNESSES

1 INTERPRETATION

- 1.1 In this Deed (including the recitals), capitalised terms have the meaning given to them in the VSEL IA (unless expressly defined otherwise in this Deed) and:

“**2000 Plan**” means the BAE Systems 2000 Pension Plan;

“**Amended VSEL CSD**” means the VSEL CSD as amended and restated in the form set out in the schedule;

“**Amended VSEL IA**” means the VSEL IA as amended and restated in the form set out in schedule 1 to the VSEL IA Deed of Novation and Amendment;

“**BAE Section**” has the meaning given in recital E;

“**Charged Accounts**” has the meaning given in the Amended VSEL CSD;

“**Closing**” means the Merger becoming effective in accordance with its terms;

“**Closing Date**” means the date on which Closing takes place, being 1 October 2019 or such later date as the Incoming Party may, prior to 1 October 2019 and no later than 30 September 2019, notify in writing to the other Parties;

“**Custody Agreement**” has the meaning given in the Amended VSEL CSD;

“**Custodian**” has the meaning given in the Amended VSEL CSD;

“**Eligible Collateral**” has the meaning given in the Amended VSEL CSD;

“**Insolvency Event**” has the meaning given in the Amended VSEL IA;

“**Kensington IA**” means the insurance agreement entered into between BAE Systems 2000 Plan Trustees Limited and the Continuing Party dated 18 February 2013, as amended and/or supplemented from time to time;

“**Merger**” has the meaning given in recital G;

“**Novation Closing Time**” means 00:01am on the Closing Date;

“**Pension Scheme**” has the meaning given in recital D;

“**Posted Collateral**” has the meaning given in the Amended VSEL CSD;

“**Segregated Section**” has the meaning given in the Amended VSEL IA;

“**Signing Date**” means the date of this Deed;

“**SIPS**” has the meaning given in recital A;

"VSEL CSD" means the credit support deed entered into between the Outgoing Party and the Continuing Party in respect of the VSEL Section dated 18 December 2013, as amended and/or supplemented from time to time;

"VSEL CSD Novation" means the novation of the VSEL CSD effected by Clause 4;

"VSEL IA" means the insurance agreement entered into between the Outgoing Party and the Continuing Party in respect of the VSEL Section dated 18 December 2013, as amended and/or supplemented from time to time;

"VSEL IA Deed of Novation and Amendment" means the deed of novation and amendment in respect of the VSEL IA entered into between the Parties dated 26 September 2019; and

"VSEL Section" has the meaning given in recital B.

2 COMMENCEMENT

2.1 This Deed shall become binding on the Parties on the Signing Date.

2.2 The Incoming Party shall promptly provide a confirmation in writing by email to the Continuing Party (or procure that the Continuing Party is promptly provided with a confirmation in writing by email) that the Merger has become effective and that Closing has occurred. For the avoidance of doubt such notification shall be for information purposes only and, for the purposes of this Deed, the occurrence of the Novation Closing Time (and the coming into effect of any provisions of this Deed stated to occur as at, or following, the Novation Closing Time) shall not be contingent on any notification being given under this Clause 2.2.

3 CONSENT TO THE NOVATION AND NO TERMINATION EVENT

3.1 The Outgoing Party and the Continuing Party hereby consent to the transfer of the Outgoing Party's rights and obligations under the VSEL CSD to the Incoming Party in accordance with this Deed for the purposes of the terms of the VSEL CSD.

3.2 The Parties agree that the transfer of the Outgoing Party's rights and obligations under the VSEL CSD to the Incoming Party in accordance with this Deed shall not constitute a Termination Event under Clause 27 of the VSEL IA.

4 NOVATION

4.1 In consideration of the mutual promises and obligations contained in this Deed, and on the terms set out in this Deed, the Parties agree that with effect from the Novation Closing Time:

4.1.1 the Outgoing Party hereby transfers by novation all its rights and obligations under the VSEL CSD to the Incoming Party;

4.1.2 the Incoming Party hereby agrees with the Continuing Party that it will comply with the obligations of the Outgoing Party under the VSEL CSD and be bound by the terms of the VSEL CSD in every way as if the Incoming Party were and always had been the original party to the VSEL CSD in place of the Outgoing Party;

4.1.3 the Continuing Party hereby consents to the novation and agrees with the Incoming Party that it will comply with its obligations under the VSEL CSD and be bound by the terms of the VSEL CSD in every way as if the Incoming Party were and always had been the original party to the VSEL CSD in place of the Outgoing Party;

4.1.4 the Continuing Party hereby releases the Outgoing Party from all obligations and liabilities under the VSEL CSD, subject to such obligations and liabilities

being assumed by the Incoming Party pursuant to and in accordance with this Deed; and

- 4.1.5 each of the Continuing Party and the Incoming Party shall have the right to enforce the VSEL CSD and pursue any claims and demands under or in connection with the VSEL CSD against the other as if the Incoming Party were and always had been the original party to the VSEL CSD in place of the Outgoing Party.

5 ASSUMPTION OF RESPONSIBILITY

- 5.1 Without prejudice to the generality of the novation under Clause 4, the Parties agree that with effect from the Novation Closing Time:

- 5.1.1 the Incoming Party hereby undertakes, assumes, becomes responsible for and succeeds to, all past, present and future obligations, liabilities, claims and demands of the Outgoing Party under or in connection with the VSEL CSD, including, without limitation:

- 5.1.1.1 responsibility for any outstanding balances, payments, transfers of Eligible Credit Support, Posted Collateral, Interest Amounts or Distributions (each as defined in the VSEL CSD) or any other obligations owing by the Outgoing Party to the Continuing Party under the VSEL CSD; and

- 5.1.1.2 responsibility for the provision of any reports or calculations required to be delivered by the Outgoing Party to the Continuing Party under the VSEL CSD at the times required by the VSEL CSD;

- 5.1.2 the Incoming Party acknowledges and agrees that the Continuing Party may exercise against the Incoming Party any and all of the Continuing Party's rights that it could, but for the VSEL CSD Novation, have exercised against the Outgoing Party prior to the Novation Closing Time, including, without limitation, in respect of:

- 5.1.2.1 any representations and warranties made by the Outgoing Party on originally entering into the VSEL CSD,

- 5.1.2.2 any other past breaches of the Outgoing Party under the VSEL CSD;

- 5.1.2.3 any adjustments to cash flows or requirements to transfer Eligible Credit Support, Posted Collateral, Interest Amounts or Distributions (each as defined in the VSEL CSD) in each case under the VSEL CSD by reference, in whole or in part, to the period prior to the Novation Closing Time; and

- 5.1.2.4 any other remedies, repricing rights or similar provisions under the VSEL CSD;

- 5.1.3 the Value of any Credit Support Balances and Posted Collateral as at the most recent Valuation Date between the Outgoing Party and the Continuing Party are deemed to continue under the Amended VSEL IA and the Amended VSEL CSD as between the Incoming Party and the Continuing Party;

- 5.1.4 the Continuing Party acknowledges and agrees that the Incoming Party may exercise against the Continuing Party any and all of the Outgoing Party's rights, that it could but for the VSEL CSD Novation have exercised against the Continuing Party prior to the Novation Closing Time, including, without limitation, in respect of:

- 5.1.4.1 any representations and warranties made by the Continuing Party on originally entering into the VSEL CSD;
- 5.1.4.2 any other past breaches of the Continuing Party under the VSEL CSD;
- 5.1.4.3 any adjustments to cash flows under the VSEL CSD by reference, in whole or in part, to the period prior to the Novation Closing Time; and
- 5.1.4.4 any other remedies, repricing rights or similar provisions under the VSEL CSD; and
- 5.1.5 to the extent that, notwithstanding the provisions of this Deed, any right, obligation or liability under or in respect of the VSEL CSD cannot be enforced or claimed by the Continuing Party against the Incoming Party, the Incoming Party shall promptly indemnify the Continuing Party in respect of:
 - 5.1.5.1 any and all damages, demands, fines, liabilities, losses and penalties arising out of or in connection with such right, obligation or liability; and
 - 5.1.5.2 any and all costs and expenses (including all reasonable legal and other professional costs and expenses) arising out of or in connection with such right, obligation or liability against the Incoming Party,

in each case subject to the Continuing Party having provided reasonable details of the nature and quantum of the same to the Incoming Party, provided that the Continuing Party shall be under no obligation to provide commercially sensitive information in order to claim under the indemnity given by the Incoming Party in this Clause 5.1.5.

6 AMENDMENT OF THE VSEL CSD

- 6.1 The Incoming Party and the Continuing Party agree that, immediately following the Novation Closing Time (and without prejudice to the VSEL CSD Novation), the VSEL CSD shall be amended and restated in the form set out in the schedule.
- 6.2 The provisions of the VSEL CSD shall continue in full force and effect (as amended and restated by Clause 6.1) as between the Incoming Party and the Continuing Party in accordance with this Deed.

