

DRAFT
29 June 2018

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES**

NO: CR-2018-002674

**IN THE MATTER OF
THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

and

**IN THE MATTER OF
PRUDENTIAL INTERNATIONAL ASSURANCE PLC**

and

**IN THE MATTER OF
PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

SCHEME

**for the transfer of the business of the Polish branch and certain other historic overseas
business of The Prudential Assurance Company Limited to Prudential International
Assurance plc pursuant to Part VII of the Financial Services and Markets Act 2000**

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PART A: DEFINITIONS AND INTERPRETATION

1. DEFINITIONS

1.1 In this Scheme, unless the context otherwise requires, the following words and expressions shall bear the meanings respectively set opposite them:

"**Board**" means, in relation to a company, the board of directors from time to time of that company;

"**CBI**" means the Central Bank of Ireland or any successor regulator or regulators as shall from time to time carry out such functions as were at the date of this Scheme allocated to the Central Bank of Ireland;

"**Court**" means the High Court of Justice of England and Wales;

"**Data Controller**" has the meaning ascribed thereto in the GDPR;

"**Data Subject**" has the meaning ascribed thereto in the GDPR;

"**EEA State**" has the meaning ascribed thereto by, or for the purposes of, Part VII of FSMA;

"**ELAS**" means Equitable Life Assurance Society with address Walton Street, Aylesbury, England, HP21 7QW with registered number 00037038;

"**ELAS Business**" means the business originally written by ELAS and transferred to PAC in 2007 pursuant to Part VII of FSMA;

"**ELAS German and Irish Business**" means that part of the ELAS Business originally written by ELAS in Germany or Ireland;

"**ELAS Mis-selling Liabilities**" means any liabilities, losses, costs and/or expenses from time to time incurred or assumed by ELAS or PAC to the extent such liabilities, losses, costs or expenses relate to the mis-selling by or on behalf of ELAS or any appointed representative of ELAS in respect of the marketing or sale of the ELAS Business, or any policies whose proceeds were used, wholly or in part, to pay the premium for the ELAS Business on or prior to the effective date of the ELAS Scheme, including, without limitation, liabilities losses, costs and/or expenses arising from:

- (A) any complaint, claim, legal action or proceedings brought against ELAS or PAC by or on behalf of any person or group of persons whether as a result of any agreed settlement or compromise (including, without limitation, an ex gratia payment) or otherwise, including without limitation, the costs and expenses incurred in investigating and defending against any such complaint, claim, legal action or proceeding;
- (B) ELAS or PAC complying with (or failing to comply with) applicable law, or with rules, regulations, directions, guidance or industry practice (whether formal or informal) set by or given by any regulatory authority, including, without limitation, in connection

with the review process relating to the mis-selling of personal pension policies and free standing additional voluntary contributions, as overseen by the FCA, including, without limitation, the costs and expenses in connection with any such compliance, non-compliance or review so required; or

- (C) any penalty or fine levied, or which results from or arises in connection with any disciplinary action undertaken by the FCA, including without limitation, the costs and expenses incurred in investigating, challenging and defending against any such penalty, fine or disciplinary action;

"ELAS Scheme" means the scheme document governing the transfer of the ELAS Business from ELAS to PAC in 2007;

"Encumbrance" means any mortgage, charge, pledge, security assignment, lien, option, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including title transfer and retention agreements) having a similar effect;

"Excluded Personal Data" means any Personal Data, the transfer of which by PAC to PIA is or would be unlawful under any local law applicable to the transfer of such Personal Data;

"Excluded Policies" means Policies effected or carried out by PAC under which any liability remains unsatisfied or outstanding at the Transfer Date:

- (A) which were concluded, for the purposes of paragraph 1(2A) of Schedule 12 to FSMA, in an EEA State other than the United Kingdom and the PRA and FCA have not prior to the making of the Order by which the Court sanctions this Scheme provided the certificate referred to in paragraph 3A of Schedule 12 to FSMA with respect to the relevant EEA State; or
- (B) in relation to which the policyholder is included on any Sanctions List;
- (C) which are not otherwise capable of being transferred pursuant to section 111 of FSMA; or
- (D) which PAC and PIA agree prior to the Transfer Date should not be transferred;

"FCA" means the Financial Conduct Authority or any previous or successor regulator or regulators as shall from time to time carry out such functions as were at the date of this Scheme allocated to the Financial Conduct Authority under FSMA in the United Kingdom;

"FCA Handbook" means the handbook of rules and guidance issued by the FCA from time to time pursuant to FSMA;

"FSCS" means The Financial Services Compensation Scheme, the UK statutory deposit and insurance and investors compensation scheme for customers of authorised financial services firms;

"FSMA" means the Financial Services and Markets Act 2000 (as amended);

"**GDPR**" means the General Data Protection Regulation (EU) 2016/679;

"**Historic Liabilities**" means all liabilities under or relating to any Policies of PAC Poland that have lapsed, or have been terminated or cancelled on or prior to the Transfer Date, to the extent that such liabilities have not been satisfied by PAC Poland on or prior to the Transfer Date;

"**Independent Expert**" means the person appointed to provide the report on the terms of the Scheme required by section 109(1) of FSMA;

"**Insurance Assets**" has the meaning given to it in the definition of Transferred Assets below;

"**Mis-selling Liabilities**" means any liabilities, losses, costs and/or expenses from time to time incurred or assumed by PAC in respect of the marketing or sale of any Transferred Policies, including liabilities, losses, costs and/or expenses arising from:

- (A) any complaint, claim, legal action or proceedings brought against PAC by or on behalf of any person or group of persons;
- (B) PAC complying with (or failing to comply with) applicable law or with rules, regulations, directions, guidance or industry practice (whether formal or informal) set by or given by any regulatory authority;
- (C) PAC complying with (or failing to comply with) the Code of Conduct on Retirement Options of the Association of British Insurers or any other code of conduct in relation to the exercise of the open market option in respect of the Transferred Policies; or
- (D) any penalty or fine levied, or which results from or arises in connection with any disciplinary action undertaken, by any regulatory authority,

but excluding the ELAS Mis-selling Liabilities;

"**Order**" means an order made by the Court pursuant to section 111 of FSMA sanctioning this Scheme and any order (including any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of FSMA;

"**PAC**" means The Prudential Assurance Company Limited, a company incorporated in England and Wales with registered number 15454, whose registered office is Lawrence Pountney Hill, London EC4 0HH;

"**PAC Actuary**" means the person approved to perform the "Chief Actuary function" on behalf of PAC in accordance with the Insurance – Senior Insurance Management Functions part of the PRA Rulebook;

"**PAC Non-Profit Sub-Fund**" means that part of PAC's long-term fund which consists of certain non-profit and unit-linked business explicitly allocated to it by PAC and where 100% of the investment return is attributable to shareholders;

"PAC With-Profits Sub-Fund" means that part of PAC's with-profits fund from which certain of PAC's with-profits business is written and in which policyholders are eligible to participate in profits on a 90:10 basis;

"PAC France" means the branch of PAC established in France;

"PAC Malta" means the branch of PAC established in Malta;

