



(incorporated with limited liability in England and Wales with company no. 04947166)

£200,000,000

4.750 per cent. Subordinated Tier 2 Notes due 2032

Issue price: 99.477 per cent.

The £200,000,000 4.750 per cent. Subordinated Tier 2 Notes due 2032 (the “**Notes**”) will be issued by Chesnara plc (the “**Issuer**”) on 4 February 2022 (the “**Issue Date**”). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of an Issuer Winding-Up, be subordinated to the claims of all Senior Creditors of the Issuer. The Notes will be issued on the Term and Conditions set out under “*Terms and Conditions of the Notes*” (the “**Conditions**”, and references to a numbered “**Condition**” should be read accordingly). Defined terms used herein and not otherwise defined have the meaning given to them in the Conditions.

The Notes will bear interest from (and including) the Issue Date at the rate of 4.750 per cent. per annum, payable (subject to deferral as provided below) in equal instalments semi-annually in arrear on 4 February and 4 August in each year, commencing on 4 August 2022.

Payments of interest on the Notes must be deferred by the Issuer (i) on each Mandatory Interest Deferral Date (save as otherwise permitted by the Relevant Regulator in accordance with Condition 5.2) or (ii) if such payment could not be made in compliance with the Issuer Solvency Condition, all as further provided in Conditions 3.3 and 5. Any interest which is deferred by the Issuer pursuant to Condition 3.3 or Condition 5.1 will, together with any other interest not paid on any earlier Interest Payment Dates, to the extent and for so long as it remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 5.5.

The Notes will (unless previously redeemed or purchased and cancelled in accordance with the Conditions, and subject to compliance with the Regulatory Capital Requirements and deferral as provided below) be redeemed on 4 August 2032 (the “**Maturity Date**”), and may be redeemed (subject to compliance with the Regulatory Capital Requirements and deferral as provided below) at the option of the Issuer prior to such date: (i) on any day falling in the period commencing on (and including) 4 February 2032 and ending on (but excluding) the Maturity Date; or (ii) at any time (a) in the event of certain changes in the tax treatment applicable to the Notes, (b) in the event of (or if there will occur within six months) a Capital Disqualification Event, (c) in the event of (or if there will occur within six months) a Ratings Methodology Event, or (d) if 80 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased and cancelled. See Condition 7 for further information.

The redemption of the Notes on the Maturity Date or any other date set for redemption of the Notes in accordance with the Conditions shall be deferred by the Issuer if (a) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing on such date, or would occur if the Notes were to be redeemed, (b) the Notes could not be redeemed in compliance with the Issuer Solvency Condition, (c) the Relevant Regulator does not consent to the redemption (to the extent required by the Relevant Regulator or the Relevant Rules) or (d) the redemption would otherwise breach the provisions of the Relevant Rules applicable to obligations eligible to qualify as Tier 2 Capital. See Condition 7 for further information.

The Issuer may, alternatively, in the event of a Capital Disqualification Event or a Ratings Methodology Event, or in the event of certain changes in the tax treatment applicable to the Notes, and subject to compliance with the Regulatory Clearance Condition and the Relevant Rules, vary or substitute the Notes, all as further described in Condition 7.

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

Potential investors should read the whole of this Offering Memorandum, in particular the “Risk Factors” set out on pages 19 to 38.

The Notes are expected to be assigned a rating of ‘BBB-’ by Fitch Ratings Limited (“**Fitch**”). Fitch is established in the United Kingdom (the “**UK**”) and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK CRA Regulation**”), and, as at the date of this Offering Memorandum, appears on the latest update of the list of registered credit rating agencies on the website of the Financial Conduct Authority (the “**FCA**”) at <https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>. The rating that Fitch has given to the Notes is expected to be endorsed by Fitch Ratings Ireland Limited, which is established in the European Economic Area (the “**EEA**”) and registered under Regulation (EC) No 1060/2009, as amended (the “**EU CRA Regulation**”) and, as at the date of this Offering Memorandum, appears on the list of registered credit rating agencies on the European Securities and Markets Authority (“**ESMA**”) website at <http://www.esma.europa.eu>.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Sole Lead Manager
Morgan Stanley

PRODUCT GOVERNANCE / PROHIBITION OF SALES TO RETAIL INVESTORS

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY

TARGET MARKET: Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO UK RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK retail investor in the United Kingdom (the "**UK**"). For these purposes, a "**UK retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to UK retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRIIPS REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA retail investor in the European Economic Area ("**EEA**"). For these purposes, an "**EEA retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MiFID II**"); or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to EEA retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all

relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IMPORTANT INFORMATION

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

Any information contained in this Offering Memorandum which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person is or has been authorised to give any information or to make any representation other than those contained in or consistent with this Offering Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Sole Lead Manager or the Trustee. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group (as defined herein) since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or that any other information supplied in connection with the Notes is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Sole Lead Manager and the Trustee have not separately verified the information contained in this Offering Memorandum. Neither the Sole Lead Manager nor the Trustee make any representation, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Notes. The Sole Lead Manager and the Trustee shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in, this Offering Memorandum, the Notes, or any other agreement or document relating to the Notes, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Sole Lead Manager or the Trustee that any recipient of this Offering Memorandum or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Sole Lead Manager nor the Trustee undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the Notes nor to advise any investor or potential investor in the Notes of any information coming to their attention.

Neither this Offering Memorandum nor any other information provided by the Issuer in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer, the Sole Lead Manager or the Trustee to subscribe for, or purchase, any of the Notes. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of Notes may

be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Sole Lead Manager do not represent that this Offering Memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Sole Lead Manager which is intended to permit a public offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and the Sole Lead Manager or any affiliate of the Sole Lead Manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the Sole Lead Manager or such affiliate, as the case may be, on behalf of the Issuer in such jurisdiction. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Notes in the United States, the UK, the EEA, Switzerland, Hong Kong, Japan and Singapore (see “*Subscription and Sale*” below). Persons in receipt of this Offering Memorandum are required by the Issuer, the Trustee and the Sole Lead Manager to inform themselves about and to observe any such restrictions.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may only be offered or sold in accordance with Regulation S under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States, its territories or possession (see “*Subscription and Sale*” below).

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

PRESENTATION OF FINANCIAL INFORMATION

The Issuer’s financial year ends on 31 December, and references in this Offering Memorandum to any specific financial year of the Issuer or the Group are to the 12-month period ended on 31 December of such year. The Issuer’s financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the European Union.

In this Offering Memorandum, unless otherwise specified, references to:

- “**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” are to the lawful currency of the United Kingdom;
- “**EUR**”, “**euro**” or “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- “**dollar**” or “**\$**” are to the lawful currency of the United States of America; and

- “**k**” is used to denote thousands, “**m**” is used to denote millions and “**bn**” is used to denote billions.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes certain “forward-looking statements”. Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer and its subsidiaries (the “**Group**”) and their respective directors or management, are forward-looking statements. Words such as “believes”, “anticipates”, “estimates”, “expects”, “intends”, “plans”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer or the Group and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer or the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the Group and the environment in which the Issuer and the Group will operate in the future. These forward-looking statements speak only as at the date of this Offering Memorandum.