7 WARRANTIES

Incoming Party warranties

- 7.1 The Incoming Party warrants to each other Party that as at the Signing Date and the Closing Date (in each case by reference to the facts and circumstances then existing):
 - 7.1.1 **capacity:** it has the power to:
 - 7.1.1.1 enter into and perform its obligations under this Deed, the VSEL CSD and the Amended VSEL CSD; and
 - 7.1.1.2 grant a security interest in any Eligible Collateral it transfers to the Charged Accounts,

and all necessary authorisations have been obtained;

- 7.1.2 **valid and binding obligations:** the obligations expressed to be assumed by it under this Deed, the VSEL CSD and the Amended VSEL CSD constitute valid and binding obligations;
- 7.1.3 **no conflict:** the execution, delivery and performance of this Deed and the performance of the VSEL CSD and the Amended VSEL CSD do not violate or conflict with any Applicable Law (in any material respect), any provision of the governing documentation of the BAE Section, any direction, order or judgment of any court or other agency of government, or any material contractual restriction binding on or affecting the Incoming Party, the BAE Section, any assets of the BAE Section or the governing documentation of the BAE Section;
- 7.1.4 **sole trustee:** it is the sole corporate trustee of the BAE Section and is entitled to deal with the assets of the BAE Section and has been validly appointed, and, so far as the Incoming Party is aware, no action has been taken or is proposed to be taken to remove or disqualify the Incoming Party from acting as trustee of the BAE Section;
- 7.1.5 **breaches:** so far as it is aware, the Outgoing Party is not in material breach of any of the provisions of the VSEL CSD;
- 7.1.6 **valid constitution:** the BAE Section has been validly constituted as a trust under English law and is a registered pension scheme for the purposes of the Finance Act 2004;
- 7.1.7 **solvency:** neither it nor (so far as it is aware) any of the sponsoring employers in relation to the BAE Section are the subject of an Insolvency Event, nor (so far as it is aware) is such an event in contemplation or would result from entering into this Deed;
- 7.1.8 **right to indemnity:** it has a right to be fully indemnified out of the assets of the BAE Section in order to meet its obligations under this Deed, the VSEL CSD and the Amended VSEL CSD and/or any losses or liabilities incurred by the Continuing Party under this Deed, the VSEL CSD and the Amended VSEL CSD for which the Incoming Party is responsible or liable and the assets of the BAE Section are, to the best of the Incoming Party's knowledge having made all reasonable enquiries, sufficient to satisfy the Incoming Party's right of indemnity in full;
- 7.1.9 **advice:** the Incoming Party has obtained investment advice from a person qualified under section 36 of the Pensions Act 1995 as and to the extent required and has taken all other independent professional advice that it considers necessary or has investment expertise to ensure that it appreciates all material risks involved in entering into this Deed;
- 7.1.10 **litigation:** the Incoming Party is not party to any litigation which may materially affect its ability to perform its obligations under this Deed;
- 7.1.11 **merger:** it has the power to accept the transfer of assets and liabilities from the VSEL Section of the SIPS under the Merger, and all necessary authorisations have been obtained;
- 7.1.12 **winding-up and Regulator involvement:** no winding-up has commenced in respect of the BAE Section and the Incoming Party has not deferred winding-up or taken any action under the governing documentation of the BAE Section to commence the winding up of the BAE Section, nor has the Incoming Party requested, actively supported or encouraged the Pensions Regulator to exercise its power to wind up the BAE Section. So far as the Incoming Party is aware, (i) there are no facts or circumstances which would be reasonably likely to result in the exercise by the Pensions Regulator of its power to wind up the BAE Section, (ii) except as disclosed on the Pensions Regulator's website at

<https://www.thepensionsregulator.gov.uk/en/document-library/enforcement-activity/penalty-notices> under "Chair's statement fines – not compliant" for the period 1 April to 30 June 2019 in respect of the Pension Scheme the Incoming Party has not been informed of any investigation by the Pensions Regulator in relation to the BAE Section; and (iii) except as disclosed on the Pensions Regulator's website at <https://www.thepensionsregulator.gov.uk/en/document-library/enforcement-activity/penalty-notices> under "Chair's statement fines – not compliant" for the period 1 April to 30 June 2019 in respect of the Pension Scheme the Pensions Regulator does not have any cause to issue any notices, determinations or directions in relation to the BAE Section;

7.1.13 **valid security interest:** upon the transfer of any Eligible Collateral by it to the Charged Accounts, the Continuing Party will have a valid security interest in such Eligible Collateral; and

7.1.14 **no other security:**

7.1.14.1 the performance by it of its obligations under the VSEL CSD and Amended VSEL CSD will not result in the creation of any security interest, lien or other interest or encumbrance in or on any Posted Collateral other than the security interest created under the VSEL CSD and Amended VSEL CSD (other than any lien routinely imposed on all securities in a clearing system in which any such Posted Collateral may be held) or any lien or other security interest created in favour of the Custodian pursuant to the Custody Agreement; and

7.1.14.2 it acts as trustee in relation to the Eligible Collateral it transfers to the Charged Accounts under the VSEL CSD and Amended VSEL CSD, free and clear of any security interest, lien, encumbrance or other interest or restriction other than the security interest granted under the VSEL CSD and Amended VSEL CSD and other than a lien routinely imposed on all securities in a clearing system in which any such Eligible Collateral may be held or any lien or other security interest created in favour of the Custodian pursuant to the Custody Agreement.

Outgoing Party warranties

7.2 The Outgoing Party warrants to each other Party that as at the Signing Date and the Closing Date (in each case by reference to the facts and circumstances then existing):

7.2.1 **capacity:** it has the power to enter into and perform its obligations under this Deed, and all necessary authorisations have been obtained;

7.2.2 **valid and binding obligations:** the obligations expressed to be assumed by it under this Deed constitute valid and binding obligations;

7.2.1 **no conflict:** the execution, delivery and performance of this Deed do not violate or conflict with any Applicable Law (in any material respect), any provision of the Governing Documentation, any direction, order or judgment of any court or other agency of government, or any material contractual restriction binding on or affecting the Outgoing Party, the VSEL Section, any assets of the VSEL Section or the Governing Documentation;

7.2.2 **sole trustee:** it is the sole corporate trustee of the SIPS and is entitled to deal with the assets of the SIPS and has been validly appointed, and, so far as the

Outgoing Party is aware, no action has been taken or is proposed to be taken to remove or disqualify the Outgoing Party from acting as trustee of the SIPS;

- 7.2.3 **breaches:** so far as it is aware, the Outgoing Party is not in material breach of any of the provisions of the VSEL CSD;
- 7.2.4 **merger:** it has the power to transfer the assets and liabilities of the VSEL Section to the BAE Section under the Merger, and all necessary authorisations have been obtained; and
- 7.2.5 **winding-up and Regulator involvement:** no winding-up has commenced in respect of the VSEL Section and the Outgoing Party has not deferred winding-up or taken any action under the Governing Documentation to commence the winding up of the VSEL Section, nor has the Outgoing Party requested, actively supported or encouraged the Pensions Regulator to exercise its power to wind up the VSEL Section or the SIPS. So far as the Outgoing Party is aware, (i) there are no facts or circumstances which would be reasonably likely to result in the exercise by the Pensions Regulator of its power to wind up the VSEL Section, (ii) except as disclosed on the Pensions Regulator's website at <https://www.thepensionsregulator.gov.uk/en/document-library/enforcement-activity/penalty-notices> under "Chair's statement fines – not compliant" for the period 1 April to 30 June 2019 in respect of the Pension Scheme the Outgoing Party has not been informed of any investigation by the Pensions Regulator in relation to the VSEL Section; and (iii) except as disclosed on the Pensions Regulator's website at <https://www.thepensionsregulator.gov.uk/en/document-library/enforcement-activity/penalty-notices> under "Chair's statement fines – not compliant" for the period 1 April to 30 June 2019 in respect of the Pension Scheme the Pensions Regulator does not have any cause to issue any notices, determinations or directions in relation to the VSEL Section or the SIPS.

Indemnity for breach of Outgoing Party warranties

- 7.3 The Incoming Party shall indemnify the Continuing Party for all costs, damages, demands, expenses, fines, liabilities, losses and penalties (including all reasonable legal and other professional costs and expenses) arising out of or in connection with a breach by the Outgoing Party of any of the warranties in clause 7.2, subject to the Continuing Party having provided reasonable details of the nature and quantum of the breach to the Incoming Party. In the event that the Continuing Party has a claim against the Outgoing Party in respect of a breach of warranty under clause 7.2, without prejudice to the Continuing Party's right to be indemnified by the Incoming Party under this clause 7.3, the Continuing Party shall not claim against the Outgoing Party in respect of a breach by the Outgoing Party of any such warranty unless the Incoming Party has failed to comply with its obligations under this clause 7.3 within 5 Business Days of a request by the Continuing Party to be indemnified.. For the avoidance of doubt, to the extent that the Incoming Party has made a payment to the Continuing Party under this Clause 7.3 in respect of any liability of the Outgoing Party under any of the warranties in clause 7.2, the Outgoing Party shall be discharged from such liability to the extent of such payment.

Continuing Party warranties

- 7.4 The Continuing Party warrants to each other Party that as at the Signing Date and Closing Date (in each case by reference to the facts and circumstances then existing):
 - 7.4.1 **Capacity:** it has the power to enter into and perform its obligations under this Deed, the VSEL CSD and the Amended VSEL CSD, and all necessary authorisations, approvals, licences and consents required to enable it lawfully to enter into and carry out its obligations under this Deed, the VSEL CSD and the Amended VSEL CSD have been obtained;

- 7.4.2 **Valid and binding obligations:** the obligations expressed to be assumed by it under this Deed, the VSEL CSD and the Amended VSEL CSD constitute valid and binding obligations;
- 7.4.3 **no conflict:** the execution, delivery and performance of this Deed and the performance of the VSEL CSD and the Amended VSEL CSD do not violate or conflict with any Applicable Law, any direction or order or judgment of any court or other agency of government, any contractual restriction binding on or affecting it or any of its assets or its constitutive documents; and
- 7.4.4 **Incorporation and existence:** it is duly incorporated and validly exists under English law.

8 UNDERTAKINGS

Each of the Parties:

- 8.1 undertakes to do all things reasonably necessary to effect the VSEL CSD Novation in accordance with the terms of this Deed; and
- 8.2 agrees to comply with all applicable laws and regulations applicable to it in relation to its obligations under this Deed.