"PAC Poland" means the branch of PAC established in Poland with full name The Prudential Assurance Company Limited Sp z o.o. Oddział w Polsce;

"PAC Reinsurance Agreements" means the reinsurance agreements entered into between PAC and PIA on [●], pursuant to which PIA has ceded to PAC the liabilities in respect of with-profits benefits payable under certain Policies of PAC Poland, PAC Malta, PAC France and the ELAS German and Irish Business and **"PAC Reinsurance Agreement"** shall be construed accordingly;

"Parties" means PAC and PIA;

"Personal Data" has the meaning ascribed thereto in the GDPR, but excludes Excluded Personal Data;

"PIA" means Prudential International Assurance plc, a company incorporated in Ireland with registered number 200956, whose registered office is Montague House, Adelaide Road, Dublin 2;

"PIA Actuary" means the head of actuarial function of PIA;

"PIA Poland" means the branch of PIA established in Poland with full name Prudential International Assurance plc Spółka Akcyjna Oddział w Polsce;

"Policy" has the meaning ascribed thereto in the FSMA (Meaning of "Policy" and "Policyholder") Order 2001;

"Polish Business Assets" means any asset of PAC attributable to PAC Poland including, without limitation, the following assets of PAC Poland:

- (A) specifically identifiable movable property and generically identifiable movable property;
- (B) all rights under any agreements attributable to or connected with the operations of PAC Poland's business, including any insurance policies sold by PAC Poland;
- (C) receivables and monetary proceeds;
- (D) concessions, licences, and permits;
- (E) non-tangible assets attributable to or connected with the operations of PAC Poland, including copyrights and related rights, patents and other industrial property rights

such as rights to inventions, utility models, trademarks, designs, licences, business and domain names, rights in computer software, database rights and any other intellectual property rights, both registered or unregistered;

- (F) business secrets, know-how and any rights in confidential information; and
- (G) legal, technical, financial and other documentation belonging to PAC Poland or otherwise pertaining to or attributable to the Transferred Business of PAC Poland, including all technical documentation, all data saved on computers, the accounts, documents relating to the legal titles to the components of the Transferred Business of PAC Poland, agreements and correspondence with suppliers and customers, as well as the personnel files of employees;

"Proceedings" means any claim, counterclaim, complaint, petition, suit, appeal, application, review, or other legal, regulatory or administrative process whether intended to have interim, preliminary or final effect in relation to its subject matter, including arbitration, mediation, any other dispute resolution procedure (whether or not it involves submission to any court), any judicial, quasi-judicial, administrative or regulatory review or process, or any complaint or claim to any ombudsman;

"PRA" means the Prudential Regulation Authority or any previous or successor regulator or regulators as shall from time to time carry out such functions as were at the date of this Scheme allocated to the Prudential Regulation Authority under FSMA in the United Kingdom;

"Prudential" means Prudential plc, a company incorporated in England and Wales under company number 1397169;

"RAO" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

"Records" means all documents, files and other records, whether in physical or electronic form, relating to the Transferred Business, which are in the possession of, or under the control of PAC, including, for the avoidance of doubt, information relating to any Policies of PAC Poland that have lapsed or have been terminated or cancelled on or prior to the Transfer Date;

"Relevant Date" means:

- (A) in respect of a Transferred Policy, a Transferred Asset or a Transferred Liability, the Transfer Date; and
- (B) in respect of a Residual Asset or a Residual Liability, the applicable Subsequent Transfer Date.

"Residual Asset" means:

- (A) any assets of PAC attributable to the Transferred Business (including any right, benefit or power under any Transferred Policy);

(i) the transfer of which to PIA pursuant to this Scheme requires, at the Transfer Date, either:

- (1) the consent of any person (other than the Parties or the Court); or
- (2) the waiver by any person of any right to acquire, or be offered the right to, or to offer to, acquire or procure the acquisition by some other person of, all or any part of such property, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect,

but to the extent only of that part of the interest of PAC in such property, the transfer of which requires such consent or waiver and, for the avoidance of doubt, excepting rights, benefits and powers under the Excluded Policies; and

(ii) which the Court either does not have jurisdiction to transfer pursuant to section 112(1)(a) of FSMA (either at all or free of such right as is mentioned in paragraph (a)(i)(2) of this definition) or which (despite having such jurisdiction) the Court determines, notwithstanding section 112(2)(a) of FSMA, not so to transfer or the transfer of which is not recognised by the laws of any relevant jurisdiction;

(B) any assets of PAC comprised in or relating to the Transferred Business (including any right, benefit or power under a Transferred Policy) where the Parties agree in writing prior to the Transfer Date that its transfer should be delayed or should not be transferred at all;

(C) any assets of PAC comprised in or relating to the Transferred Business which cannot be transferred to or vested in PIA on the Transfer Date for any other reason; and

(D) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, and any other property earned or received from time to time after the Transfer Date but prior to any relevant Subsequent Transfer Date in respect of any such property referred to in paragraphs (a) to (c) of this definition;

"Residual Liability" means any liability whatsoever of PAC that is attributable to, or connected with, the Transferred Business (other than any liability or obligation under any Excluded Policy), excluding the ELAS Mis-selling Liabilities:

(A) which the Court either does not have jurisdiction to transfer pursuant to section 112(1)(a) of FSMA or which (despite having such jurisdiction) the Court determines, notwithstanding section 112(2)(a) of FSMA, not so to transfer;

(B) the transfer of which the Parties agree in writing prior to the Transfer Date that its transfer should be delayed or should not be transferred at all;

(C) that cannot be transferred to or vested in PIA for any other reason on the Transfer Date; or

- (D) which is attributable to or connected with a Residual Asset and arises at any time before the Transfer Date applicable to that Residual Asset;

"Sanctions List" means the sanctions lists maintained by the following at the Transfer Date: (i) the United Nations; (ii) the European Union; (iii) the US Department of the Treasury; (iv) Switzerland (including any relevant governmental body or regulatory body); (v) the Office of Foreign Asset Control; and (vi) Her Majesty's Treasury.

"Scheme" means this insurance business transfer scheme in its original form, or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 23;

"State of the commitment" has the meaning ascribed thereto by or for the purposes of Part 1 of Schedule 12 to FSMA;

"Subsequent Transfer Date" means, in relation to any Residual Asset falling within paragraphs (a) and (c) of the definition of Residual Asset, or Residual Liability which is attributable to or connected with that Residual Asset or falling within paragraphs (a) and (c) of the definition of Residual Liability the date on which any impediment to its transfer shall have been removed or overcome;

"Swiss Re Reinsurance Agreement" means the reinsurance agreement entered into between PAC and Swiss Re Life & Health, with effective date 2 November 1954 in respect of certain with-profits whole of life policies written by PAC Malta;

"taxation" means:

- (A) all forms of tax, levy, duty, charge, impost, withholding or other amount whenever created or imposed and whether of the United Kingdom or elsewhere, payable to or imposed by any authority responsible for the collection or management of any such tax, levy, duty, charge, impost, withholding or other amount; and
- (B) all charges, interest, penalties and fines incidental or relating to any sum falling within (a) above or which arise as a result of the failure to pay that sum on the due date or to comply with any obligation relating to it;