Except as required by applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Offering Memorandum to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

STABILISATION

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

Table of Contents

Documents Incorporated by Reference	9
Overview of the Principal Features of the Notes	11
Risk Factors	19
Terms and Conditions of the Notes	39
Overview of the provisions relating to the Notes whilst in Global Form	71
Use of Proceeds	75
Description of the Issuer and the Group	76
Regulation of the Issuer and the Group	103
Taxation	134
Subscription and Sale	136
General Information	140

Documents Incorporated by Reference

This Offering Memorandum should be read and construed in conjunction with:

- (i) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2020, together with the audit report thereon and the notes thereto (the “**2020 Financial Statements**”), which appear at the following pages of the Issuer’s Annual Report & Accounts 2020:

Independent Auditor’s Report	Pages 110 to 117
Consolidated Statement of Comprehensive Income	Page 118
Consolidated Balance Sheet	Page 119
Consolidated Statement of Cash Flows	Page 121
Consolidated Statement of Changes in Equity	Page 123
Notes to the Consolidated Financial Statements	Pages 124 to 201
Alternative Performance Measures	Pages 211 to 212

- (ii) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2019, together with the audit report thereon and the notes thereto (the “**2019 Financial Statements**”), which appear at the following pages of the Issuer’s Annual Report & Accounts 2019:

Independent Auditor’s Report	Pages 106 to 113
Consolidated Statement of Comprehensive Income	Page 114
Consolidated Balance Sheet	Page 115
Consolidated Statement of Cash Flows	Page 117
Consolidated Statement of Changes in Equity	Page 119
Notes to the Consolidated Financial Statements	Pages 120 to 195

- (iii) the unaudited condensed consolidated financial statements of the Issuer for the six months ended 30 June 2021, which appear at the following pages of the Issuer’s Half Year report for the 6 months ended 30 June 2021 (the “**H1 2021 Financial Statements**”):

Independent Auditor’s Review Report	Page 39
Condensed Consolidated Statement of Comprehensive Income	Page 40
Condensed Consolidated Balance Sheet	Page 41
Condensed Consolidated Statement of Cash Flows	Page 42
Condensed Consolidated Statement of Changes in Equity	Page 43
Notes to the Condensed Consolidated Financial Statements	Pages 44 to 53

(iv) the solvency and financial condition report for the Issuer as at 31 December 2020 (the “**2020 SFCR**”),

((i) to (iv) above collectively, the “**Group Financial Information**”) which, in each case, have been previously published and which have been filed with Euronext Dublin.

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

Copies of documents incorporated by reference in this Offering Memorandum can be obtained from the specified offices of Citibank, N.A., London Branch for the time being in London, and are also available on the website of Euronext Dublin at: <https://live.euronext.com/>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum.

Overview of the Principal Features of the Notes

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

Issue	£200,000,000 4.750 per cent. Subordinated Tier 2 Notes due 2032
Issuer	Chesnara plc
Legal Entity Identifier (LEI)	213800VFRMBRTSZ3SJ06
Status and Subordination	<p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves. The rights and claims of the Noteholders against the Issuer will be subordinated in an Issuer Winding-Up as described in Condition 3.2.</p>
Issuer Solvency Condition	<p>Other than in an Issuer Winding-Up, all payments by the Issuer to the Noteholders under or arising from the Notes and the Trust Deed shall be conditional upon the Issuer being solvent (as that term is defined in Condition 3.3) at the time for payment by the Issuer, and no amount shall be payable by the Issuer to the Noteholders under or arising from the Notes and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter. See Condition 3.3 (the “Issuer Solvency Condition”).</p> <p>For the avoidance of doubt, nothing in Condition 3.2 or Condition 3.3 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof which shall in all cases not be subordinated.</p>
No set-off	<p>By acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived any right of set-off or counterclaim that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes or the Trust Deed.</p>
Interest	<p>The Notes will bear interest from (and including) the Issue Date at a fixed rate of 4.750 per cent. per annum, payable (subject as provided under “<i>Deferral of Interest</i>” below) in equal instalments semi-annually in arrear on 4 February and 4 August in each year, commencing on 4 August 2022 (each an “Interest Payment Date”).</p> <p>Subject to deferral as aforesaid, the first payment of interest shall be in respect of the period from (and including) the Issue Date to (but excluding) 4 August 2022 and, thereafter, for each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.</p>

Deferral of Interest The Issuer will (save as otherwise permitted by the Relevant Regulator pursuant to Condition 5.2) be required to defer any payment of interest on the Notes in full on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were to be made on such Interest Payment Date) or if such payment could not be made in compliance with the Issuer Solvency Condition.

The deferral of interest as described above will not constitute a default under the Notes for any purpose.

Arrears of Interest Any interest which is deferred by the Issuer will, together with any other interest not paid on any earlier Interest Payment Dates, to the extent and so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest, and will be payable by the Issuer as provided in Condition 5.5.

Redemption at Maturity Unless previously redeemed or purchased and cancelled, the Issuer will, subject to Conditions 7.2 and 7.10, redeem the Notes on 4 August 2032 at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) such date.

Redemption at the option of the Issuer Subject to Conditions 7.2(a) and 7.10, the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and the Noteholders redeem all (but not some only) of the Notes, on any day falling in the period commencing on (and including) 4 February 2032 and ending on (but excluding) the Maturity Date at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption.

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

If:

- (a) as a result of any change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, any change in the application or official interpretation thereof, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations, that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which have the characteristics of Tier 2 Capital under the rules applicable at issuance) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective or, in the case of a change or proposed change in United Kingdom law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament

or by Statutory Instrument, on or after the Reference Date (each a “**Tax Law Change**”):

- (i) the Issuer has paid, or on the next Interest Payment Date would be required to pay, additional amounts on the Notes as provided in Condition 8; or
 - (ii) in respect of the Issuer’s obligation to make any payment of interest in respect thereof:
 - (1) the Issuer would not be entitled to claim a deduction in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; or
 - (2) the Issuer would not to any material extent be entitled to have any loss or deductions set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or
 - (iii) the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction; and
- (b) in any such case, the effect of the foregoing cannot be avoided by the Issuer taking measures reasonably available to it,

the Issuer may, in accordance with Condition 7.4 (and subject to Condition 7.10 and “*Preconditions to redemption, variation, substitution and purchases*” below), upon notice to Noteholders either:

- (a) (subject as provided in Condition 7.2 and under “*Deferral of Redemption*” below) redeem all (but not some only) of the Notes at any time at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (b) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 2 Securities,

all as more particularly described in Condition 7.4.