9 CONFIDENTIALITY

- 9.1 Each Party agrees to keep confidential and not disclose to any other person:
 - 9.1.1 without the prior written consent of the other Parties the material terms of this Deed and all information received by it from the other Party, pursuant to this Deed; and
 - 9.1.2 in respect of the Outgoing Party, without the prior written consent of the Continuing Party, the material terms of the VSEL CSD and all information received by it in connection with the VSEL CSD,

in each case, including all information received by it relating to the business of the other Parties or, in the case of the Continuing Party, its Affiliates ("**Confidential Information**").
- 9.2 Clause 9.1 shall not prevent any Party from disclosing any Confidential Information:
 - 9.2.1 relating to the existence and the general nature of this Deed (including that all rights and obligations of the Outgoing Party under the relevant agreements have been transferred to the Incoming Party);
 - 9.2.2 already in the public domain other than as a result of a breach by such Party of this Deed;
 - 9.2.3 already known to such Party prior to receipt of such Confidential Information under the terms of this Deed where that Party was not subject to any separate obligation of confidentiality in respect of that information under any other Deed;
 - 9.2.4 as reasonably required for the proper administration of, implementation of or in order to give effect to this Deed including but not limited to the directors, officers, relevant employees, agents, professional advisers, auditors or insurers and, in addition, in the case of the Outgoing Party and/or the Incoming Party and/or the Continuing Party, its Affiliates, reinsurers or retrocessionaires. The Parties shall ensure that any such recipient is made aware of, and the Parties shall use reasonable endeavours to ensure, prior to the receipt of Confidential Information, the recipient's Deed to comply with the Parties' respective obligations of confidentiality under this Deed;

- 9.2.5 to the extent required by Law, a court or tribunal of competent jurisdiction, or to a regulatory body or prudential authority; or
- 9.2.6 where such disclosure would be permitted by clause 57 (*Confidentiality*) of the Amended VSEL IA
- 9.3 The Parties acknowledge and agree that damages may not provide an adequate remedy for a breach of the terms of this Clause 9 and that where merited each Party is entitled, in addition to damages, to seek an injunction in the event of such breach to prevent the violation of the obligations contained in this Clause 9.
- 10 LIMITED RECOURSE**
- 10.1 Notwithstanding any other provisions of this Deed and subject to Clauses 10.2 to 10.3 inclusive, the parties acknowledge, understand and agree that:
- 10.1.1 the Incoming Party is entering into this Deed on behalf of the BAE Section only; and
- 10.1.2 notwithstanding any other provisions of this Deed, for so long as the BAE Section is a Segregated Section of the Pension Scheme, the Continuing Party's recourse against the Incoming Party in respect of any claim which may be brought by the Continuing Party against the Incoming Party arising out of, relating to or having any connection with this Deed (a "**Claim**") shall be limited to the assets of the BAE Section, and
- 10.1.2.1 the Continuing Party shall not seek in connection with any Claim, whether in any proceedings or by any other means whatsoever or wheresoever, to have recourse to any assets other than those of the BAE Section in the discharge of all or any part of a Claim;
- 10.1.2.2 if, in connection with a Claim, the Continuing Party shall succeed by any means whatsoever or wheresoever in having recourse to any assets other than those of the BAE Section in the discharge of all or any part of a Claim, the Continuing Party shall be liable to the Incoming Party to pay a sum equal to the value of the benefit thereby obtained by it; and
- 10.1.2.3 if, in connection with a Claim, the Continuing Party shall succeed in seizing or attaching by any means, or otherwise levying execution against, any assets other than those of the BAE Section in the discharge of all or any part of a Claim, the Continuing Party shall hold those assets or the direct or indirect proceeds of the sale of such assets on bare trust for the Incoming Party and shall keep those assets or proceeds separate and identifiable as such trust property.
- 10.2 The provisions of this Clause 10 shall survive the termination of this Deed.
- 10.3 In the event that the BAE Section has ceased to be a Segregated Section of the Pension Scheme, this Clause 10 shall continue to apply but references to the BAE Section being a Segregated Section of the Pension Scheme shall be ignored and references to the BAE Section shall be construed as references to the Pension Scheme.
- 11 EXPENSES**
- The Parties shall act in good faith and a commercially reasonable manner to determine the allocation of costs and expenses arising in connection with this Deed.

12 **CONTRACTS RIGHTS OF THIRD PARTIES ACT**

No person who is not a Party to this Deed shall be entitled to enforce any rights or benefits under this Deed under the Contracts (Rights of Third Parties) Act 1999.

13 **COUNTERPARTS**

This Deed may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, and all the counterparts together shall constitute one and the same instrument.

14 **GOVERNING LAW AND JURISDICTION**

This Deed is governed by and shall be construed in accordance with the laws of England. Non-contractual obligations (if any) arising out of or in connection with this Deed (including its formation) shall also be governed by the laws of England. The Parties submit to the exclusive jurisdiction of the courts of England and Wales as regards any claim, dispute or matter (whether contractual or non-contractual) arising out of or in connection with this Deed.

EXECUTED AS A DEED and delivered on the date shown at the head of this deed.

The Continuing Party:

EXECUTED as a DEED by)
LEGAL AND GENERAL)
ASSURANCE SOCIETY)
LIMITED acting by)
its attorney *Ans. De. Al. Co.*)
under a power of attorney
dated 24 September 2018
in the presence of:



Witness:

Signature:



Name:

Camilla Curtis

Address:

*One Coleman Street
London EC2R 5AA*

Occupation:

Solitor

The Outgoing Party:

**EXECUTED as a DEED by)
HADRIAN TRUSTEES LIMITED)
(ACTING IN ITS CAPACITY AS)
THE TRUSTEE OF THE VSEL)
SECTION OF THE
SHIPBUILDING INDUSTRIES
PENSION SCHEME) acting by
two directors or a director and its
secretary:**

Signature of
director:

Name of director:

Signature of
~~director~~/secretary:

Name of
~~director~~/secretary:

The Incoming Party:

**EXECUTED as a DEED by BAE)
SYSTEMS PENSION FUNDS)
TRUSTEES LIMITED (ACTING)
IN ITS CAPACITY AS THE)
TRUSTEE OF THE BAE
SYSTEMS SECTION OF THE
BAE SYSTEMS PENSION
SCHEME) acting by two
directors or a director and its
secretary:**

Signature of
director:

Name of director:

Signature of
director/secretary:

Name of
director/secretary:

The Outgoing Party:

EXECUTED as a DEED by)
HADRIAN TRUSTEES LIMITED)
(ACTING IN ITS CAPACITY AS)
THE TRUSTEE OF THE VSEL)
SECTION OF THE
SHIPBUILDING INDUSTRIES
PENSION SCHEME) acting by
two directors or a director and its
secretary:

Signature of
director:

Name of director:

Signature of
director/secretary:

Name of
director/secretary:

The Incoming Party:

EXECUTED as a DEED by BAE)
SYSTEMS PENSION FUNDS)
TRUSTEES LIMITED (ACTING)
IN ITS CAPACITY AS THE)
TRUSTEE OF THE BAE
SYSTEMS SECTION OF THE
BAE SYSTEMS PENSION
SCHEME) acting by two
directors or a director and its
secretary:

Signature of
director:

Name of director: CRAIG SCOTT

Signature of
director/secretary:

Name of
director/secretary: JULIE COOK

BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED
(ACTING IN ITS CAPACITY AS THE TRUSTEE OF THE
BAE SYSTEMS SECTION OF THE BAE SYSTEMS PENSION SCHEME)

AND

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

CREDIT SUPPORT DEED

(as novated and then amended and restated pursuant to a novation and
amendment deed dated 1 October 2019 between
Hadrian Trustees Limited, BAE Systems Pension Funds Trustees Limited and
Legal and General Assurance Society Limited)

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THIS DEED is made on 18 December 2013 originally between Hadrian Trustees Limited and Legal and General Assurance Society Limited and has been novated, amended and restated on 1 October 2019 and is now:

BETWEEN:

- (1) **BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED**, a company registered in England and Wales under registration number 00753964, whose registered address is at Warwick House, PO BOX 87, Farnborough Aerospace Centre, Farnborough, Hants GU14 6YU, acting in its capacity as the trustee of the BAE Systems Section of the BAE Systems Pension Scheme (the "**Chargor**"); and
- (2) **LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED** a company registered in England and Wales under registration number 00166055, whose registered address is at One Coleman Street, London, EC2R 5AA (the "**Secured Party**");

WHEREAS:

- (A) The Chargor and the Secured Party have entered into the Insurance Agreement pursuant to which the Chargor has agreed to create security over certain of the Chargor's assets in favour of the Secured Party. This Deed sets forth the terms upon which such security is created.
- (B) This Deed relates to the Insurance Agreement and the Chargor is acting in its capacity as trustee of the BAE Section.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this Deed (including the recitals):

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**BAE Section**" means the BAE Systems Section of the Pension Scheme.

"**Cash Collateral Account**" has the meaning given to it in the Custody Control Agreement.

"**Cash General Account**" has the meaning given to it in the Custody Agreement.

"**Charged Accounts**" means the VSEL Insurance Agreement Cash Collateral Account and the VSEL Insurance Agreement Securities Collateral Account and any substitute or replacement accounts.

"**Custodian**" means Northern Trust Company, or such Replacement Custodian as may be appointed in accordance with this Deed.

"**Custodian's Cut-off Time**" means 11 a.m., London time on a Business Day, or such other time as notified to the parties by the Custodian.

"**Custody Agreement**" means the custody agreement originally entered into by Hadrian Trustees Limited and the Custodian dated 9 June 2015 (as novated to the Chargor and as amended and or amended and restated from time to time), or, if a Replacement Custodian is appointed, the custody agreement between the Chargor and such Replacement Custodian.

"**Custody Control Agreement**" means the custody control agreement originally entered into by Hadrian Trustees Limited, Secured Party and the Custodian on or about the date of this Deed (as novated to the Chargor and as amended and or amended and restated from

time to time), or, if a Replacement Custodian is appointed, the custody control agreement entered into by the Chargor, the Secured Party and such Replacement Custodian.

"**Default Rate**" has the meaning given to it in the Insurance Agreement.

"**Delivery Amount**" has the meaning given to it in clause 3.1 (*Delivery Amount*).

"**Discharge Date**" shall have the meaning given to it in clause 8.5 (*Final Returns*).