"Transfer Date" means the time and date on which this Scheme shall become effective in accordance with paragraph 21 of this Scheme;

"Transferred Assets" means any asset of PAC attributable to the Transferred Business as at the Transfer Date, including (without prejudice to the generality of the foregoing):

- (A) assets corresponding to the value as at the Transfer Date of:
- (i) the asset shares and net cost of guarantees and (except in respect of the with-profits business of PAC Poland, where smoothing is not applied) smoothing of any Transferred Policies (or part thereof) that constitute with-profits business;

- (ii) the Solvency II technical provisions (where positive) held by PAC in respect of any Transferred Policies (or any part of such Transferred Policies) that comprise non-profits business of PAC Malta or PAC Poland; and
- (iii) the aggregate face value of the units allocated by PAC in the PAC Non-Profit Sub-Fund for any unit-linked business comprised in the Transferred Policies of PAC France,

such assets being the "**Insurance Assets**", the identity and value of which are to be determined in accordance with paragraph 12.6 of this Scheme;

- (B) the rights, benefits and powers of PAC under or by virtue of the Transferred Policies;
- (C) all rights and claims (present or future, actual or contingent) against any third party in relation to the Transferred Policies or arising as a result of PAC or ELAS having written or administered the Transferred Policies;
- (D) the rights, benefits and powers of PAC under any contracts, agreements or arrangements in respect of the Transferred Business (including any reinsurance agreements or arrangements pursuant to which any part of the Transferred Business is reinsured); and
- (F) the Records, including all rights, title and interest of PAC in the records,

which assets shall include the Polish Business Assets, but excluding (i) the Residual Assets, (ii) the Swiss Re Reinsurance Agreement and (iii) any rights, benefits and powers under or relating to the Excluded Policies;

"Transferred Business" means the whole business of PAC Poland, PAC France, PAC Malta and the ELAS German and Irish Business as at the Transfer Date (including all activities carried out in any capacity, including as trustee, in connection with or for the purposes of that business and any proposal for insurance made to PAC Poland and any offer or invitation for insurance made by PAC Poland, in each case whether or not accepted before or after the Transfer Date);

"Transferred Liabilities" means any and all liabilities comprised in or attributable to the Transferred Business as at the Transfer Date, including all liabilities under or relating to the Transferred Policies, all Mis-selling Liabilities and all Historic Liabilities, but excluding the ELAS Mis-selling Liabilities, the Residual Liabilities and any liabilities attributable to the Excluded Policies or the Swiss Re Reinsurance Agreement;

"Transferred Policies" means every Policy of PAC Poland, PAC Malta, PAC France and the ELAS German and Irish Business, including without limitation those policies specified in Schedule 1, under which any liability remains unsatisfied or outstanding at the Transfer Date, including (a) Policies written by PAC Poland, PAC Malta, PAC France and the ELAS German and Irish Business which have lapsed on or before the Transfer Date and which are reinstated by PIA after the Transfer Date, and (b) all proposals for insurance made to PAC Poland and every offer or invitation for insurance made by PAC Poland before the Transfer Date which have not become Policies in force by the Transfer Date but which subsequently

become Policies, but excluding the Excluded Policies and any Excluded Policy which is subsequently novated pursuant to paragraph 16.5; and

“**VAT**” means:

- (A) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (B) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (A) above, or imposed elsewhere.

1.2 This section forms an integral part of this Scheme. Part B of this Scheme is included for information purposes only; the provisions set out in that Part are not operative provisions of this Scheme and shall not affect its interpretation.

1.3 In this Scheme:

- (A) **"property"** or **"asset"** includes property, assets, cash, Encumbrances, causes of action, rights and powers of every description (whether present or future, actual or contingent), including income or interest accrued but unpaid, and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (B) **"liabilities"** includes duties and obligations of every description (whether present or future, actual or contingent);
- (C) **"transfer"** includes (as the context may require) **"assign"**, **"assignment"** or **"assignment"**, **"dispose"** or **"disposal"** or **"convey"** or **"conveyance"**;
- (D) any reference to **"including"** or **"includes"** shall be construed as a reference to **"including, without limitation,"** or **"includes, without limitation,"** respectively;
- (E) any reference to a Policy written by PAC Poland, PAC France, PAC Malta or the ELAS German and Irish Business shall include a reference to any Policy transferred prior to the Transfer Date to PAC Poland, PAC France, PAC Malta or the ELAS German and Irish Business so that it is obliged in the same way as if it had issued the Policy;
- (F) references to rights or liabilities being **"under"** a Transferred Policy shall mean rights or liabilities under the contractual terms of that Transferred Policy;
- (G) any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa;
- (H) unless otherwise specified, any reference to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time

and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;

- (I) any reference to any rules or regulations issued by the regulators shall be deemed to include a reference to such rules or regulations as amended or replaced from time to time;
- (J) references to "**subsidiary**" shall have the same meanings as in the Companies Act 2006;
- (K) references to a "**policy**" and a "**policyholder**" shall have the meanings ascribed to them by the Financial Services and Markets Act 2000 (meaning of "Policy" and "Policyholder") Order 2001 as at the Transfer Date;
- (L) references to paragraphs and Parts are to paragraphs and Parts respectively of this Scheme;
- (M) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (N) any reference to a person shall include a reference to a body corporate, a partnership (whether or not having separate legal personality), an unincorporated association or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- (O) if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- (P) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form; and
- (Q) any reference to an amount shall be exclusive of any applicable VAT.

PART B: INTRODUCTION

2. PURPOSE OF THE SCHEME

The purpose of this Scheme is to effect the transfer of all assets, liabilities and business of PAC Poland, PAC France, PAC Malta and the ELAS German and Irish Business to PIA, subject to the terms of this Scheme.

3. PAC

- 3.1 PAC is incorporated in England and Wales under registered number 15454 and has its registered office at Laurence Pountney Hill, London EC4R 0HH.
- 3.2 PAC is an authorised person (within the meaning of FSMA) and has permission under Part 4A of FSMA to carry out and effect contracts of insurance falling within Classes I, II, III, IV, VI and VII set out in Part II of Schedule 1 to the RAO and general business of all kinds referred to in Part I of Schedule 1 to the RAO.
- 3.3 The business of PAC broadly comprises life and annuity, pensions, permanent health, and linked long term business. It is predominantly with profits and also includes non-linked non-profit and linked business. It is transacted mainly in the UK.
- 3.4 The Parties have entered into the PAC Reinsurance Agreements pursuant to which PAC has agreed to reinsure the with-profits benefits comprised in the Transferred Policies.

4. PIA

- 4.1 PIA is incorporated in Ireland under registered number 200956 and has its registered office at Montague House, Adelaide Road, Dublin 2.
- 4.2 PIA is a life insurance undertaking authorised under the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) to carry out the following classes of business: class I life assurance and contracts to pay annuities on human life (but excluding Classes II and III); class III contracts linked to investment funds; class VI capital redemption operations; and Class III - with connected IV (class IV is permanent health insurance). PIA has also applied to the Central Bank of Ireland for permission to offer life insurance (Class I) with connected Class IV.
- 4.3 The business of PIA comprises of the transaction of life assurance business with two main lines of business: unit-linked insurance and insurance with-profits participation. PIA sells to both UK and non-UK nationals.