Redemption, substitution or variation at the option of the Issuer upon a Capital

If a Capital Disqualification Event has occurred and is continuing or, as a result of any change in, or amendment to, or any change in the application or official interpretation of, any applicable law, regulation or other official publication, a Capital Disqualification Event will occur within a period of six months, the Issuer may at any time upon notice to

Disqualification Event	<p>Noteholders, in accordance with Condition 7.5 (and subject to Condition 7.10 and “<i>Preconditions to redemption, variation, substitution and purchases</i>” below), either:</p> <p>(a) (subject as provided in Condition 7.2 and under “<i>Deferral of Redemption</i>” below) redeem all (but not some only) of the Notes at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or</p> <p>(b) substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 2 Securities,</p> <p>all as more particularly described in Condition 7.5.</p>
Redemption, substitution or variation at the option of the Issuer upon a Ratings Methodology Event	<p>If a Ratings Methodology Event has occurred and is continuing or, as a result of any change in or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology by the Rating Agency), a Ratings Methodology Event will occur within a period of six months, the Issuer may at any time upon notice to Noteholders, in accordance with Condition 7.6 (and subject to Condition 7.10 - and “<i>Preconditions to redemption, variation, substitution and purchases</i>” below), either:</p> <p>(a) (subject as provided in Condition 7.2 and under “<i>Deferral of Redemption</i>” below) redeem all (but not some only) of the Notes at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or</p> <p>(b) substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Notes,</p> <p>all as more particularly described in Condition 7.6.</p>
Clean-up redemption at the option of the Issuer	<p>Subject to Conditions 7.2(a) and 7.10, if, at any time after the Issue Date, 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued will be deemed to have been originally issued) has been purchased and cancelled, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders) redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption.</p>
Deferral of Redemption	<p>Save as otherwise permitted by the Relevant Regulator pursuant to Condition 7.2(b), no Notes shall be redeemed by the Issuer on the Maturity Date or on any other date set for redemption pursuant to Conditions 7.4, 7.5, 7.6, 7.7 or 7.8 if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were to be redeemed, (ii) the Relevant Regulator does</p>

not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), (iii) redemption would otherwise breach the provisions of the Relevant Rules which apply to obligations eligible to qualify as Tier 2 Capital or (iv) if repayment of the Notes cannot be made in compliance with the Issuer Solvency Condition and with all Regulatory Capital Requirements applicable to the Issuer.

If redemption of the Notes is deferred, the Issuer will redeem the Notes as provided in Condition 7.2.

The deferral of the redemption of the Notes as described above will not constitute a default under the Notes for any purpose.

Preconditions to redemption, variation, substitution and purchases

Prior to publishing any notice (a) that the Issuer intends to redeem the Notes before the Maturity Date or (b) of any proposed substitution, variation or purchase of the Notes, the Issuer will be required to have complied with the Regulatory Clearance Condition with respect to such redemption, variation, substitution or purchase and be in continued compliance with Regulatory Capital Requirements (but without prejudice to Condition 7.2(b)), and such redemption, substitution, variation or purchase must comply with the Relevant Rules applicable at the time.

The Issuer shall not redeem any Notes or purchase any Notes unless at the time of such redemption, payment or purchase (i) it is, and will immediately thereafter remain, solvent (as such term is defined in Condition 3.3) and (ii) it is, and will immediately thereafter remain, in compliance with all Regulatory Capital Requirements applicable to it (but without prejudice to Condition 7.2(b)).

In addition, in the case of any redemption prior to the Maturity Date pursuant to Conditions 7.4, 7.5, 7.6, 7.7 or 7.8 and any purchase pursuant to Condition 7.12, such redemption and purchase will only be made (i) in compliance with the Relevant Rules and (ii) if a redemption or purchase is to occur within five years following the Reference Date (and if the Relevant Rules so require at the relevant time):

- (a) on the condition that the Notes are exchanged for, or redeemed out of the proceeds of a new issue of, capital of the same or higher quality; or
- (b) in the case of a redemption pursuant to Condition 7.4 or 7.5, if the Issuer has demonstrated to the satisfaction of the Relevant Regulator (such satisfaction to be conclusively evidenced by satisfaction of the Regulatory Clearance Condition in respect of such redemption) that:
 - (1) the Solvency Capital Requirement of the Issuer and/or the Insurance Group (as applicable), immediately after the redemption, will be exceeded by an appropriate margin, taking into account its solvency position and its medium-term capital management plan; and

- (2) either (x) (in the case of a redemption pursuant to Condition 7.4) the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date, or (y) (in the case of a redemption pursuant to Condition 7.5) the relevant change in the regulatory classification of the Notes is sufficiently certain and was not reasonably foreseeable as at the Reference Date,

in each case as more particularly described in Condition 7.10, and subject as the Relevant Rules may otherwise require at the time.

Withholding tax and additional amounts

All payments of principal, interest (including, without limitation, Arrears of Interest) and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction (currently, the United Kingdom) unless the withholding or deduction of the Taxes is required by law. In that case, the Issuer will pay such additional amounts in respect of payments of interest (including, without limitation, payments of Arrears of Interest), but not in respect of any payments of principal or other amounts, as may be necessary in order that the net payment received by each Noteholder in respect of interest payments on the Notes, after such withholding or deduction, will equal the amount which would have been received in the absence of any such withholding or deduction, subject to customary exceptions as set out in Condition 8.

Events of Default

If:

- (a) default is made by the Issuer for a period of 14 days or more in the payment of any interest (including, without limitation, any Arrears of Interest) or principal due in respect of the Notes or any of them; or
- (b) an Issuer Winding-Up occurs,

the Trustee on behalf of the Noteholders may at its discretion (and, subject to certain conditions, if so directed by the Noteholders shall) in the case of (a) above, institute proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere) and prove in the winding-up, and/or, in the case of (b) above, prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer (whether in England and Wales or elsewhere), but (in either case) may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

Upon the occurrence of an Issuer Winding-Up, the Trustee may at its discretion (and, subject to certain conditions, if so directed by the Noteholders shall) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and payable by the

Issuer at an amount equal to their principal amount together with any Arrears of Interest and any other accrued and unpaid interest and, if applicable, any damages awarded for breach of any obligations under the Notes or the Trust Deed.

Substitution of obligor and transfer of business

The Conditions permit the Trustee to agree to the substitution in place of the Issuer of a Substitute Obligor in the circumstances described in Condition 13 without the consent of Noteholders.

Form

The Notes will be issued in registered form and represented upon issue by a registered global certificate (the “**Global Certificate**”) which will be registered in the name of a nominee for a common depositary (the “**Common Depositary**”) for Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and Euroclear Bank SA/NV (“**Euroclear**”) on or about the Issue Date.

Save in limited circumstances, Notes in definitive form will not be issued in exchange for interests in the Global Certificate.