"**Distributions**" means, with respect to Posted Collateral other than cash, all principal, interest and other payments and distributions of cash or other property with respect to that Posted Collateral. Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral.

"**Distributions Date**" means, with respect to any Eligible Collateral comprised in the Posted Collateral other than cash, each date on which a holder of the Eligible Collateral is entitled to receive Distributions or, if that date is not a Business Day, the next following Business Day.

"**Eligible Collateral**" means, on any date, the following items:

		Valuation Percentage				
(A)	Cash in GBP	100%				
		Residual Maturity				
		0-1 yr	1-5 yr	5-10 yr	10 yr+	
(B)	Negotiable Debt Instruments issued by the Government of the United Kingdom.	100%	99%	97%	95%	
(C)	Negotiable Debt Instruments issued by Network Rail in the Base Currency and guaranteed by the Government of the United Kingdom and having a Rating not lower than AA- by S&P or Aa3 by Moody's.	99%	97%	95%	93%	
(D)	Any other item agreed upon in writing from time to time by the parties.	As may be agreed				

"**Eligible Country**" has the meaning given to it in Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement.

"**Eligible Currency**" has the meaning given to it in Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement.

"**Eligible Credit Support**" means Eligible Collateral, including in relation to any securities, if applicable, the proceeds of any redemption in whole or in part of such securities by the relevant issuer.

"**Event of Default**" means, in relation to the Chargor, an Insured Fault Termination Event, and in relation to the Secured Party, an LGAS Fault Termination Event, each as defined in the Insurance Agreement.

"Failure to Deliver" means, with respect to a party, the occurrence of a Payment Default in respect of such party's obligations under this Deed.

"GBP" means the lawful currency of the United Kingdom.

"Insurance Agreement" means the insurance agreement originally entered into by Hadrian Trustees Limited and the Secured Party in respect of the VSEL Members on or around the date of this Deed (as novated to the Chargor and as amended and or amended and restated from time to time).

"Interest Amount" means any amounts of interest that have been credited to (and not withdrawn from) the VSEL Insurance Agreement Cash Collateral Account in accordance with the terms of the Custody Control Agreement.

"Minimum Transfer Amount" means:

- (a) with respect to the Chargor GBP 450,000; and
- (b) with respect to the Secured Party GBP 450,000.

"Moody's" means Moody's Investor Services, Inc. and any successor thereto.

"Negotiable Debt Instruments" has the meaning given to it in Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement.

"Notification Time" means 1.00 p.m. London time, on a Business Day.

"Obligations" means all present and future monies, debts and liabilities due, owing or incurred by the Chargor to the Secured Party under or in connection with the Insurance Agreement and/or this Deed (whether actually or contingently and whether as principal, surety or otherwise but not (for the avoidance of doubt) under or in connection with a Linked Agreement).

"Original Credit Support" has the meaning specified in clause 4.4.1 (*Substitutions*).

"Payment Default" means as specified in the Insurance Agreement.

"Pension Scheme" means the BAE Systems Pension Scheme.

"Posted Collateral" means all Eligible Collateral, Distributions, interest and all proceeds of any such Eligible Collateral, Distributions or interest that have been credited to the Charged Accounts and not transferred to the Chargor pursuant to Clauses 3.2 (*Return Amount*), 4.4 (*Substitutions*), 6.9 (*Distributions and Interest Amount*) or released on behalf of the Secured Party pursuant to clause 8 (*Rights of Enforcement*). Any Distributions or Interest Amount (or portion of either) not transferred pursuant to clause 6.9 (*Distribution and Interest Amount*) will constitute Posted Collateral.

"Potential Event of Default" means with respect to a party an event which would (with the expiry of a grace period, the giving of notice, the making of any determination, the passage of time or any combination of the foregoing) be an Event of Default with respect to that party.

"Receiver" means a receiver, receiver or manager or, where permitted by law, an administrative receiver (as the Secured Party may specify at any time in any relevant appointment) and that term will include any appointee made under a joint or several appointment.

"Regulations" means the Financial Collateral Arrangements (No 2) Regulations 2003.

"Related Rights" means, in relation to the Posted Collateral:

- (a) all proceeds of, income and sums otherwise arising from such Posted Collateral and;

- (b) all rights which the Chargor may have now or in the future, including, without limitation, any right to delivery of a security of the appropriate description which arises in connection with (i) any Posted Collateral being transferred to a clearance system or financial intermediary or (ii) any interest in or to any Posted Collateral being acquired while that Posted Collateral is in a clearance system or held through a financial intermediary.

"Relevant Event" has the meaning given to it in clause 7 (*Default*).

"Replacement Account" means an account with the Replacement Custodian in the name of the Chargor which identifies the Secured Party as having security over the account and which has been established in a manner and with such restrictions on transfers in and out of such account as may be acceptable to and agreed by the Secured Party.

"Replacement Custodian" means a custodian having at least the Required Rating.

"Required Rating" means, in relation to any person, the rating of the senior, unsecured short-term debt obligations of such person are rated at least A3 by Moody's and A- by S&P.

"Return Amount" has the meaning given to it in clause 3.2 (*Return Amount*).

"Risk Loading Collateral Required Value" on any Valuation Date, has the meaning given to it in Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement for that Valuation Date, **provided, however, that** in respect of any Valuation Date which is not an Insurance Exposure Valuation Date, the Risk Loading Collateral Required Value shall be the Risk Loading Collateral Required Value calculated as of the immediately preceding Insurance Exposure Valuation Date.

"S&P" means Standard & Poor's Ratings Services.

"Secured Party Notice" has the meaning given to it in the Custody Control Agreement.

"Securities Collateral Account" has the meaning given to it in the Custody Control Agreement.

"Securities General Account" has the meaning given to it in the Custody Agreement. "Settlement Day" has the meaning given to it in the Insurance Agreement. "Substitute Credit Support" has the meaning given to it in clause 4.4.1. "Substitution Date" has the meaning given to it in clause 4.4.2.

"Substitution Notice" has the meaning given to it in clause 4.4.1.

"Supranational Debt" has the meaning given to it in Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement.

"Termination Amount" means as defined in the Insurance Agreement.

"Termination Notice" means a notice of termination in respect of the Insurance Agreement delivered under the terms of clause 27 of the Insurance Agreement.

"Valuation Date" means each Business Day from and including the date of this Deed to and including the Termination Date.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in the definition of Eligible Collateral.

"Valuation Time" means the close of business in the Relevant Market on the Business Day immediately preceding the Valuation Date or date of calculation, as applicable. For the purpose of this provision, **"Relevant Market"** means with respect to the calculation of Value, the principal market in which the relevant Eligible Credit Support is traded, as determined by the Valuation Agent.

"Value" means for any Valuation Date or other date for which Value is calculated, and subject to clause 5 (*Dispute Resolution*) in the case of dispute, with respect to:

- (a) Eligible Collateral or Posted Collateral that is:
 - (i) an amount of cash, such amount multiplied by the applicable Valuation Percentage, if any, and
 - (ii) a security, the Base Currency Equivalent of the bid price obtained by the Valuation Agent, multiplied by the applicable Valuation Percentage,
- (b) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero.

"VSEL Insurance Agreement Cash Collateral Account" means the Cash Collateral Account in respect of the Insurance Agreement.

"VSEL Insurance Agreement Securities Collateral Account" means the Securities Collateral Account in respect of the Insurance Agreement.

"VSEL Members" has the meaning given to it in the Insurance Agreement.

1.2 For the avoidance of doubt, references to "transfer" in this Deed mean, in relation to cash, payment and, in relation to other assets, delivery.

1.3 Unless a contrary indication appears a reference in this Deed to:

- 1.3.1 a clause shall be to a clause of this Deed;
- 1.3.2 a person or party shall be construed so as to include its successors in title, permitted assigns and permitted transferees; and
- 1.3.3 a contract, document, agreement or instrument is a reference to that contract, document, agreement or instrument as amended, novated, supplemented, extended or restated.

1.4 Any capitalised term used in this Deed but not defined herein shall have the meaning given to it in the Insurance Agreement.

2 **SECURITY**

2.1 **Covenant to Perform**

The Chargor covenants with the Secured Party that it will perform the Obligations in the manner provided in the Insurance Agreement.

2.2 **Security**

The Chargor, as continuing security for the performance of the Obligations charges by way of first fixed charge in favour of the Secured Party:

- 2.2.1 the Posted Collateral;
- 2.2.2 all Related Rights in relation to the Posted Collateral; and
- 2.2.3 the Charged Accounts.

2.3 **Right of Appropriation**

- 2.3.1 The Secured Party may, on or at any time after the security constituted by this Deed becomes enforceable, by notice in writing to the Chargor and the

Custodian appropriate with immediate effect any Posted Collateral comprising financial collateral which is subject to a security financial collateral arrangement (within the meaning of the Regulations) and apply it in or towards the discharge of the Obligations of the Chargor in such manner as it may determine, whether such Posted Collateral is held by the Secured Party or otherwise.

2.3.2 The value of any Posted Collateral appropriated under clause 2.3.1 (*Right of Appropriation*) shall be:

- (a) in the case of cash, the amount of cash so appropriated; and
- (b) in the case of a financial instrument (within the meaning of the Regulations) the current value of the cash payment which the Secured Party reasonably determines would be received on a sale or other disposal, on an arm's length basis, of such asset effected for payment as soon as reasonably possible after the time of exercise of the right of appropriation,

and the parties agree that the method of valuation provided for in this Deed shall constitute a commercially reasonable method of valuation for the purposes of the Regulations.

2.3.3 The Secured Party shall account to the Chargor for any amount by which the value of the appropriated Posted Collateral exceeds the Obligations of the Chargor then due and the Chargor shall remain liable to the Secured Party for any amount by which the value of the appropriated Posted Collateral is less than the Obligations of the Chargor then due.