5. PRUDENTIAL

- 5.1 PIA is a wholly-owned subsidiary of PAC. PAC is a wholly-owned subsidiary of Prudential.

5.2 Prudential is incorporated in England and Wales under registered number 1397169 and has its registered office at Laurence Pountney Hill, London EC4R 0HH.

6. PAC POLAND

PAC Poland was set up in 2012 as a local Polish branch of PAC under the EU freedom of establishment rules. The business of PAC Poland comprises conventional with-profits regular premium endowments, protection rider benefits and stand-alone term assurance plus riders.

7. PAC FRANCE

PAC France began writing business in 2000 and ceased writing new business in 2003, although it remains open to top-up business. PAC France is administered by PIA on behalf of PAC. PAC France policyholders hold single premium investment bonds which are invested in a mix of with-profits and unit-linked funds.

8. PAC MALTA

PAC Malta was established in 1955 and ceased writing business in 1982 and has since been in run-off. The business of PAC Malta comprises whole of life with-profit policies and non-profit whole of life policies.

9. ELAS BUSINESS

The ELAS German and Irish Business is comprised of business originally written in Germany and Ireland made up of with-profit annuity contracts written by ELAS and transferred to PAC in 2007 pursuant to a Part VII insurance business transfer scheme. The ELAS Mis-selling Liabilities were excluded from the transfer of business under the ELAS Scheme and accordingly were not assumed by PAC pursuant to the ELAS Scheme. Notwithstanding the foregoing, to the extent that any ELAS Mis-selling Liabilities have been or are alleged to have been assumed by PAC, they are expressly excluded from this Scheme.

10. INTERPRETATION

Part A of the Scheme sets out the definitions and other provisions relating to interpretation that apply to this Scheme.

PART C: TRANSFER OF INSURANCE BUSINESS

11. TRANSFER OF BUSINESS

- 11.1 On and with effect from the Relevant Date, the Transferred Business of PAC Poland shall be transferred to PIA and vested in PIA Poland.
- 11.2 On and with effect from the Relevant Date, the Transferred Business of PAC Malta, PAC France and the ELAS German and Irish Business shall be transferred to and vested in PIA.
- 11.3 The Transferred Business shall be transferred in accordance with and subject to the terms of this Scheme.
- 11.4 PIA proposes to pay for the Transferred Business through the issue of one or more additional shares in PIA to PAC, subject to the terms of a subscription agreement entered into between PIA and PAC that will take effect on the Transfer Date.

12. TRANSFER OF ASSETS

- 12.1 On and with effect from the Transfer Date, each Transferred Asset relating to the Transferred Business of PAC Poland and all interest of PAC in it shall, by the Order and without any further act or instrument (without prejudice to paragraph 12.5), be transferred to and vest in PIA Poland in accordance with and subject to the terms of this Scheme, subject to all Encumbrances (if any) affecting such Transferred Assets.
- 12.2 On and with effect from the Transfer Date, each Transferred Asset relating to the Transferred Business of PAC France, PAC Malta and the ELAS German and Irish Business and all interest of PAC in it shall, by the Order and without any further act or instrument, be transferred to and vest in PIA in accordance with and subject to the terms of this Scheme, subject to all Encumbrances (if any) affecting such Transferred Assets.
- 12.3 Subject to paragraph 19, on and with effect from each Subsequent Transfer Date, each Residual Asset relating to the Transferred Business of PAC Poland to which such Subsequent Transfer Date applies and all the interest of PAC in it shall, by the Order and without any further act or instrument (without prejudice to paragraph 12.5), be transferred to and vest in PIA Poland in accordance with and subject to the terms of this Scheme, subject to all Encumbrances (if any) affecting such Residual Asset.
- 12.4 Subject to paragraph 19, on and with effect from each Subsequent Transfer Date, each Residual Asset relating to the Transferred Business of PAC France, PAC Malta and the ELAS German and Irish Business to which such Subsequent Transfer Date applies and all the interest of PAC in it shall, by the Order and without any further act or instrument, be transferred to and vest in PIA in accordance with and subject to the terms of this Scheme, subject to all Encumbrances (if any) affecting such Residual Asset.
- 12.5 Notwithstanding any other provision of this Scheme, to the extent that the transfer of any Transferred Asset or Residual Asset relating to the Transferred Business of PAC Poland is not recognised as a matter of Polish law, such Transferred Asset or Residual Asset shall be

transferred to and vest in PIA Poland pursuant to a business transfer agreement entered into between PAC and PIA with effect from the Transfer Date.

12.6 Notwithstanding the other provisions of this paragraph 12, the following steps shall apply in respect of the Insurance Assets:

- (A) prior to the Transfer Date, PAC shall determine in good faith its estimate of the value of the Insurance Assets required to be transferred by PAC as at the Transfer Date;
- (B) on the Transfer Date, PAC shall transfer to PIA assets the value of which (as determined by PAC in good faith) is at least equal to PAC's estimate of the required value as determined in accordance with paragraph (A) above, such assets to be selected by PAC so as to match fairly the relevant liabilities under the relevant Transferred Policies (the "**Transferred Insurance Assets**");
- (C) no later than four months after the Transfer Date, PAC and PIA shall determine and agree the amount of:
 - (i) the actual value as at the Transfer Date of the Transferred Insurance Assets (the "**Transferred Insurance Assets Value**"); and
 - (ii) the actual value as at the Transfer Date of the Insurance Assets required to be transferred by PAC in accordance with the definition of Insurance Assets (the "**Required Insurance Assets Value**");
- (D) where the Transferred Insurance Assets Value is lower than the Required Insurance Assets Value, PAC shall, no later than [●] business days after the determination of the Required Insurance Assets Value, pay to PIA the amount of the difference (such amount to be paid as either cash or assets) to ensure that PIA receives the full amount of the Required Insurance Assets Value;
- (E) where the Transferred Insurance Assets Value is greater than the Required Insurance Assets Value, PIA shall, no later than [●] business days after the determination of the Required Insurance Assets Value, return to PAC the amount of the difference (such amount to be returned either as cash or assets);
- (F) the determination of the value of assets and liabilities for the purposes of this paragraph 12.6 shall be made in accordance with the methodology applied by PAC as at the Transfer Date in the preparation of its regulatory returns;
- (G) any calculations, estimates or determinations required by this paragraph 12.6 shall be carried out by the PAC Actuary on behalf of PAC and the PIA Actuary on behalf of PIA as the case may be;
- (H) if PAC and PIA are unable to agree the Transferred Insurance Assets Value or the Required Insurance Assets Value, the matter shall be referred for resolution upon the application of either party to the chief executive officer of each party or, if the matter is still incapable of resolution, a person selected by mutual agreement of the parties or, if no such person is able to act, such person as may be selected by the President for

the time being of the Institute and Faculty of Actuaries in the United Kingdom, acting as expert and not as arbitrator. A determination made in accordance with this paragraph (H) shall (in the absence of manifest error) be binding on the Parties; and

- (l) any amounts owed by either Party pursuant to this paragraph 12.6 may be set off by such Party against amounts (if any) owed by the other Party in respect of the initial premium (as may be adjusted) payable pursuant to the PAC Reinsurance Agreements.