Denomination

The Notes will be issued in denominations of £100,000 each and integral multiples of £1,000 in excess thereof.

Meetings and resolutions of Noteholders

The Conditions contain provisions for calling meetings (which need not be a physical meeting and instead may be by way of conference call, including by use of a videoconference platform, or a combination of such methods) of Noteholders to consider matters affecting their interests generally, and also allow for resolutions of the Noteholders to be passed by way of written resolution. Whilst the Notes are in global form, the Trust Deed contains provisions for resolutions of the Noteholders to be passed by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s).

These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or who did not vote on the relevant resolution, as applicable, and Noteholders who voted in a manner contrary to the majority.

Listing

Application has been made for the Notes to be admitted to the official list of Euronext Dublin and for the Notes to be admitted to trading on the GEM of Euronext Dublin. The GEM is not a regulated market for the purposes of MiFID II.

Ratings

The Notes are expected to be assigned a rating of ‘BBB-’ by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Governing Law

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

Sole Lead Manager

Morgan Stanley & Co. International plc

Trustee	Citicorp Trustee Company Limited
Principal Paying Agent	Citibank, N.A., London Branch
Registrar	Citibank Europe Plc
Transfer Agent	Citibank Europe Plc
Selling Restrictions	<p>Customary selling restrictions in the United States, the UK, the EEA, Switzerland, Hong Kong, Japan and Singapore.</p> <p>Regulation S Category 1. TEFRA not applicable.</p>
Clearing Systems	Euroclear and Clearstream, Luxembourg
UK MiFIR Product Governance	<p>Solely for the purposes of the manufacturer's product approval processes, the manufacturer has concluded that: (i) the target market for the Notes is eligible counterparties and professional clients only; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.</p>
UK/EU PRIIPs Regulation	<p>No PRIIPs Regulation KID or UK PRIIPs Regulation KID has been prepared as the Notes are not available to retail investors in the EEA or the UK.</p>
Use of Proceeds	<p>The net proceeds from the issue will be utilised by the Issuer for its general corporate purposes, including investments and acquisitions.</p>
ISIN	XS2434439548
Common Code	243443954
CFI/FISN	<p>See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.</p>

Risk Factors

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

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

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

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

Defined terms used in the following risk factors, unless otherwise stated, have the meaning given to them in the Conditions set out below in the section of this Offering Memorandum entitled "Terms and Conditions of the Notes".

1. RISKS RELATING TO THE ISSUER AND THE GROUP THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE NOTES

Adverse movements in yields on fixed interest securities could result in a mismatch between the portfolios of fixed interest securities and certain insurance contract liabilities

The Group maintains portfolios of fixed interest securities (i) in order to match its insurance contract liabilities in terms of yield and cash flow characteristics, and (ii) as an integral part of the investment funds it manages on behalf of policyholders and investors. The Group is exposed to the risk of mismatch losses arising from either a failure to match insurance contract liabilities or from the fact that sharp and discrete fixed interest yield movements may not be associated fully and immediately with corresponding changes in actuarial valuation interest rates. The key financial risk in the long term is that proceeds from the Group's financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts, especially those with guaranteed returns. If such risks materialise, they may have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Counterparty failures could subject the Group to losses which cannot be recovered

The Group carries significant inherent risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to counterparty risk are:

- reinsurers' share of insurance liabilities;
- amounts deposited with reinsurers in relation to investment contracts;
- amounts due from reinsurers in respect of claims already paid; and
- counterparty risk with respect to its fixed interest security portfolio.

Such failures could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute its mergers and acquisitions ("M&A") strategy and future acquisitions and disposals, which could have an adverse effect on the Group

The Group's strategy includes the acquisition of life fund companies and portfolios in order to offset the natural decline inherent in a largely closed book business as well as to grow the business and create additional value from scale advantages.

The Group's ability to acquire, or invest in, life fund companies and portfolios (either with or without partners) will depend upon a number of factors, including its ability to identify suitable acquisition opportunities in target or otherwise acceptable jurisdictions, its ability to consummate acquisitions on favourable terms, any adverse impact of acquisitions on the Group's Solvency ratio being within the Group's risk appetite and the Group's ability to obtain financing to make acquisitions and support growth. Additionally the Group's ability to obtain required regulatory consents from relevant regulatory authorities for acquisitions, disposals and insurance business transfers under Part VII of FSMA will depend on, amongst other things, the financial condition of the Group, the financial implications of any acquisition on the Group, the impact of such implications on new and existing policyholders and wider risks to policyholder security as a result of the financial condition of the Group.

There are other life fund consolidators as well as a number of other potential purchasers, including other insurance companies, banks, hedge funds and private equity firms, which may result in increased competition (and therefore prices paid) for acquisitions of closed life companies. External factors which influence sector participants' decisions to seek to dispose of their insurance interests could also impact the Group's ability to make acquisitions. Accordingly, there can be no assurances as to the availability or timing of potential future acquisitions.

In connection with any future acquisitions, the Group may experience unforeseen difficulties as it integrates the acquired companies and portfolios into its existing operations. These difficulties may require significant management attention and financial resources. There may also be a failure to achieve expected synergies and other benefits.

If the Group is unable to acquire additional life fund companies and portfolios in line with its strategy in the medium to long term or successfully meet the challenges associated with any future acquisitions or disposals, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

Significant and prolonged falls in equity or fixed interest asset values could adversely impact the Group's profitability

Market risk results from fluctuations in asset values and interest rates and has the potential to affect the Group's ability to fund its commitments to customers and other creditors, as well as pay a return to shareholders.

The Issuer and each of its subsidiaries have obligations to make future payments, which are not always known with certainty in terms of timing or amounts, prior to the payment date. This includes primarily the payment of policyholder claims, reinsurance premiums, debt repayments and dividends. The uncertainty of timing and amounts to be paid gives rise to potential liquidity risk, should the funds not be available to make payment.

Other liquidity issues could arise from counterparty failures/credit defaults, a large spike in the level of claims or other significant unexpected expenses.

Worldwide developments in Environmental, Social, and Governance (“**ESG**”) responsibilities and reporting have the potential to influence market risk in particular, for example the risks arising from transition to a carbon neutral industry, with corresponding changes in consumer preferences and behaviour. See “*Climate change may have an adverse impact on the Group*” below for further information.

For these reasons, significant and prolonged falls in equity or fixed interest asset values could adversely impact the Group’s prospects and financial condition.

Expense overruns and unsustainable unit cost growth could impact the Group’s profitability

The effective management of expenses in closed life insurance business and the effective pricing of products in respect of open life insurance business are both critical to the Group. Through its closed book UK and Dutch businesses, the Group is exposed to the impact of fixed and semi-fixed expenses, in conjunction with a potentially diminishing policy base (absent further acquisitions), on profitability. The Group’s open life insurance businesses, Movestic and Scildon, are both exposed to the impact of expense levels varying adversely from those assumed in product pricing.