2.4 **Preservation of Security**

The security constituted by this Deed shall be a continuing security and shall not be satisfied by any intermediate payment or satisfaction of the whole or any part of the Obligations but shall secure the ultimate balance of the Obligations. The security constituted by this Deed shall be in addition to and shall not be affected by any other security now or subsequently held by the Secured Party for all or any of the Obligations.

2.5 **Waiver of Defences**

The obligations of the Chargor under this Deed shall not be affected by any act, omission or circumstance which, but for this provision, might operate to release or otherwise exonerate the Chargor from its obligations under this Deed or affect such obligations including (but without limitation) and whether or not known to the Chargor or the Secured Party:

- 2.5.1 any time or indulgence granted to or composition with the Chargor or any other person;
- 2.5.2 the variation, extension, compromise, renewal or release of, or refusal or neglect to perfect or enforce, any terms of the Insurance Agreement or any rights or remedies against, or any security granted by, the Chargor or any other person;
- 2.5.3 any irregularity, invalidity or unenforceability of any obligations of the Chargor under the Insurance Agreement or any present or future law or order of any government or authority (whether of right or in fact) purporting to reduce or otherwise affect any of such obligations to the intent that the Chargor's obligations under this Deed shall remain in full force and this Deed shall be construed accordingly as if there were no such irregularity, unenforceability, invalidity, law or order; or

- 2.5.4 any legal limitation, disability, incapacity or other circumstance relating to the Chargor, any guarantor or any other person or any amendment to or variation of the terms of the Insurance Agreement or any other document or security.

2.6 Immediate Recourse

The Chargor waives any right it may have of first requiring the Secured Party to proceed against or claim payment from any other person or enforce any guarantee or security before enforcing this Deed.

2.7 Reinstatement

Where any discharge (whether in respect of the security constituted by this Deed, any other security or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or any amount paid pursuant to any such discharge or arrangement must be repaid on bankruptcy, liquidation or otherwise without limitation, the security constituted by this Deed and the liability of the Chargor under this Deed shall continue as if there had been no such discharge or arrangement.

3 CREDIT SUPPORT OBLIGATIONS

3.1 Delivery Amount

- 3.1.1 The Chargor will ensure that on the date of this Deed, Eligible Credit Support (which shall be deemed to be Posted Collateral) having a Value at least equal to the Risk Loading Collateral Required Value is credited to the Charged Accounts.

- 3.1.2 Subject to Clauses 4 (*Conditions Precedent, Transfers, Calculations, Substitutions and Ineligible Credit Support*):

- (a) if the Delivery Amount for a Valuation Date equals or exceeds the Chargor's Minimum Transfer Amount, the Secured Party may, on or promptly following that Valuation Date, deliver to the Chargor a demand, signed by the Secured Party (the "**Collateral Request**"), the Business Day on which the Collateral Request is received being the "**Collateral Request Date**", provided that if the Collateral Request is received after the Notification Time, the Collateral Request Date shall be deemed to be the next following Business Day; and
- (b) on receipt of a Collateral Request, the Chargor shall, by close of business on the Settlement Day in respect of the Collateral Request Date, make a transfer (to be credited to the Charged Accounts) of Eligible Credit Support having a Value as of the date of transfer at least equal to the applicable Delivery Amount.

The "**Delivery Amount**" for any Valuation Date for the purposes of this clause 3.1.2 will equal the amount by which:

- (a) the Risk Loading Collateral Required Value;

exceeds

- (b) the Value as of that Valuation Date of all Posted Collateral credited to the Charged Accounts (as adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date).

3.2 Return Amount

Subject to Clauses 4 (*Conditions Precedent, Transfers, Calculations, Substitutions and Ineligible Credit Support*) and 5 (*Dispute Resolution*):

- 3.2.1 if the Return Amount for a Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then on or promptly following a Valuation Date, the Chargor may deliver to the Secured Party a demand (a "**Collateral Return Request**"), the Business Day on which the Collateral Return Request is received being the "**Collateral Return Request Date**", provided that if the Collateral Return Request is received after the Notification Time, the Collateral Return Request Date shall be deemed to be the next following Business Day;
- 3.2.2 the Secured Party shall, by the Notification Time on the second Business Day following the Collateral Return Request Date, confirm with the Chargor (such confirmation to be provided by facsimile transmission) its receipt of the Collateral Return Request, specifying in such confirmation the type of Posted Collateral which it wishes to comprise the Return Amount; and
- 3.2.3 the Chargor shall, by the Notification Time on the third Business Day following the Collateral Return Request Date, deliver by facsimile transmission to the Secured Party, a signed instruction to the Custodian (the "**Collateral Return Instruction**"), which the Secured Party shall counter-sign and deliver by facsimile transmission to the Custodian by the Custodian's Cut-off Time on the following Business Day, directing the Custodian to release from security and transfer to the Cash General Account or the Securities General Account (as applicable), or to the order of the Chargor, the Posted Collateral specified in the Collateral Return Request.

The "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

- (a) the Value as of that Valuation Date of all Posted Collateral credited to the Charged Accounts (as adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date)

exceeds

- (b) the Risk Loading Collateral Required Value.

3.3 Rounding

The Delivery Amount and Return Amount will be rounded up and down to the nearest integral multiple of GBP £10,000, respectively, provided that if such an amount corresponds to the exact half of such multiple then it will be rounded up.

4 CONDITIONS PRECEDENT, TRANSFERS, CALCULATIONS, SUBSTITUTIONS AND INELIGIBLE CREDIT SUPPORT

4.1 Conditions Precedent

Each transfer obligation of the Secured Party under Clauses 3.2 (*Return Amount*), 4.4 (*Substitutions*), 5 (*Dispute Resolution*) and 6.9 (*Distribution and Interest Amount*), and each obligation of the Chargor under clause 3.1 (*Delivery Amount*), 4.4 (*Substitutions*) and 5 (*Dispute Resolution*) are subject to the conditions precedent that:

- 4.1.1 no Event of Default or Potential Event of Default has occurred and is continuing with respect to the other party under the Insurance Agreement; and
- 4.1.2 no Termination Notice has been delivered under the Insurance Agreement.

4.2 Transfers

All transfers under this Deed of any Eligible Credit Support, Posted Collateral, Interest Amount or Distributions, shall be made in accordance with the provisions of the Custody Agreement, the Custody Control Agreement and the instructions of the Secured Party, Chargor or Custodian, as applicable and as provided therein, and shall be made:

- 4.2.1 in the case of cash, by transfer into one or more bank accounts specified by the recipient;
- 4.2.2 in the case of certificated securities which cannot or which the parties have agreed will not be delivered by book-entry, by delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient; and
- 4.2.3 in the case of securities which the parties have agreed will be delivered by book-entry, by the giving of written instructions (including, for the avoidance of doubt, instructions given by telex, facsimile transmission or electronic messaging system) to the relevant depository institution or other entity specified by the recipient, together with a written copy of the instructions to the recipient, sufficient, if complied with, to result in a legally effective transfer of the relevant interest to the recipient.

Subject to clause 5 (*Dispute Resolution*) and any grace period available in respect of a Failure to Deliver and unless otherwise specified, the transfer of Eligible Credit Support or Posted Collateral (as applicable) with respect to:

- (a) a Collateral Request, will be made no later than close of business on the Settlement Day in respect of the Collateral Request Date; and
- (b) a Collateral Return Request, will be made no later than close of business on the third Business Day following the Settlement Day in respect of such Collateral Return Request Date.

4.3 Calculations

All calculations of Value for purposes of Clauses 3 (*Credit Support Obligations*) and 5.1 (*Disputed Calculations or Valuations*) will be made by the Valuation Agent as of the relevant Valuation Time on each Valuation Date in accordance with this Deed. The Valuation Agent will notify the Secured Party, the Custodian and the Chargor of its calculations not later than the Business Day following the relevant Valuation Date with such notification to be confirmed in writing.

4.4 Substitutions

- 4.4.1 The Chargor may on any Business Day by notice (a "**Substitution Notice**") inform the Secured Party that it wishes to transfer to the Secured Party Eligible Credit Support (the "**Substitute Credit Support**") specified in that Substitution Notice in substitution for certain Eligible Credit Support (the "**Original Credit Support**") specified in the Substitution Notice comprised in the Chargor's Posted Collateral held in the Charged Accounts, the Business Day on which the Substitution Notice is received being the "**Substitution Notice Date**".
- 4.4.2 If the Secured Party consents to the proposed substitution (which consent shall not be unreasonably withheld or delayed), then it shall, by the Notification Time on the fourth Business Day following the Substitution Notice Date, notify the Chargor via facsimile transmission of its consent, following which the Chargor shall, by the Notification Time on the fifth Business Day following the Substitution Notice Date, deliver by facsimile transmission to the Secured

Party, a signed instruction (the "**Substitution Instruction**") to the Custodian, which the Secured Party shall counter-sign and deliver by facsimile transmission to the Custodian by the Custodian's Cut-off Time on the following Business Day, directing the Custodian to transfer the Substitute Credit Support to the relevant Charged Account on the Settlement Day with respect to the date the Substitution Instruction is received and to transfer to the Cash General Account or the Securities General Account of the Chargor, the Original Credit Support no later than the Settlement Day with respect to the transfer of the Substitute Credit Support (the "**Substitution Date**"), in accordance with the provisions of the Custody Agreement and the Custody Control Agreement; provided that the Custodian will only be instructed to transfer Original Credit Support with a Value as of the date of transfer as close as practicable to, but in any event not more than, the Value of the Substitute Credit Support as of that date.

In the event of a substitution under this clause 4.4 (Substitutions), the Chargor must take all reasonable steps to perfect the security interest over any Substitute Credit Support.