13. TRANSFER OF LIABILITIES

- 13.1 On and with effect from the Transfer Date, the Transferred Liabilities relating to the Transferred Business of PAC Poland shall, by the Order and without any further act or instrument (without prejudice to paragraph 13.5), be transferred to and become liabilities of PIA Poland, subject to all Encumbrances (if any) affecting such Transferred Liabilities, and shall cease to be liabilities of PAC Poland.
- 13.2 On and with effect from the Transfer Date, the Transferred Liabilities relating to the Transferred Business of PAC France, PAC Malta and the ELAS German and Irish Business shall, by the Order and without any further act or instrument, be transferred to and become liabilities of PIA, subject to all Encumbrances (if any) affecting such Transferred Liabilities, and shall cease to be liabilities of PAC.
- 13.3 On and with effect from each Subsequent Transfer Date, each Residual Liability relating to the Transferred Business of PAC Poland to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument (without prejudice to paragraph 13.5), be transferred to and become a liability of PIA Poland in accordance with this Scheme, subject to all Encumbrances (if any) affecting such Residual Liabilities, and shall cease to be a liability of PAC.
- 13.4 On and with effect from each Subsequent Transfer Date, each Residual Liability relating to the Transferred Business of PAC France, PAC Malta and the ELAS German and Irish Business to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to and become a liability of PIA in accordance with this Scheme, subject to all Encumbrances (if any) affecting such Residual Liabilities, and shall cease to be a liability of PAC.
- 13.5 Notwithstanding any other provision of this Scheme, to the extent that the transfer of any Transferred Liability or Residual Liability relating to the Transferred Business of PAC Poland is not recognised as a matter of Polish law, such Transferred Liability or Residual Liability shall also be transferred to and vest in PIA Poland pursuant to a business transfer agreement entered into between PAC and PIA with effect from the Transfer Date.

14. CONTINUITY OF PROCEEDINGS

- 14.1 Subject to paragraph 14.4, any Proceedings which are issued, served, pending, threatened, future or otherwise (including those which are not on or before the Relevant Date issued, served, pending or threatened) in relation to the Transferred Business in respect of which PAC is plaintiff, claimant, applicant, defendant, respondent or other party, and including any

such Proceedings commenced in error against PAC on or after the Transfer Date, shall be continued or (as the case may be) commenced, on and with effect from the Relevant Date, by, against or with PIA. PIA shall be entitled to all defences, claims, counterclaims, defences to counterclaims, settlements, rights of set-off and any other rights that were or would have been available to PAC in relation to such Proceedings.

- 14.2 Any Proceedings which are issued, served, pending, threatened, future or otherwise (including those which are not on or before the Relevant Date issued, served, pending or threatened) by, against or with PAC (including as the plaintiff, claimant, applicant, defendant, respondent or other party) that are not to be continued by, against or with PIA pursuant to paragraph 14.1 shall be continued by, against or with PAC and PAC shall remain entitled to all defences, claims, counterclaims, defences to counterclaims, settlements, rights of set-off and any other rights that were or would have been available to PAC in relation to those Proceedings.
- 14.3 On and with effect from the Relevant Date, any judgment, settlement, order or award which is obtained by or against PAC in respect of the Transferred Business and not fully satisfied before the Relevant Date shall, to the extent to which it was enforceable by or against PAC immediately prior thereto, become enforceable by or against PIA.
- 14.4 In respect of any Proceedings in relation to the Transferred Business which are (a) commenced but not settled before the Transfer Date, or (b) commenced after the Transfer Date in respect of acts or omissions of PAC prior to the Transfer Date, PIA undertakes to comply with:
- (A) the relevant provisions of the Dispute Resolution (“**DISP**”) rules of the FCA Handbook that would apply to the handling of any complaints brought to the UK Financial Ombudsman Service that fall under its jurisdiction as such rules apply on the Transfer Date; and
 - (B) any valid judgment, settlement, order or award (or relevant part thereof) of the UK Financial Ombudsman Service, made under its jurisdiction as set out in DISP 2 of the FCA Handbook,

to the extent that such compliance is compatible with any rules or regulations issued by the CBI that are applicable to PIA.

15. FURTHER PROVISIONS IN RELATION TO THE TRANSFERRED POLICIES AND OTHER AGREEMENTS

- 15.1 PIA shall accept without investigation or requisition such title as PAC shall have (a) at the Transfer Date to each Transferred Asset; and (b) at each Subsequent Transfer Date to each Residual Asset then transferred.
- 15.2 On and with effect from the Relevant Date, PIA shall become entitled, subject to the terms of this Scheme, to all the rights and powers of PAC whatsoever subsisting on the Relevant Date under or by virtue of the Transferred Policies or any other agreement relating to the Transferred Business that PAC is a party to or has the benefit of.

- 15.3 PAC and PIA shall take all such steps, and execute all such documents, as may be necessary or desirable:
- (A) to effect or perfect the transfer to and vesting in PIA of any Transferred Asset or Residual Asset pursuant to this Scheme;
 - (B) to correct any errors in the identity or amount of the assets so transferred; and
 - (C) to effect or perfect the transfer to and assumption by PIA of any Transferred Liability or Residual Liability pursuant to this Scheme.
- 15.4 Without prejudice to the generality of paragraph 15.1, where the benefits of any Transferred Policy are held under the terms of a trust, such terms, together with the terms of any rules applicable to any pension scheme (in the case of any pension scheme under which benefits are referable to a Transferred Policy) shall operate and be construed on and with effect from the Relevant Date on a basis which is consistent with the transfer of such Transferred Policy in accordance with the provisions of this Scheme. For the avoidance of doubt:
- (A) where the consent of PAC is required under any such terms, the consent of PIA shall, on and with effect from the Relevant Date, instead be treated as required; and
 - (B) where a power to appoint trustees under such terms is conferred on PAC that power shall, on and with effect from the Relevant Date, instead be treated as conferred on PIA.
- 15.5 Every person who is a holder of a Transferred Policy or is a party to or has the benefit of any other agreement with PAC relating to the Transferred Business shall, on and with effect from the Relevant Date, become entitled, in succession to and to the exclusion of any rights which he may have had against PAC under the Transferred Policy or any such other agreement relating to the Transferred Business, to the same rights against PIA (subject to the terms of this Scheme) as were available to him against PAC under such Policies or such other agreement relating to the Transferred Business.
- 15.6 Every person who, immediately prior to the Relevant Date, is a party to a Transferred Policy shall, on and with effect from the Relevant Date, in substitution for any liability or obligation (including any liability to pay sums of money) owed by him thereunder to PAC be under the same liability or obligation to PIA.
- 15.7 If any person entitled to do so with respect to a Transferred Policy exercises any right or option granted under the terms of that Policy and either:
- (A) the right or option provides for a new, additional or replacement Policy to be issued; or
 - (B) it is appropriate in the opinion of the PIA Board, having regard to the advice of the PIA Actuary, in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by PIA of a Policy which complies with the terms of such right or option, but (without prejudice to the right of such person to have the right or option satisfied by the issue by PIA of

such a Policy) if PIA is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which the right or option refers, PIA shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by PIA which PIA considers to be the nearest equivalent Policy in accordance with the terms and conditions applicable to Policies of PIA at that time, provided that (i) the PIA Board is satisfied, having obtained appropriate advice, that accepting such alternative policy would not have a material adverse effect on the interests of the relevant person and (ii) the issue of such alternative Policy would not in the opinion of the PIA Board (having regard to appropriate advice) result in a liability or in an increase in liability to taxation of the holder of such Policy (or in the event that such liability or increase in liability would occur PIA shall have the option to indemnify the policyholder in full and to issue another Policy pursuant to this paragraph).