Any significant cost increases against fixed and semi-fixed expenses in the closed life business or adverse variations between actual expenses and those estimated at product pricing in the open life business will expose the Group to losses that could have a material adverse effect on their business, prospects, financial condition and results of operations.

Adverse persistency could subject the Group to loss of contracts and decrease profitability

Persistency risk is the risk that the policyholder cancels the contract or discontinues paying new premiums into the contract, thereby exposing the Group to losses resulting from adverse movements in actual experience compared to that expected in product pricing or from lower future levels of management fees. There remains uncertainty as to whether the Group’s core assumptions relating to policy persistency will prove to be sufficient, as rates of persistency may be impacted by unexpected or unforeseen events. Such a decrease in persistency could materially affect the financial results of the Group.

Adverse mortality, morbidity and longevity experience could result in an increase in the number of claims being made, which could materially impact the profitability of the Group

The primary insurance activity carried out by the Group comprises the assumption of risks relating to life, accident, health and financial perils that may arise from an insurable event. Under such contracts, the most significant factors that could increase the overall frequency of claims include epidemics or wide-spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected and resulting in a materially adverse effect on the profitability of the Group.

For contracts with fixed benefits and fixed future premiums, there are no mitigating terms and conditions that could reduce the insurance risk accepted by the Group. Such contracts, where the benefits and also future premiums are fixed, leave no scope for the Group to mitigate their insurance risk and any changes to the original assumptions on which such contracts were priced could have a material adverse effect on the profitability of the Group.

Where the Group has the ability to mitigate the insurance risk through changing charges and premiums, failure to act in a timely manner to changing information could adversely affect the profitability of the Group and in the case of a major epidemic it may be impossible to recoup the costs of resulting claims.

Adverse morbidity, mortality and longevity is a risk to the Group. To the extent that actual mortality or morbidity rates vary from the assumptions underlying product pricing, the Group will accrue less profit. The Group is exposed to mortality and morbidity risk and therefore to fluctuations in the timing, frequency and severity of insured events and their ultimate settlement, relative to the expectations at the time of underwriting, though these risks are materially reduced through reinsurance. Such expectations include those driven by inaccurate pricing, inappropriate underwriting guidelines and terms and conditions and holding inadequate reserves. As such, adverse morbidity, mortality and longevity could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Fluctuations in currency exchange rates may adversely affect the Group's results of operations and financial condition

The Group operates internationally and is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies through Movestic (the assets and liabilities of which are principally denominated in Swedish Krona), Scildon and the Waard Group ("**Waard**") (the assets and liabilities of which are principally denominated in Euros). In addition, the business of Countrywide Assured plc ("**Countrywide**") (the Group's life assurance subsidiary in the UK) has indirect exposure to foreign exchange rate movements via exposures within its unit linked funds, and therefore movements in the value of future charges on those funds.

The Group's currency risk through its ownership of Movestic, Scildon and Waard is reflected in:

- foreign exchange translation differences arising on the translation into sterling and consolidation of Movestic, Scildon and Waard's financial statements; and
- the impact of adverse exchange rate movements on cash flows between Chesnara plc and its foreign subsidiaries.

The effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in the Groups' consolidated financial statements upon translation of the results into sterling. Any adverse foreign currency exchange rate fluctuation may also have a material adverse effect on the Group's regulatory capital surplus under, amongst other things, the individual capital assessment required by the PRA in the United Kingdom.

Adverse regulatory and legal changes could hinder the Group's ability to operate in certain jurisdictions, which could ultimately impact revenues or lead to loss of market share

The Group operates in jurisdictions which are currently subject to significant change arising from regulatory requirements. These may either be of a local nature, or of a wider nature, following from EU-based regulation and law.

There is currently uncertainty as to the full impact on the Group of these changes, which include:

- The review of Solvency II regulations being undertaken both by the European Insurance and Occupational Pensions Authority ("**EIOPA**") and the European Commission and also by the UK Treasury, which have the potential to impact reserving requirements and also the capital that the Group needs to hold;

- Increasing attention from regulators and industry bodies on ESG considerations and in particular on having a positive influence on climate change, which will result in additional disclosure requirements and has the potential to influence the decision-making of the Group regarding both operations and investment strategy;
- Following the UK's exit from the EU, there is potential for regulatory divergence between the UK and EU regulators which could impact financial reporting, regulatory governance and capital requirements. It also has the potential to make future acquisition decisions dependent upon territory.
- IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017. It will replace IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2023. At this stage, the Group's IFRS17 results are not yet known.
- In recent years the Swedish government has implemented legislative changes which increase pension policyholder's flexibility to transfer their contracts to different providers and restrict the exit fees that providers can charge. This has had the effect of increasing the amount of transfers in the market. As a result of increased exits, Movestic has increased the assumed "transfer out" assumptions, which has reduced the value of in-force business. It is too early to know, post-legislative changes, what the longer term impact will be on persistency. There remains a risk that the "transfer out" assumption will need to increase further if the longer-term "new normal" persistency levels are out of line with those assumed.

The Group also faces the risk that the Prudential Regulatory Authority ("PRA"), the Financial Conduct Authority ("FCA"), Finansinspektionen ("FI"), the Dutch National Bank ("DNB"), the Swedish Financial Services Authority ("SFSA"), the Netherlands Authority for Financial Markets ("AFM") or another governmental or regulatory body could find that the Group has failed to comply with applicable regulations or has not undertaken corrective action as required, which may result in public reprimand and/or monetary fines, adverse publicity for, or negative perceptions regarding, the Group as well as diverting management's attention from the day-to-day operations of the business. Such insurance laws, regulations, policies and any pursuant action affecting the Group could have a material adverse effect on its business, prospects, financial condition and results of operations.

Along with many other Dutch life insurers, Scildon and Waard are exposed to litigation risk in relation to potential mis-selling of unit-linked products ("Woekerpolis"). Scildon and/or Waard may need to pay compensation (or higher compensation, where already paid) to customers in relation to Woekerpolis

In line with all other life insurance companies operating in the Netherlands, Legal & General Nederland was engaged in marketing products (through Independent Financial Advisors ("IFAs")) where some features and costs of certain policies were deemed to lack transparency for customers. Management is of the opinion that, in almost all cases, it informed its policyholders in a transparent manner and in line with legislative and regulatory requirements in effect during the term of the policy contracts (including legislative or regulatory changes). While the Group has previously provided compensation to those policyholders where it did not act in line with requirements according to its self-assessment, the Group remains exposed to future claims under Woekerpolis which could have a material adverse financial or reputational impact on its business, prospects, financial condition and results of operations.

The Group is subject to extensive and often inconsistent regulation which may increase costs or impact the business model, and, in the event of a breach of such regulations,

result in reputational damage, sanctions or the inability to continue to conduct certain lines of business

The Group currently operates in three regulatory domains and is therefore exposed to inconsistent application of regulatory standards across its divisions, such as the imposition of capital buffers higher than regulatory minima. The potential consequences of this inconsistency for the Group include that the efficient and fluid use of capital within the Group is constrained, or that it creates a non-level playing field with respect to future deal assessments.