4.5 **Ineligible Credit Support**

4.5.1 If at any time any Eligible Credit Support which has been transferred pursuant to clause 3.1 ceases to qualify as Eligible Credit Support ("**Ineligible Credit Support**"), the Chargor may, on any Business Day, by notice (the "**Exchange Notice**"), inform the Secured Party that it wishes to transfer to the Charged Accounts the Eligible Credit Support specified in the Exchange Notice (the "**Replacement Credit Support**") in exchange for the Ineligible Credit Support, the Business Day on which the Exchange Notice is received being the "**Exchange Notice Date**".

4.5.2 The Secured Party shall, by the Notification Time on the second Business Day following the Exchange Notice Date, confirm with the Chargor (such confirmation to be provided by facsimile transmission) its receipt of the Exchange Notice, following which the Chargor shall, by the Notification Time on the third Business Day following the Exchange Notice Date, deliver by facsimile transmission to the Secured Party, a signed instruction to the Custodian (the "**Exchange Instruction**"), which the Secured Party shall counter-sign and deliver by facsimile transmission to the Custodian by the Custodian's Cut-off Time on the following Business Day, directing the Custodian to transfer the Replacement Credit Support to the relevant Charged Account on the Settlement Day with respect to the date the Exchange Instruction is received and to transfer to the Cash General Account or the Securities General Account of the Chargor, the Ineligible Credit Support no later than the Settlement Day with respect to the transfer of the Replacement Credit Support.

5 **DISPUTE RESOLUTION**

5.1 **Disputed Calculations or Valuations**

The parties acknowledge and agree that:

5.1.1 any dispute relating to the determination of the Delivery Amount, the Return Amount, or the Value of any transfer of Eligible Credit Support or Posted Collateral shall be subject to the provisions of Paragraph 4(a) of Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement, as if such provisions were set out herein in full and as if references to Equivalent Credit Support were references to Substitute Credit Support; and

- 5.1.2 any dispute relating to the determination of the Risk Loading Collateral Required Value shall be subject to the provisions of Paragraph 4(b) of Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement.

5.2 Not a Relevant Event

The failure by a party to make a transfer of any amount which is the subject of a dispute to which clause 5.1 (*Disputed Calculations or Valuations*) applies will not constitute a Relevant Event under clause 7 (*Default*) for as long as the procedures set out in clause 5 (*Dispute Resolution*) are being carried out. For the avoidance of doubt, upon completion of those procedures, clause 7 (*Default*) will apply to any failure by a party to make a transfer required under the final sentence of clause 5.1 (*Disputed Calculations or Valuations*) on the relevant due date.

6 HOLDING POSTED COLLATERAL

6.1 Care of Posted Collateral

The Chargor has appointed the Custodian to hold the Posted Collateral in accordance with and subject to the terms of the Custody Agreement and the Custody Control Agreement.

6.2 Eligibility to Hold Posted Collateral; Custodians

- 6.2.1 Initially, the Custodian is Northern Trust Company pursuant to the Custody Agreement and the Custody Control Agreement. The Chargor's obligations to make any transfer hereunder will be discharged by making such transfer to a Charged Account held with the Custodian.

6.2.2 If:

- (a) Northern Trust Company (or any successor appointed in accordance with the terms hereof) at any time ceases to be the Custodian for the Chargor;
- (b) the Custody Agreement or the Custody Control Agreement (or any agreement replacing either such agreement in accordance with the terms hereof) ceases to be in full force and effect, or
- (c) if at any time the Required Rating is no longer satisfied in respect of the Custodian, and the Secured Party or the Chargor gives notice to the other that it wishes to replace the Custodian in respect of the Charged Accounts, or the Chargor at any time gives notice to the Secured Party that it wishes to replace the Custodian in respect of the Charged Accounts.

then:

- (i) the Chargor, or, following the delivery of a Secured Party Notice in respect of this Deed, the Secured Party, in the case of (a) or (b) above, shall procure that all Posted Collateral is transferred to a Replacement Account with a Replacement Custodian within 30 days;
- (ii) the Chargor shall not appoint another person as Custodian unless such person has first been approved by the Secured Party (such approval not to be unreasonably withheld) and it has entered into custody arrangements and established custody accounts in form and substance satisfactory to the Secured Party (acting reasonably) and has acknowledged the security created by this Deed in a manner reasonably acceptable to the Secured Party; and

- (iii) the Chargor shall, and shall use all reasonable endeavours to procure that any necessary third party shall, promptly execute and deliver such documents and perform such acts as may be required for the purpose of giving full effect to this Deed and creating or perfecting any security contemplated hereunder to the Secured Party's satisfaction.

6.3 Negative pledge and No Disposals

The Chargor shall not and shall not instruct the Custodian to enter into a single transaction or a series of transactions (whether related or not) and whether voluntarily or involuntarily, to sell, transfer or otherwise dispose of the whole or any part of the Posted Collateral and will not create or permit to subsist any security interest (except for any lien imposed by a clearing system or by the Custodian in accordance with the terms of the Custody Agreement) on any part of the Posted Collateral or otherwise deal with any part of the Posted Collateral, save as may be permitted under this Deed and the Custody Agreement.

6.4 No variation of Custody Agreement etc.

The Chargor shall not, without the prior written consent of the Secured Party (such consent not to be unreasonably withheld):

- 6.4.1 amend, supplement, vary or waive (or agree to amend, supplement, vary or waive) any provision of the Custody Agreement or Custody Control Agreement affecting the Charged Accounts;
- 6.4.2 exercise any right to rescind, cancel or terminate the Custody Agreement or Custody Control Agreement in respect of the Charged Accounts;
- 6.4.3 release the Custodian from any obligations of the Custody Agreement or Custody Control Agreement in respect of the Charged Accounts;
- 6.4.4 waive any breach by the Custodian in respect of the Charged Accounts or consent to any act or omission which would otherwise constitute such a breach; or
- 6.4.5 except as provided in this Deed, novate, transfer or assign any of its rights under the Custody Agreement or Custody Control Agreement in respect of the Charged Accounts.

6.5 Breach of Custody Agreement

The Chargor shall notify the Secured Party of:

- 6.5.1 any breach of or default under the Custody Agreement or the Custody Control Agreement by it or any other party in respect of the Charged Accounts; and
- 6.5.2 any claim made or threatened to be made by it under or in connection with the Custody Agreement or the Custody Control Agreement in respect of the Charged Accounts,

promptly on becoming aware of the same. The Chargor shall provide the Secured Party with reasonable details of any such claim and its progress and notify the Secured Party as soon as practicable upon that claim being resolved.

6.6 Performance of obligations under Custody Agreement and Custody Control Agreement

Without prejudice to the terms of the Custody Agreement and the Custody Control Agreement, the Chargor shall perform all its material obligations under the Custody Agreement and the Custody Control Agreement in respect of the Charged Accounts.

6.7 Rights Accompanying Posted Collateral

6.7.1 Distributions and Voting Rights

Unless and until a Relevant Event occurs, the Chargor shall be entitled:

- (a) to submit a Distributions Return Request (as defined in clause 6.9.1 (*Distributions*)); and
- (b) to exercise, or to direct the Custodian to exercise, any voting rights attached to any of the Posted Collateral (but only in a manner consistent with the terms of this Deed).

6.7.2 Exercise by Secured Party

- (a) At any time after the occurrence of a Relevant Event and without any further consent or authority on the part of the Chargor, the Secured Party may deliver to the Custodian a Secured Party Notice in respect of this Deed and, following delivery of such notice, may exercise any and all of its rights which it has under the Custody Control Agreement in relation to the Posted Collateral, subject to clause 8.1 (*Secured Party's Rights*) below.
- (b) Following the delivery by the Secured Party to the Custodian of a Secured Party Notice in respect of this Deed, if:
 - (i) the Relevant Event has been remedied and is no longer continuing;
 - (ii) no other Relevant Event is continuing or has occurred and has failed to be remedied; and
 - (iii) no Termination Notice has been delivered under the Insurance Agreement,

the Secured Party shall, as soon as reasonably practicable, revoke the Secured Party Notice in respect of this Deed and give notice to the Custodian of such revocation, and the Chargor and the Secured Party may exercise any and all of its rights under the Custody Control Agreement in relation to the Posted Collateral as if such Secured Party Notice had not been served.

6.8 Other Obligations

The Chargor shall remain liable to observe and perform all of the other conditions and obligations assumed by it in writing or by effect of law in respect of any of the Posted Collateral.

6.9 Distributions and Interest Amount

6.9.1 Distributions

- (a) On or promptly following a Distributions Date, to the extent that a Delivery Amount would not be created or increased by such transfer, the Chargor may, on any Business Day, deliver to the Secured Party a notice specifying the Distributions which it wishes to have transferred to the account of the Chargor specified in such notice (a "**Distributions Return Request**"), the Business Day on which the Distributions Return Request is received being the "**Distributions Return Request Date**".

- (b) The Secured Party shall, by the Notification Time on the second Business Day following the Distributions Return Request Date, confirm with the Chargor (such confirmation to be provided by facsimile transmission), its receipt of the Distributions Return Request, following which the Chargor shall, by the Notification Time on the third Business Day following the Distributions Return Request Date, deliver via facsimile transmission to the Secured Party, a signed instruction to the Custodian, which the Secured Party shall counter-sign and deliver via facsimile transmission to the Custodian by the Custodian's Cut-off Time on the following Business Day, directing the Custodian to release from security and transfer to the Cash General Account or the Securities General Account (as applicable) or to the order of the Chargor the Distributions specified in the Distributions Return Request.

6.9.2 Interest Amount

- (a) With respect to Posted Collateral in the form of cash, to the extent that a Delivery Amount would not be created or increased by such transfer, the Chargor may, on any Business Day, deliver to the Secured Party a notice signed by the Chargor and specifying the Interest Amount which it wishes to have transferred to the account of the Chargor specified in such notice (an "**Interest Return Request**"), the Business Day on which the Interest Return Request is received being the "**Interest Return Request Date**".
- (b) The Secured Party shall, by the Notification Time on the second Business Day following the Interest Return Request Date, confirm with the Chargor (such confirmation to be provided by facsimile transmission), its receipt of the Interest Return Request, following which the Chargor shall, by the Notification Time on the third Business Day following the Interest Return Request Date, deliver via facsimile transmission to the Secured Party, a signed instruction to the Custodian, which the Secured Party shall counter-sign and deliver via facsimile transmission to the Custodian by the Custodian's Cut-off Time on the following Business Day, directing the Custodian to release from security and transfer to the Cash General Account or the Securities General Account (as applicable) of the Chargor or to the order of the Chargor any Interest Amount payable in accordance with this clause 6.9.2 (*Interest Amount*) above and specified in the Interest Return Request.