- 15.8 All references in (i) any Transferred Policy, (ii) any other agreement relating to the Transferred Business that PAC is a party to or has the benefit of, (iii) any agreement relating to the Transferred Business that PAC is not a party to or does not have the benefit of or (iv) any other document or instrument or elsewhere relating to the Transferred Business, whether in writing or not, to PAC, the PAC Board, the PAC Actuary or any other officers, employees or agents of PAC shall, on and with effect from the Relevant Date and subject to the terms of this Scheme, be read as references to PIA, the PIA Board, the PIA Actuary or any other officers or employees of PIA or agents of PIA respectively. In particular, but without limitation, all rights and duties exercisable or expressed to be exercisable or responsibility to be performed by PAC, the PAC Board, the PAC Actuary or any other officers, employees or agents of PAC in relation to any of the Transferred Policies, any other agreement relating to the Transferred Business that PAC is a party to or has the benefit of, any agreement that PAC is not a party to or does not have the benefit of or any other document or instrument or elsewhere, whether in writing or not, shall, on and with effect from the Relevant Date, be exercisable or required to be performed by PIA, the PIA Board, the PIA Actuary, or any other officers, employees or agents of PIA, as appropriate.
- 15.9 The transfer of any rights, benefits, liabilities and obligations under or in connection with any Transferred Policy, Transferred Asset, Residual Asset, Transferred Liability or Residual Liability pursuant to this Scheme shall take effect and shall be valid and binding on all parties having any interest in the same notwithstanding any restriction on transferring, assigning or otherwise dealing with the same and such transfer shall be deemed to take effect on the basis that it does not contravene any such restriction and does not give rise to any right of pre-emption, any right to terminate, modify, acquire or claim an interest or right, treat a right as exercised, or to treat an interest or right as terminated or modified.
- 15.10 Without prejudice to paragraph 15.9, neither the transfer of the Transferred Business nor this Scheme nor anything done or omitted to be done in connection with the transfer of the Transferred Business or this Scheme shall, in relation to the Transferred Business whether before or after the Relevant Date:
- (A) invalidate, discharge or result in the termination of any agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title;
 - (B) constitute a breach of or default, event of default, potential event of default, termination event, mandatory prepayment event, enforcement event, perfection event or other similar event or condition (however described) under, or allow any person to

terminate, any agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title;

- (C) require any registration, re-registration or filing or amendment to any existing registration or filing in respect of any agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title;
 - (D) require any person to perform any new or additional obligation or to take any new or additional step or action, including the giving of any notice, the obtaining of any consent, approval or determination, the accession to any agreement, the payment of any fee, cost, expense, interest or other amount, the granting of any new or additional Encumbrance or the transfer of any asset or property;
 - (E) entitle or require any person to exercise any right or remedy, to reduce, suspend, delay, alter or discharge its rights or obligations, to accelerate, terminate, suspend, delay, alter or discharge the performance of any rights or obligations or otherwise to vary, amend, disclaim, repudiate or terminate any agreement, instrument or Encumbrance; or
 - (F) affect the enforceability, priority or ranking of any Encumbrance.
- 15.11 PIA shall on and with effect from the Transfer Date take over from PAC the administration and negotiation of proposals for insurance which would be Transferred Policies if PIA determined to accept them (but whether or not PIA does so determine). PIA shall bear all expenses and liabilities in relation thereto. Nothing contained herein shall oblige PIA to accept any proposal for insurance received by or on behalf of PAC before the Transfer Date but not accepted by PAC by then.
- 15.12 On and with effect from the Transfer Date, the policies comprised in the ELAS German and Irish Business shall no longer constitute part of the Transferring Annuities Bonus Series (as such term is defined in the ELAS Scheme) and PIA shall have no obligation to comply with the principles of financial management set out in Schedule 2 to the ELAS Scheme in respect of such policies. Notwithstanding the foregoing, PAC shall, where applicable, continue to apply the principles of financial management set out in Schedule 2 to the ELAS Scheme to the ELAS German and Irish Business pursuant to and in satisfaction of its obligations under the relevant PAC Reinsurance Agreement as if the policies comprised in the ELAS German and Irish Business remained part of the Transferring Annuities Bonus Series.
- 15.13 On and with effect from the Transfer Date and for so long as the relevant PAC Reinsurance Agreement remains in force:
- (A) PIA will determine annual, final and any other discretionary bonuses in respect of the Transferred Policies and, in respect of the Transferred Policies of PAC France, apply market value reductions in accordance with the bonus rates and methodology for calculating market value reductions notified to it by PAC;
 - (B) in accordance with the relevant PAC Reinsurance Agreement, PAC will determine the applicable bonus rates and methodology for calculating market value reductions referable to the reinsured with-profits business to be notified to PIA in a manner that is

consistent with the terms and conditions of the Transferred Policies (as if they applied directly to PAC) and with the approach it has taken before the Transfer Date in respect of such Transferred Policies and, where PAC makes any changes to the methodologies it uses for calculating bonus rates or market value reductions or takes any other actions referable to the reinsured with-profits business, it shall do so in a manner which is no less favourable (directly or indirectly) to the beneficiaries of such Transferred Policies than would have been the case if the Transferred Policies had continued to be written directly by PAC; and

- (C) PAC and PIA shall not terminate, amend or vary or agree to any termination, amendment or variation to any of the PAC Reinsurance Agreements except in accordance with their respective terms,

and if a PAC Reinsurance Agreement is terminated in accordance with its terms, PIA (on the advice of the PIA Actuary) shall establish an appropriate policy to be applied by PIA for the determination of annual, final and any other discretionary bonuses (and, in respect of the Transferred Policies of PAC France, the application of market value reductions) in respect of the relevant Transferred Policies in a manner which is consistent with the terms and conditions of the relevant Transferred Policies.

16. EXCLUDED POLICIES

16.1 Subject to paragraph 16.3, the Excluded Policies, if any, shall not be transferred to PIA and the liabilities under the Excluded Policies shall remain liabilities of PAC but shall, on and with effect from the Transfer Date, be fully reassured to PIA on the terms set out in paragraph 16.2.