Additionally, following the UK's exit from the EU, there remain aspects of uncertainty regarding regulatory implications, both in the UK and the EU. The effect of these risks could lead to an increase in regulatory compliance and operating costs for the Group and any of these factors could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group may suffer losses as a result of outsourced service providers failing to fulfil their contractual obligations

The operating model of the Group's businesses, particularly in the UK, is heavily dependent on outsourced service providers to fulfil a significant number of their core functions. In the event of failure by any of these service providers to fulfil their contractual obligations, in whole or in part, to the requisite standards specified in the relevant contracts, the Group may suffer losses as their functions degrade, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

In particular, the Group relies on distribution partners to distribute its products. The Group has a diverse and extensive list of partners across the UK, Europe and the rest of the world. Distribution partners are independent of the Group and are not committed to recommend or sell the Group's products. Distribution partners may also sell competing products. Therefore, the Group's relationships with its distribution partners are important and the failure, inability or unwillingness of brokers to market the Group's products could have a material adverse effect on its financial and operational performance.

The Group's businesses depend on their ability to attract, train and retain their senior management and highly skilled employees

The continued success of the Group depends on its ability to attract, motivate and retain highly skilled managers and finance, risk, actuarial, compliance, IT and customer services personnel. The loss of key personnel from these businesses may have a material adverse effect on their ability to manage the books of the business because it may result in the loss of their technical and management skills, as well as their knowledge of the legacy issues of each business. The inability to attract and/or retain the necessary highly skilled personnel could therefore have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Failure to deliver secure, stable and effective IT/Data systems and to combat cyber and other security risks to information and physical sites could adversely affect the ability of the Group to win future contracts and in the event of a breach of security could lead to business disruption and reputational damage

The ability of the Group to deliver secure IT and other information assurance systems designed to protect personal data or customer or company confidential information is a key factor for customers. Despite operating controls that seek to ensure the confidentiality of such information, the Group may breach restrictions, regulations (such as the General Data Protection Regulation 2016/679) or may be subject to attacks from computer programmes or malicious or hostile third parties that attempt to penetrate its network security and misappropriate confidential information.

Due to advances in these programmes, IT capabilities and other developments, there is no guarantee that the Group's security measures will be sufficient to prevent future breaches or cyber-attacks. In addition, the risk of loss of information or data by other means due to a failure to keep it safe at all times and within the Group's custody or control is a risk that cannot be entirely eliminated. Any such breach or compromise of security or a breach of security at a physical site could lead to loss of reputation, regulatory fines and/or censure, disruptions in business operations and inability to meet contractual obligations and negatively impact the Group's ability to win future contracts and as a result have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group is dependent on the strength of its brand, the brands of its partners and its reputation with customers and agents

The Group's results and underlying business model are, to a certain extent, dependent on the strength of its brand and reputation. While the Group is well recognised, it is vulnerable to adverse market and customer perception. The Group operates in an industry where integrity, customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information (including the loss or theft of customer data), IT failures or disruption, cyber security breaches and/or inadequate services, amongst others, whether true or not, could impact its brand or reputation. The Group's brand and reputation could also be affected if products or services recommended by it (or any of its intermediaries) do not perform as expected (whether or not the expectations are realistic) or in line with the customers' expectations for the product range. Any damage to the Group's brand or reputation could cause existing customers or partners to withdraw their business from the Group, and potential customers or partners to elect not to do business with the Group and could make it more difficult for the Group to attract and retain qualified employees. Such damage to the Group's brand or reputation could also cause disproportionate damage to the Group's business, even if the negative publicity is factually inaccurate or unfounded. Such events, which cannot be readily controlled, could adversely affect its results of operations and financial condition.

The Group may experience material cost overruns on one or more of its major change projects

The Group has a number of material change initiatives in-flight. There is a risk that the actual costs of completing these projects materially exceeds the provision in the accounts, or that the anticipated benefits do not materialise, resulting in adverse impacts on the financial results. The currently relevant projects include:

- the Group's IFRS17 project;
- an IT transformation project within Scildon; and
- the integration of Sanlam Life & Pension UK Limited ("**Sanlam UK**") and associated migration project.

As a holding company, the Issuer is dependent upon its subsidiaries to cover operating expenses and debt obligations

The Group's insurance operations are conducted through subsidiaries of the Group, which are subject to the risks discussed elsewhere in this "Risk Factors" section. As a holding company, the Group's principal sources of funds are remittances from subsidiaries and any amounts that may be raised through the issuance of debt.

Certain of the Group's subsidiaries are, or may become, subject to applicable insurance, foreign exchange and tax laws, rules and regulations and other arrangements that can limit their ability to make remittances and/or require the Group to make capital or liquidity available to those subsidiaries. In some circumstances, this could limit the Group's ability to make available funds held in certain subsidiaries to cover operating expenses of other members of the Group or, in the long term, to satisfy its debt obligations.

Climate change may have an adverse impact on the Group

Being a provider of life and pensions business, the Group does not have any significant insurance exposures to the physical risks arising from climate change, such as weather-related incidents, flooding and fires etc. However, the Group's assets are potentially exposed to the risks arising from climate change. Such risks include:

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

The Group is therefore exposed to both the potential adverse financial impact of physical events on the value of the assets it holds as well as changes in the value of its assets over time as a result of the market's influence on company valuations in relation to transitioning towards net zero.

The majority of the assets under management within the group are unit-linked funds where some or all of the investment choices are made by customers or IFAs. This restricts the extent to which the Group can influence the asset selections, which limits the extent to which the Group can fully mitigate the risks described.

Given the global focus on climate change as well as the significant momentum in the finance industry, the Group is exposed to strategic and reputational risks arising from its action or inaction in response to climate change as well the regulatory and reputational risks arising from its public disclosures on the matter.

The Group management's time spent on new business could create operational and financial challenges

There is a risk that despite strong discipline when seeking realistic new business volumes and having a "ring fenced" management structure, the Group management's time spent on new business could detract from its core specialism of acquiring and managing closed books, which could have a detrimental impact on the Group's business, prospects, financial condition and results of operations.

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

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

- Market competition affecting volumes and hence profitability;

- Regulatory changes restricting product features, product charges, distribution practices or increasing costs;
- Changes in consumer preferences; and
- Economic or demographic factors affecting profitability.

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

The COVID-19 pandemic may adversely impact the Group

Since the beginning of 2020, the outbreak of the novel strain of the coronavirus (“COVID-19”) both in the UK and around the world, and the associated shutdowns and other restrictive measures implemented by authorities in an attempt to contain the spread of the disease, have led to significant economic turmoil in most countries, as well as increased volatility in financial and other markets. It is still too early to assess the full and longer term severity and duration of the resulting adverse impact on the global economy and on the value of investment assets, and there is no certainty that measures to restrict spread of the disease or to mitigate its impacts will be effective in the longer term, given the potential for further mutations of the virus.