Any Interest Amount or Distributions (or portion of either) not transferred pursuant to this clause 6 (*Holding Posted Collateral*) will constitute Posted Collateral and will be subject to the security interest granted under clause 2.2 (*Security*).

7 DEFAULT

For purposes of this Deed, a "**Relevant Event**" will have occurred if

- 7.1 an Event of Default with respect to the Chargor under the Insurance Agreement has occurred;
- 7.2 there is a Failure to Deliver with respect to the Chargor which is not remedied within 10 Business Days; or
- 7.3 following a notice being given by the Custodian or the Chargor to terminate the Custody Agreement, no Replacement Custodian has been appointed by the parties in accordance with clause 6.2 (*Eligibility to Hold Posted Collateral; Custodians*) by the fifth Business Day

immediately preceding the last day of the notice period applicable to the termination of the Custody Agreement.

8 RIGHTS OF ENFORCEMENT

8.1 Secured Party's Rights

If at any time a Relevant Event has occurred and is continuing, then, unless the Chargor has paid in full all of its Obligations that are then due:

8.1.1 the Secured Party shall, on prior notice to the Chargor, be entitled to put into force and to exercise immediately or as and when it may see fit any and every power possessed by the Secured Party by virtue of this Deed or available to a secured creditor (so that section 93 and section 103 of the Law of Property Act 1925 shall not apply to this Deed) and in particular (but without limitation) the Secured Party shall, immediately or at any subsequent time and without prior notice to the Chargor, have power in respect of Posted Collateral:

- (a) to hold, sell or otherwise dispose of all or any of the Posted Collateral on an arm's length basis at any time and in a commercially reasonable manner upon such terms as the Secured Party shall in its absolute discretion determine; or
- (b) to collect, recover or compromise and to give a good discharge for any moneys payable to the Chargor in respect of any of the Posted Collateral; or
- (c) apply or appropriate the Posted Collateral in or towards the payment or discharge of any amounts payable by the Chargor with respect to any Obligation in such order as the Secured Party sees fit; or
- (d) secure and perfect its title to all or any part of the Posted Collateral (including transferring the same into the name of the Secured Party or its nominee(s)) or otherwise exercise in relation to the Posted Collateral all the rights of an absolute owner; or
- (e) whether or not it has appointed a Receiver, exercise all or any of the powers, authorisations and discretions conferred by the Law of Property Act 1925 (as varied or extended by this Deed) on chargees and by this Deed on any Receiver or otherwise conferred by law on chargees or Receivers,

and for the purposes of this clause 8.1.1 the Secured Party shall be entitled:

- (f) to make any currency conversions at the best prevailing rates or effect any transaction in currencies which it thinks fit, and to do so at the best prevailing rates at such times as it thinks fit, provided that, in connection with the exercise by the Secured Party of its rights under this clause 8.1 to the extent applicable, the Secured Party shall not exchange the Posted Collateral for any cash, securities or assets other than Eligible Credit Support.

8.2 Power of Attorney

The Chargor, by way of security and solely for the purpose of more fully securing the performance of the Obligations, irrevocably appoints the Secured Party the attorney of the Chargor on its behalf and in the name of the Chargor or the Secured Party (as the attorney may decide) to do all acts, and execute all documents which the Chargor could itself execute, in relation to any of the Posted Collateral or in connection with any of the matters provided for in this Deed, including (but without limitation):

- 8.2.1 to execute any transfer, bill of sale or other assurance in respect of the Posted Collateral;
- 8.2.2 to exercise all the rights and powers of the Chargor in respect of the Posted Collateral;
- 8.2.3 to ask, require, demand, receive, compound and give a good discharge for any and all moneys and claims for moneys due and to become due under or arising out of any of the Posted Collateral;
- 8.2.4 to endorse any cheques or other instruments or orders in connection with any of the Posted Collateral; and
- 8.2.5 to make any claims or to take any action or to institute any proceedings which the Secured Party considers to be necessary or advisable to protect or enforce the security interest created by this Deed.

8.3 **Protection of Purchaser**

- 8.3.1 No purchaser or other person dealing with the Secured Party or with its attorney or agent shall be concerned to enquire (1) whether any power exercised or purported to be exercised by the Secured Party has become exercisable, (2) whether any Obligation remains due, (3) as to the propriety or regularity of any of the actions of the Secured Party or (4) as to the application of any money paid to the Secured Party.
- 8.3.2 In the absence of bad faith on the part of such purchaser or other person, such dealings shall be deemed, so far as regards the safety and protection of such purchaser or other person, to be within the powers conferred by this Deed and to be valid accordingly. The remedy of the Chargor in respect of any impropriety or irregularity whatever in the exercise of such powers shall be in damages only.

8.4 **Deficiencies and Excess Proceeds**

The Secured Party (or the Custodian acting on its behalf) will transfer to the Cash General Account or the Securities General Account (as applicable) of the Chargor any proceeds and Posted Collateral remaining after liquidation, set-off and/or application under clause 8.1 (*Secured Party's Rights*) and after satisfaction in full of all amounts payable by the Chargor with respect to any Obligations; the Chargor in all events will remain liable for any amounts remaining unpaid after any liquidation, set-off and/or application under clause 8.1 (*Secured Party's Rights*).

8.5 **Final Returns**

Following the earlier to occur of (1) the date when no amounts are or may become payable by the Chargor with respect to any Obligations, and (2) the date on which the Termination Amount is received by the relevant party (the "**Discharge Date**"), the Secured Party will, as soon as reasonably practicable (and in any event not later than 10 Business Days following the Discharge Date, deliver a Release Notice (as defined in the Custody Control Agreement) to the Custodian in respect of this Deed instructing the Custodian to transfer the Posted Collateral from the Charged Accounts to the general account of the Chargor in accordance with the provisions of clause 7.1 of the Custody Control Agreement and the provisions of clause 7.1 of the Custody Control Agreement shall apply.

9 **REPRESENTATIONS**

The Chargor represents to the Secured Party (which representations will be deemed to be repeated as of each date on which the Chargor transfers Eligible Collateral to the Charged Accounts) that:

- 9.1 it has the power to grant a security interest in any Eligible Collateral it transfers to the Charged Accounts under this Deed and has taken all necessary actions to authorise the granting of that security interest;
- 9.2 it acts as trustee in relation to the Eligible Collateral it transfers to the Charged Accounts under this Deed, free and clear of any security interest, lien, encumbrance or other interest or restriction other than the security interest granted under clause 2 (*Security*) and other than a lien routinely imposed on all securities in a clearing system in which any such Eligible Collateral may be held or any lien or other security interest created in favour of the Custodian pursuant to the Custody Agreement;
- 9.3 upon the transfer of any Eligible Collateral by it to the Charged Accounts under the terms of this Deed, the Secured Party will have a valid security interest in such Eligible Collateral; and
- 9.4 the performance by it of its obligations under this Deed will not result in the creation of any security interest, lien or other interest or encumbrance in or on any Posted Collateral other than the security interest created under this Deed (other than any lien routinely imposed on all securities in a clearing system in which any such Posted Collateral may be held) or any lien or other security interest created in favour of the Custodian pursuant to the Custody Agreement.

10 EXPENSES

10.1 General

Except as otherwise provided in clauses 10.2 and 10.3, each party will pay its own costs and expenses (including any stamp, transfer or similar transaction tax or duty payable on any transfer it is required to make under this Deed) in connection with performing its obligations under this Deed and neither party will be liable for any such costs and expenses incurred by the other party.

10.2 Posted Collateral

The Chargor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Collateral upon becoming aware of the same.

10.3 Liquidation/Application of Posted Collateral

All reasonable costs and expenses incurred by the Secured Party in connection with the liquidation and/or application of any Posted Collateral under clause 8 (*Rights of Enforcement*) will be payable, on demand, by the Chargor.

11 LIMITED RECOURSE

11.1 Notwithstanding any other provisions of this Deed and subject to clauses 11.2 to 11.4 inclusive, the parties acknowledge, understand and agree that:

11.1.1 the Chargor is entering into this Deed on behalf of the BAE Section only;

11.1.2 notwithstanding any other provisions of this Deed, for so long as the BAE Section is a Segregated Section of the Pension Scheme, the Secured Party's recourse against the Chargor in respect of any claim which may be brought by the Secured Party against the Chargor arising out of, relating to or having any connection with this Deed (a "**Claim**") shall be limited to the assets of the BAE Section, and:

- (a) the Secured Party shall not seek, in connection with any Claim, whether in any proceedings or by any other means whatsoever or wheresoever, to have recourse to any assets of any other section of

the Pension Scheme other than those of the BAE Section in the discharge of all or any part of a Claim;

- (b) if, in connection with a Claim, the Secured Party shall succeed by any means whatsoever or wheresoever in having recourse to any assets of any other section of the Pension Scheme other than those of the BAE Section in the discharge of all or any part of a Claim, the Secured Party shall be liable to the Chargor to pay a sum equal to the value of the benefit thereby obtained by it; and
- (c) if, in connection with a Claim, the Secured Party shall succeed in seizing or attaching by any means, or otherwise levying execution against, any assets of any other section of the Pension Scheme other than those of the BAE Section in the discharge of all or any part of a Claim, the Secured Party shall hold those assets or the direct or indirect proceeds of the sale of such assets on bare trust for the Chargor and shall keep those assets or proceeds separate and identifiable as such trust property.