16.2 The reassurance provided for in paragraph 16.1 shall be effected on the following basis:

- (A) all liabilities of PAC attributable to the Excluded Policies and all other amounts paid or payable by PAC in respect of the Excluded Policies shall be reinsured in their entirety by PIA on and with effect from the Transfer Date (or in the case of liabilities arising in respect of any Policy issued by PAC pursuant to paragraph 16.3, on and with effect from the date on which such Policy is issued);
- (B) the liability of PIA on and with effect from the Transfer Date shall be such that the rights, benefits and powers provided to holders of Excluded Policies (including any Policy issued by PAC pursuant to paragraph 16.3) shall, to the extent possible, be the same as the rights, benefits and powers which would have been provided to such holders if the Excluded Policies had been Transferred Policies; and
- (C) the premiums payable by PAC to PIA in connection with the provision of the reassurance described in this paragraph 16 shall be deemed to have been paid to PIA by reason of the transfer of the Transferred Assets to PIA pursuant to this Scheme.

16.3 If any person entitled to do so with respect to an Excluded Policy exercises any right or option granted under the terms of that policy and either:

- (A) the right or option provides for a new, additional or replacement policy to be issued; or

- (B) it is appropriate in the opinion of the PIA Board, having regard to appropriate actuarial advice, in order to comply with that right or option to issue a new policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by PAC of a policy which complies with the terms of such right or option but (without prejudice to the right of such person to have the right or option satisfied by the issue by PAC of such a policy):

- (i) PIA shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) a policy which complies with the terms of such right or option; and
- (ii) if PIA is not at the time of the exercise of such right or option writing policies complying exactly with the policy to which the right or option refers, then PIA shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the policy commonly offered by PIA which PIA considers to be the nearest equivalent policy, in accordance with the terms and conditions applicable to policies of PIA at that time, provided that (i) the PIA Board is satisfied, having obtained appropriate advice, that accepting such alternative policy would not have a material adverse effect on the interests of the relevant person and (ii) the issue of such alternative Policy would not in the opinion of the PIA Board (having regard to appropriate advice) result in a liability or in an increase in liability to taxation of the holder of such Policy (or in the event that such liability or increase in liability would occur, PIA shall have the option to indemnify the Policyholder in full and to issue another Policy pursuant to this paragraph).

16.4 If all consents, permissions or other requirements for the transfer of an Excluded Policy from PAC to PIA are obtained or where not obtained are no longer required:

- (A) such Excluded Policy shall be transferred to PIA, and shall thereafter be treated in all respects, as if it were a Transferred Policy; and
- (B) any liability attributable to such Excluded Policy shall be transferred to PIA, and shall thereafter be treated in all respects, as if it were a Transferred Liability.

16.5 If any Excluded Policy is novated to PIA, the rights and liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to PIA and such Policy shall thereafter be dealt with by PIA under the provisions of this Scheme in all respects as if such Excluded Policy were a Transferred Policy.

17. PREMIUMS, MANDATES, INSTRUCTIONS AND PAYMENTS

17.1 All premiums attributable or referable to a Transferred Policy shall, on and with effect from the Relevant Date, be payable to (and receivable by) PIA.

17.2 Any direct debit mandate, standing order or other instruction in force on the Relevant Date and providing for the payment by a bank or other intermediary of premiums or other amounts

payable to PAC under or in respect of any Transferred Policy or Transferred Asset shall thereafter take effect as if it had provided for and authorised such payment to PIA.

- 17.3 Any mandate or other instruction in force on the Transfer Date as to the manner of payment by PAC of any sum payable under any Transferred Policy shall continue in force as an effective instruction or authority to PIA.

18. DATA

On and with effect from the Relevant Date, PIA shall:

- (A) succeed to all rights, liabilities and obligations of PAC Poland and the Other Territories in respect of any Personal Data which relates to the Transferred Business;
- (B) become the Data Controller of any Personal Data which relates to the Transferred Business in place of PAC and shall be deemed to have been the controller of all such data at all material times when Personal Data was processed; and
- (C) be under the same duty by virtue of any law as PAC was under to respect the confidentiality and privacy of any person in relation to any Personal Data that relates to the Transferred Business and shall be bound by any specific notice or consent given or request made by the Data Subject which was binding on PAC and which required PAC not to use the Personal Data for marketing purposes,

and in any consent given by a Data Subject in respect of such data as is mentioned in this paragraph 18 any reference to PAC shall be deemed to include a reference to PIA.

19. DECLARATION OF TRUST BY PAC

- 19.1 If any asset of PAC Poland or any asset of PAC France, PAC Malta or the ELAS German and Irish Business is not transferred to and vested in PIA Poland or PIA respectively, on the Relevant Date by reason of such asset being a Residual Asset or for any other reason then PAC shall, on and with effect from the Transfer Date (but save to the extent that giving effect to such a trust would require a consent or waiver which has not been obtained or that such a trust would not be recognised by any applicable law or that PAC and PIA agree not to give effect to such a trust for any reason) hold such asset, together with any proceeds of sale or income or other right accrued or return arising in respect thereof, as trustee for PIA.
- 19.2 Unless otherwise agreed by PAC and PIA, PAC shall be subject to directions from PIA in respect of any asset referred to in paragraph 19.1 on and with effect from the Transfer Date until the relevant property is transferred to or otherwise vested in PIA or is disposed of (whereupon PAC shall account to PIA for the proceeds of the sale thereof), and PIA shall have authority to act as the attorney of PAC in respect of such property.
- 19.3 Unless otherwise agreed by PAC and PIA, in the event of any payment being made to, property being received by or right being conferred upon PAC after the Transfer Date in respect of the Transferred Business (including any asset referred to in paragraph 19.1), PAC shall, as soon as reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such property or right to, or in

accordance with the directions of, PIA and PIA shall indemnify PAC on demand against any costs incurred in making any such payment or transfer.

20. INDEMNITIES

- 20.1 Subject to paragraph 20.2, on and with effect from the Transfer Date, PIA shall discharge on PAC's behalf or, failing that, shall indemnify PAC against charges, costs, liabilities and claims arising in respect of all Transferred Liabilities and Residual Liabilities which are not, or are not capable of being, transferred by this Scheme until the relevant liability is transferred to or becomes a liability of PIA.
- 20.2 Unless otherwise agreed by PAC and PIA, PIA shall not indemnify PAC against and shall not be obliged to discharge PAC from:
- (A) any liability of PAC to the extent that PAC is entitled to recover the same from any person (including by way of insurance); or
 - (B) any liability which would fall on PAC by virtue of paragraph 20.4.
- 20.3 PIA shall discharge on PAC's behalf or indemnify PAC against any costs and/or expenses which it may incur in pursuing any claim against any such person as is referred to in paragraph 20.2(A) (including under any applicable contract of insurance). Subject thereto, PAC shall take such steps as PIA shall require in order to pursue the rights it may have against any such person (including under any applicable contract of insurance). PIA shall be entitled to have conduct of all litigation or other proceedings in respect of any such claim (including taking such action in the name of and on behalf of PAC as PIA shall determine). In that connection, PAC shall give all such assistance as PIA may require in conducting any such proceedings.
- 20.4 Subject to paragraph 20.5, PAC shall indemnify PIA against all liabilities, losses, claims and expenses in respect of the Transferred Business, the Transferred Assets, the Residual Assets, the Transferred Liabilities and the Residual Liabilities to the extent they are otherwise recoverable by PAC from any person.
- 20.5 The indemnity in paragraph 20.4 shall be limited to such amounts as PAC shall recover pursuant to the rights it may have against any person (including under any applicable contract of insurance).
- 20.6 If, despite its terms, this Scheme has the effect of transferring any ELAS Mis-selling Liabilities from PAC to PIA, PAC shall indemnify PIA for any loss, liability or expense, other than any salary or internal administrative expense of PIA, which PIA suffers in consequence of such ELAS Mis-selling Liabilities to the extent that such loss, liability or expense could not have been avoided or reduced by PIA by:
- (A) referring the matter to PAC in accordance with paragraph 20.7; and
 - (B) otherwise using reasonable endeavours to mitigate or reduce the loss, liability or expense.