Since March 2020, the UK, Netherlands and Swedish governments have to differing degrees implemented several nationwide shutdowns and other restrictive measures which have required the Group to invoke contingency plans for remote working, involving the cancellation of physical meetings and changes to working locations. The Group's operations and critical business services have demonstrated operational resilience to these changes.

Although restrictions were generally lifted during the second half of 2021, with the vaccine programmes being seen to be successful within Europe, the emergence of new strains of COVID-19 has resulted in certain restrictions being reimposed, and there remains a risk that additional restrictions will be reintroduced from time to time in the future. The Group continues to assess the risks posed by COVID-19 and may take further actions required by relevant authorities or that it determines are necessary in the interests of employees, customers, policyholders and other stakeholders. While the Group has demonstrated high operational resilience and operational adaptability throughout the pandemic, there remains a risk that the implementation of such measures (or their insufficiency) could result in reduced personnel availability which could in turn adversely impact the quality and continuity of service to customers and the business and reputation of the Group.

COVID-19 continues to have a limited effect on the Group's business as at the date of this Offering Memorandum. However, the medium to long term impact of the disease, and the potential for continued mutations of the virus, remains uncertain. If there are prolonged or recurring outbreaks of COVID-19, or further diseases emerge that give rise to similar effects, macroeconomic conditions may be materially and adversely affected and may lead to a further economic downturn both in the jurisdictions in which the Group operates and in the global economy more widely as well as further declines in financial markets and in the value of investment assets (which could in each case be widespread, severe and long-lasting). The above factors could, individually or taken together, materially and adversely impact the business, results of operations and financial condition of the Group.

The Group's intended purchases of Sanlam UK and Robein Leven may not result in the Group realising the expected financial or strategic benefits, or may have adverse operational impacts on its existing business

The Group's agreement to purchase Sanlam UK (see "*Description of the Issuer and the Group – Recent Developments – Sanlam acquisition*" for further information on the proposed acquisition) is expected to complete in the first quarter of 2022, subject to regulatory approval, and the Group's agreement to purchase Robein Leven N.V. ("**Robein Leven**") (see "*Description of the Issuer and the Group – Recent Developments – Robein Leven acquisition*" for further information on the proposed acquisition) is expected to complete in the first half of 2022, subject to regulatory approval. As with any transaction, each of these acquisitions brings risks of adverse operational or financial experience that were not already allowed for in the due diligence and pricing, or where risk factors move adversely post-completion. Such risks include:

- Difficulties with integrating the Sanlam UK or Robein Leven businesses and the effective execution of the transitional agreement prior to migration, including the successful implementation of the intended outsource model for administration and actuarial services, resulting in higher integration or ongoing operational costs than were anticipated, and additional management time and adverse financial impacts;
- New information, due diligence failures or adverse experiences post-completion that result in the value of the Sanlam UK or Robein Leven businesses being materially lower than that anticipated in setting the deal price;
- In the case of the Sanlam UK acquisition, operational impacts on the Group or the Group's UK business that could arise from utilising UK and Group resources to support the integration, with the potential increase in operational risk arising from management stretch or the loss of key personnel; and
- In the case of the Robein Leven acquisition, operational impacts on the Group or Waard that could arise from utilising Waard and Group resources to support the integration, with the potential increase in operational risk arising from management stretch or the loss of key personnel.

The realisation of any of the above risks could have a material adverse effect on the business, results of operations and financial condition of the Group.

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

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

As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally. Recovery and resolution reforms for banks in the UK and the EEA now provide regulators with the power, as part of wider resolution tools, to write down indebtedness or to convert that indebtedness to capital (known as "bail-in"), as well as other resolution powers. Similar regimes may be introduced in the UK and the EEA for insurance groups. On 22 September 2021, the European Commission published a proposal for an EU

Directive establishing a framework for the recovery and resolution of insurance and reinsurance undertakings. No firm proposals have yet been published in the United Kingdom.

However, in May 2021, HM Treasury published a consultation entitled “*Amendments to the Insolvency Arrangements for Insurers*”. Among other proposed changes, it proposes enhancing the court’s current power to write-down the value of an insurer’s contracts and the introduction of a statutory moratorium on certain contractual termination rights in both service contracts and financial contracts. In the consultation paper, HM Treasury also noted that it is “*actively engaging with the Bank of England to develop a proposal for the introduction of a specific resolution regime for insurers aligned with internationally agreed standards and best practice, and intends to set out further detail in due course*”, and that the proposals then being consulted on are not intended to pre-empt the consideration of a specific resolution regime.

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

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

In common with other life insurers, the profitability of the Group’s business depends on a mix of factors including trends in the mortality levels noted above, policy surrender rates, investment performance and impairments, unit cost of administration and new business acquisition expenses. As a consequence, the Group needs to make assumptions about a number of factors in determining the pricing of its products and setting reserves, as well as for reporting its capital levels and the results of its long-term business operations. As noted above, the assumptions that the Group makes about future expected levels of mortality and the risks associated therewith are particularly relevant for its business.

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

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

The Group and/or its subsidiaries may be subject to litigation, legal proceedings and/or regulatory investigations in the future (including investigation and intervention by the

FCA, the PRA and/or any other relevant regulators), which could have a material adverse effect on its business and results of operations

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

The Group's regulators may take such action or make such enquiries in relation to aspects of the Group's or its subsidiaries' business and operations, including its systems and controls, IT systems, capital requirements, outsourcing functions and permitted investments. Regulatory action may be specific to individuals, the Group or the Group's subsidiaries, or part of more general action in respect of firms that operate in the insurance or financial services industry. The Group maintains regular dialogue with its regulators to ensure compliance with applicable regulatory standards. The Group, via regular dialogue/meetings, operates in an open and cooperative manner with all of its regulators at all times. In the normal course of its business, the Group is engaged in discussions with its regulators in relation to a range of business matters.

The Group and/or its subsidiaries, in line with all other regulated firms, may in the future be subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance, investment management and other business operations. These legal actions, disputes and investigations may relate to aspects of business and operations that are specific to the Group or its subsidiaries, or that are common to companies that operate in its markets. Legal actions and disputes may arise under contracts, legislation and regulations (including tax) or from a course of conduct taken by the Group or its subsidiaries, and may be class actions. Although management considers that it has made appropriate provision for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought by claimants or regulators, together with other sanctions that might be applicable and the inherent unpredictability of litigation and disputes, it is possible that an outcome could, from time to time, have an adverse effect on the Group's reputation, business, results of operations or financial position. However, it is not possible to predict the significance of any proceedings that may be brought against, or any investigations that may be conducted into, the Group or its subsidiaries, nor is it possible to predict with any degree of precision the financial impact of a successful claim, fine or penalty to which the Group or its subsidiaries may become subject. While management considers that its systems, controls and operations are compliant with applicable regulations, given the growth of the Group's business since it was established, there is a risk that one or more regulators could consider that the Group or any of its subsidiaries have failed to fully comply with all relevant regulatory requirements or have not undertaken the appropriate corrective action required.