11.2 The provisions of this clause 11 shall survive the termination of this Deed.

11.3 In the event that the BAE Section has ceased to be a Segregated Section of the Pension Scheme, this clause 11 shall continue to apply but references to the BAE Section being a Segregated Section of the Pension Scheme shall be ignored and references to the BAE Section shall be construed as references to the Pension Scheme.

12 OTHER PROVISIONS

12.1 Agents of Secured Party and Chargor

Paragraph 12 (*Agent of LGAS and Insured*) in Annex 2 (*Collateral Transfer and Calculation Mechanism*) of the Insurance Agreement shall be deemed to be repeated herein as if references to LGAS were references to the Secured Party, references to the Insured were references to the Chargor and references to this Annex were references to this Deed.

12.2 Further Assurances

Promptly following a demand made by the Secured Party, the Chargor will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by the Secured Party in relation to any Posted Collateral, to create, preserve, perfect or validate any security interest granted under clause 2 (*Security*), to enable the Secured Party to exercise or enforce its rights under this Deed with respect to Posted Collateral or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

12.3 Further Protection

The Chargor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Collateral transferred by the Chargor or that could adversely affect the security interest granted by it under clause 2 (*Security*).

12.4 Registration

The parties acknowledge the Secured Party shall arrange for the charge created by clause 2.2 to be registered with Companies House.

12.5 Cooperation Regarding Demand Notices

The Secured Party and the Chargor agree to act reasonably in countersigning and delivering any instructions to be sent to the Custodian pursuant to clause 3.1 (*Delivery*

Amount), clause 3.2 (*Return Amount*), clause 4.4 (*Substitutions*), clause 4.5 (*Ineligible Credit Support*), clause 6.9.1 (*Distributions*) and clause 6.9.2 (*Interest Amount*) of this Deed.

13 **THIRD PARTY RIGHTS**

Subject to any provision(s) of this Deed under which rights are granted to third parties by express reference to the Contracts (Rights of Third Parties) Act 1999, a person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

14 **GOOD FAITH AND COMMERCIALLY REASONABLE MANNER**

Performance of all obligations under this Deed, including but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

15 **NOTICES**

15.1 All notices and communications to be made or delivered under or in connection with this Deed shall be made in writing and in English by fax, letter or email (to the extent permitted below) in accordance with the notice details specified in paragraph 9(c) of Annex 2 (Collateral Transfer and Calculation Mechanism) of the Insurance Agreement or any substitute details as the party may notify to the other party by ten days' written notice .

15.2 Any communication or document made or delivered by one person to another under or in connection with this Deed will only be effective:

15.2.1 if by way of fax, when received in legible form and receipt has been confirmed, and communications verified by phone; or

15.2.2 if by way of letter, when it has been left at the relevant address or, as the case may be, five days after being deposited in the post (postage prepaid) in an envelope addressed to it at that address; or

15.2.3 if by way of email, where permitted in accordance with this Deed, when sent, but only if, at the time of transmission no delivery error notification is received.

16 **ENTIRE AGREEMENT**

This Deed sets out the entire agreement between the parties in relation to the subject matter hereof and supersedes any previous agreement whether written or oral. Each party acknowledges that in entering into this Deed it places no reliance on any representation or warranty in relation to the subject matter of this Deed. Nothing in this Deed may operate to limit or exclude any liability for fraud.

17 **GOVERNING LAW**

This Deed and any non-contractual obligations arising out of or in connection with it are governed by and construed in accordance with English law.

18 **DISPUTE RESOLUTION BY ARBITRATION**

18.1 Any dispute, claim, difference or controversy arising out of, relating to or having any connection with this Deed, including any question regarding its existence, validity, interpretation, performance or termination which is not determined in accordance with clause 5 shall be resolved as follows:

(a) the parties shall attempt to resolve any dispute in the first instance by discussion between the parties' respective Relationship Managers. If the Relationship Managers

fail to resolve the dispute within five (5) Business Days the dispute shall be referred to the Executives, such negotiations to be treated as without prejudice;

- (b) if within five (5) Business Days of the referral to the Executives the dispute has not been agreed or settled between the parties, the dispute shall be referred for resolution to arbitration in accordance with paragraphs (c) to (j) below (inclusive);
- (c) where the dispute is to be referred to arbitration, it shall be referred to arbitration under the ARIAS Arbitration Rules (the "**Rules**");
- (d) the tribunal shall consist of three arbitrators, one to be appointed by the Secured Party, one to be appointed by the Chargor and the third to be appointed by the two appointed arbitrators;
- (e) the third member of the tribunal shall be appointed as soon as practicable (and within twenty (20) Business Days) after the appointment of the two party-appointed arbitrators. The tribunal shall be constituted upon the appointment of the third arbitrator;
- (f) the Arbitrators shall be persons (including those who have retired) with not less than ten (10) years' experience of insurance or reinsurance within the industry or as lawyers or other professional advisers serving the industry;
- (g) where a party fails to appoint an arbitrator within ten (10) Business Days of being called upon to do so or where the two party-appointed arbitrators fail to appoint a third within twenty (20) Business Days of their appointment, then upon application to ARIAS (UK) will appoint an arbitrator to fill the vacancy. At any time prior to the appointment by ARIAS (UK) the party or arbitrators in default may make such appointment;
- (h) the tribunal may in its sole discretion make such orders and directions as it considers to be necessary for the final determination of the matters in dispute. The tribunal shall have the widest discretion permitted under the law governing the arbitral procedure when making such orders or directions;
- (i) the tribunal shall use its best efforts to deliver a final and binding award within four (4) months of the date of the tribunal being constituted, such time-limit to be extended by the tribunal at any time acting in its absolute discretion;
- (j) the seat of arbitration shall be London, United Kingdom; and
- (k) the party whose position is not upheld by the tribunal shall, unless the tribunal determines that costs shall be borne equally by the parties, bear the whole amount of the costs of the tribunal.

18.2 For the avoidance of doubt, the parties agree to exclude section 69 of the Arbitration Act 1996 from applying to this Deed.

18.3 **Consolidation of Disputes**

- (a) For purposes of Article 13.1.10 of the Rules, the parties consent for an arbitral tribunal constituted pursuant to clause 18 of this Deed to hear tripartite, multipartite or consolidated arbitrations and to make a single award in respect of such hearings.
- (b) In clause 18.4 (*Consolidation of Disputes*):

"**Consolidation Order**" means an order by a Tribunal that a Primary Dispute and a Linked Dispute be resolved in the same arbitral proceedings;

"**Existing Dispute**" means any dispute arising out of, relating to or having any connection with this Deed and/or any dispute, claim, difference or controversy arising

out of, relating to or having any connection with any Linked Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it;

"Linked Dispute" means any dispute arising out of, relating to or having any connection with this Deed and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with any Linked Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it where a request for arbitration is served after a request for arbitration has been served in respect of a Primary Dispute;

"Primary Dispute" means any dispute arising out of, relating to or having any connection with this Deed and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with any Linked Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it, where a request for arbitration has been served before a request for arbitration has been served in relation to a Linked Dispute; and

"Tribunal" means any arbitral tribunal appointed under this Deed or any Linked Agreement.

18.4 Consolidation of Disputes

- (a) Any party to a Primary Dispute and a Linked Dispute may apply to the Tribunal appointed in relation to the Primary Dispute for a Consolidation Order in relation to any Linked Dispute.
- (b) The applicant party must promptly notify all parties to the Primary Dispute and the Linked Dispute and the Tribunal appointed in relation to the Linked Dispute of any application under clause 18.4(a).
- (c) The Tribunal appointed in relation to the Primary Dispute may, if it considers it appropriate in all the circumstances, make a Consolidation Order on hearing an application brought under clause 18.4(a).
- (d) If the Tribunal makes a Consolidation Order:
 - (i) it will immediately, to the exclusion of other Tribunals, have jurisdiction to resolve finally the Linked Dispute in addition to its jurisdiction in relation to the Primary Dispute;
 - (ii) it must order that notice of the Consolidation Order and its effect be given immediately to: any arbitrators already appointed in relation to the Linked Dispute; all parties to the Linked Dispute; all parties to the Primary Dispute; and ARIAS (UK);
 - (iii) any appointment of an arbitrator in relation to the Linked Dispute before the date of the Consolidation Order will terminate immediately and that arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:
 - (A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated, which act done or order made will be treated as if it had been made in the arbitration of the Primary Dispute;
 - (B) his entitlement to be paid his proper fees and disbursements; and

- (C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (e) If a Tribunal appointed under a Linked Agreement makes a Consolidation Order which confers on that Tribunal jurisdiction to resolve a Linked Dispute arising under this Deed, that Consolidation Order and the award of that Tribunal will bind the parties to the Primary Dispute and the Linked Dispute being heard by that Tribunal.
- (f) Following a Consolidation Order, the costs of the terminated arbitration of the Linked Dispute (including the parties' legal or other costs) shall be deemed to be costs of the arbitration of the consolidated Primary Dispute and Linked Dispute.

18.5 Enforcement of awards in the event of a Consolidation Order

- (a) For the avoidance of doubt, where a Tribunal is appointed under this Deed or any Linked Agreement, the whole of its award (including any part relating to a Linked Dispute) is deemed for the purposes of the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by this Deed and that Linked Agreement.
- (b) Each of the parties waives any objection, on the basis of a Consolidation Order, to the validity and/or enforcement of any arbitral award made by a Tribunal following any Consolidation Order.

18.6 Nothing in this clause 18 shall prevent a party to a dispute from seeking interim relief and/or conservatory measures from any court of competent jurisdiction.

19 COUNTERPARTS

This Deed may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any party to this Deed may enter into the same by executing and delivering a counterpart.

IN WITNESS WHEREOF this Deed has been signed on behalf of the Secured Party and executed as a deed by the Chargor and is intended to be and is hereby delivered as a deed on the date first stated on page 1.