20.7 On becoming aware that this Scheme has the effect of transferring any ELAS Mis-selling Liabilities from PAC to PIA, PIA shall promptly notify PAC and:

- (A) subject to applicable law and regulatory requirements, and subject to informing the policyholder and any other interested person (including the CBI) of the arrangements to be made under this paragraph 20.7, PIA shall permit PAC to conduct any proceedings and handle any correspondence arising in respect of such ELAS Mis-selling Liabilities;
- (B) PIA shall provide all assistance reasonably requested by PAC to enable PAC to conduct any such proceedings and to handle any such correspondence, including without limitation allowing PAC to have during office hours access to any records in its possession relating to the ELAS Mis-selling Liabilities or to any policy in connection with which it has arisen; and
- (C) PIA shall not compromise or settle or make any admission of liability (on its own part or on the part of PAC) in respect of such ELAS Mis-selling Liabilities without the prior written consent of PAC.

PART D: MISCELLANEOUS

21. TRANSFER DATE

21.1 This Scheme shall become effective at 00.01 hrs (GMT) (01:01 hrs (CET)) on [1 January] 2019 or such other time and date as may be agreed by the Parties and specified in the Order sanctioning the Scheme.

21.2 Unless this Scheme shall become effective in its entirety on or before [1 March] 2019, or such later date and/or time as the Court may allow upon the application of the Parties, it shall lapse.

22. COSTS AND EXPENSES

Except as otherwise agreed in writing (including any existing agreement between PAC and PIA), the costs and expenses in relation to the preparation and carrying into effect of this Scheme shall be allocated as follows:

- (A) the costs and expenses in relation to the preparation and carrying into effect of the transfer of the Transferred Policies of PAC Poland shall be allocated to PAC Poland and divided between the PAC With-Profits Sub-Fund and the PAC Non-Profit Sub-Fund in proportion to an estimate of PAC's with-profits and non-profit sales volumes. Such amounts that are allocated to the PAC With-Profits Sub-Fund shall subsequently be recovered by the PAC With-Profits Sub-Fund from the asset shares of, or (by virtue of the PAC Reinsurance Agreement relating to PAC Poland) attributable to, Transferred Policies of PAC Poland and new policies of PIA Poland that are with-profits policies;
- (B) the costs and expenses in relation to the preparation and carrying into effect of the transfer of the Transferred Policies of PAC France, PAC Malta and the ELAS German and Irish Business shall be allocated to the PAC Non-Profit Sub-Fund; and
- (C) the costs and expenses in relation to the establishment of PIA Poland shall be divided between PIA and PIA Poland, with the costs and expenses allocated to PIA Poland subsequently being divided between PIA and the PAC With-Profits Sub-Fund in proportion to an estimate of PAC's with-profits and non-profit sales volumes. Such amounts that are allocated to the PAC With-Profits Sub-Fund shall subsequently be recovered by the PAC With-Profits Sub-Fund from the asset shares of, or (by virtue of the PAC Reinsurance Agreement relating to PAC Poland) attributable to, Transferred Policies of PAC Poland and new policies of PIA Poland that are with-profits policies.

23. MODIFICATIONS OR ADDITIONS

23.1 The Parties may consent for and on behalf of themselves and all other persons concerned to any modification of or addition to this Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose.

23.2 Subject to paragraph 23.3, at any time after the sanction of this Scheme PIA shall be at liberty to apply to the Court for consent to amend its terms, provided that in any such case:

- (A) the CBI, the PRA and the FCA shall be given at least one month's notice of and have the right to be heard at any hearing of the Court at which such application is considered; and
- (B) such application shall be accompanied by a certificate from an independent actuary to the effect that in his opinion the proposed amendment will not materially adversely affect the interests (including the security or benefit expectations) of the policyholders of PIA (including the former PAC policyholders) or the policyholders of PAC,

and if such consent is granted, PIA may amend the terms of this Scheme in accordance with such consent.

- 23.3 At any time after the sanction of this Scheme, the consent of the Court shall not be required in relation to any amendment to the terms of the Scheme considered by PIA to be minor and/or technical (including any amendment to correct manifest errors), provided that the CBI, the PRA and the FCA have been notified of the same and have indicated that they do not object thereto.

24. EVIDENCE

- 24.1 The production of a copy of the Order and of this Scheme, with any modifications made under paragraph 23, for all purposes shall be conclusive evidence of the transfer to, and vesting in, PIA of the Transferred Business.
- 24.2 All books and other documents which would, before the applicable Relevant Date, have been evidence in respect of any matter for or against PAC at the Relevant Date shall be admissible in evidence in respect of the same matter for or against PIA on or after the Relevant Date. In this paragraph "documents" has the same meaning as in section 13 of the Civil Evidence Act 1995.

25. THIRD PARTY RIGHTS

- 25.1 Subject to paragraph 25.2, a person who is not a party to this Scheme may not enforce any term of this Scheme whether pursuant to the Contracts (Rights of Third Parties) Act 1999 or otherwise.
- 25.2 Policyholders of the Transferred Policies may enforce the provisions of paragraph 14.4 of this Scheme against PIA. Neither PAC nor PIA shall require the consent of any such policyholders to amend this Scheme pursuant to paragraph 23.

26. FUTURE OPERATION OF PIA

Nothing in this Scheme shall at any time prevent PIA from undertaking new long-term insurance business, from establishing and maintaining sub-funds or from terminating, merging, dividing or otherwise varying any sub-funds, in each case to the extent permitted by applicable law and regulation and without prejudice to the rights of the holders of Transferred Policies in law or regulation.

27. GOVERNING LAW

This Scheme shall be governed by and interpreted in accordance with English law.

Dated: [•] 2018

SCHEDULE

Transferred Policies

Jurisdiction	Policy Type	Policy Detail
Poland	With-Profit	With-profit Endowment products
	Non-Profit	Protection term life product A range of optional riders attached to Endowment products and Protection term life product Affinity protection products and other short term protection products
France	With-Profit Bonds	Predominantly invested in the with-profits Prudential Euro Fund (PEF), but the funds may also invest in non-profit unit linked funds with Carmignac and/or Vega Monde Flexible (originally Vega Reactif).
Malta	With-Profit	With-profit whole of life policies
	Non-Profit	Non-profit whole of life policies
Germany and Ireland (ELAS Business)	Purchase Life Annuity	A Purchased Life Annuity (PLA) provides, in exchange for a lump sum, a guaranteed income for life.
	Retirement Annuity Contract	Retirement Annuity Contracts (RACs) are a type of pension scheme that were available to the self-employed, or workers not offered a workplace pension before July 1988.