2. RISKS RELATED TO THE NOTES

The following risk factors refer to certain provisions of the terms and conditions of the Notes and the Trust Deed and are qualified by the more detailed information contained elsewhere in this Offering Memorandum. Terms which are defined in "Terms and Conditions of the Notes" below

have the same meaning when used in the following risk factors, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

The Issuer's obligations under the Notes are subordinated

The Issuer's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Issuer. In the event (i) of a winding-up of the Issuer (except a solvent winding-up meeting certain requirements set out in the Conditions) or (ii) that an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under the Notes will be subordinated to the claims of all Senior Creditors of the Issuer (which includes, *inter alios*, all unsubordinated creditors, any policyholders or beneficiaries under contracts of insurance of the Issuer and all creditors whose claims are in respect of unsubordinated liabilities and obligations which constitute Tier 3 Capital).

Accordingly, in a winding-up or administration of the Issuer, the assets of the Issuer would first be applied to meeting its obligations to Senior Creditors, and only if any assets remain after the claims of all Senior Creditors have been paid or provided for in full would those residual assets be applied to satisfaction of the claims in respect of the Notes and any other claims ranking *pari passu* with the claims in respect of the Notes). In such circumstances, if there were insufficient assets to meet the claims of Senior Creditors in full, the Noteholders would lose their entire investment in the Notes. If there were insufficient assets to meet the claims of Senior Creditors, the Notes and other obligations ranking *pari passu* with the Notes, the Noteholders would lose some (which could be substantially all) of their investment in the Notes.

Therefore, although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a significant risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent.

No limitation on the Issuer incurring further indebtedness

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

Payments by the Issuer are conditional upon satisfaction of the Issuer Solvency Condition

Other than in an Issuer Winding-Up, all payments by the Issuer to the Noteholders under or arising from the Notes and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable by the Issuer under or arising from the Notes and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Issuer Solvency Condition**"). For these purposes, the Issuer will be "**solvent**" if (i) it is able to pay its debts owed to Senior Creditors of the Issuer and *Pari Passu* Creditors of the Issuer as they fall due and (ii) its Assets exceed its Liabilities. If any payment of interest, Arrears of Interest and/or principal cannot be made by the Issuer in compliance with the Issuer Solvency Condition, payment of such amounts will be deferred by the Issuer, and such deferral will not constitute a default under the Notes for any purpose.

Interest payments under the Notes must, in certain circumstances, be deferred

The Issuer is required to defer any payment of interest on the Notes in full on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were to be made by the Issuer on such Interest Payment Date), save as otherwise exceptionally permitted by the Relevant Regulator pursuant to Condition 5.2.

The circumstances in which the Issuer may be required to defer payments of interest on the Notes may be difficult to predict. The deferral of interest as described above does not constitute a default under the Notes for any purpose. Any interest so deferred shall, for so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest.

Arrears of Interest may, subject to certain conditions, be paid by the Issuer, in whole or in part, at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made (save as otherwise exceptionally permitted by the Relevant Regulator pursuant to Condition 5.2) and provided further that such payment can be made in compliance with the Issuer Solvency Condition) upon notice to Noteholders, but in any event shall be payable, subject to satisfaction of the Issuer Solvency Condition (except on an Issuer Winding-Up) and the Regulatory Clearance Condition, in whole (and not in part) by the Issuer on the earliest to occur of (a) the next Interest Payment Date which is not a Mandatory Interest Deferral Date, (b) an Issuer Winding-Up or (c) any redemption of the Notes pursuant to, or purchase of the Notes in accordance with, Condition 7.

Any actual or anticipated deferral of interest payments will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provision of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such deferral and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Redemption payments under the Notes must, under certain circumstances, be deferred

Notwithstanding the expected maturity of the Notes on the Maturity Date (and save as otherwise exceptionally permitted by the Relevant Regulator pursuant to Condition 7.2(b)), the Issuer must defer redemption of the Notes on the Maturity Date or on any other date set for redemption of the Notes pursuant to Conditions 7.4, 7.5, 7.6, 7.7 or 7.8, (i) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed by the Issuer on such date, (ii) if the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), (iii) where redemption would otherwise breach the provisions of Relevant Rules which apply to obligations eligible to qualify as Tier 2 Capital or (iv) if repayment of the Notes cannot be made in compliance with the Issuer Solvency Condition.

The circumstances in which the Issuer may be required to defer repayment of the Notes may be difficult to predict. The deferral of redemption of the Notes in accordance with the Conditions will not constitute a default under the Notes for any purpose.

Where redemption of the Notes is deferred, subject to certain conditions (including, except in the case of an Issuer Winding-Up, satisfaction of the Issuer Solvency Condition), the Notes will be redeemed by the Issuer on the earliest of: (a) (if the redemption has been deferred due to the occurrence of a Regulatory Deficiency Redemption Deferral Event) the date falling 10 Business Days following cessation of the Regulatory Deficiency Redemption Deferral Event or (if

redemption has been deferred due to operation of the Issuer Solvency Condition) the date falling 10 Business Days following the date on which the Issuer is solvent within the meaning of Condition 3.3 and could make payment in compliance with the Issuer Solvency Condition; (b) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or (c) the date on which an Issuer Winding-Up occurs.

Any actual or anticipated deferral of redemption of the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the redemption deferral provision of the Notes, including with respect to deferring redemption on the scheduled Maturity Date, the market price of the Notes may be more volatile than the market prices of other debt securities without such deferral feature, including dated securities where redemption on the scheduled maturity date cannot be deferred, and the Notes may accordingly be more sensitive generally to adverse changes in the Issuer's financial condition.

Early redemption

The Notes may, subject as provided in Condition 7, at the option of the Issuer, be redeemed at their principal amount, together with any Arrears of Interest and any other accrued but unpaid interest to (but excluding) the date of redemption, before the Maturity Date:

- (i) on any date falling in the period from (and including) 4 February 2032 to (but excluding) the Maturity Date; or
- (ii) at any time in the event of certain changes in the tax treatment of the Notes or payments thereunder due to a change in or proposed change in, or amendment or proposed amendment to, applicable law or regulation or the official interpretation thereof; or
- (iii) at any time in the event of (or if there will occur within six months) a Capital Disqualification Event or a Ratings Methodology Event; or
- (iv) at any time if 80 per cent. or more of the aggregate principal amount of the Notes originally issued (including, for this purpose, any Further Notes) have been purchased and cancelled,

provided that any such redemption will only be made following compliance with the Regulatory Clearance Condition and in compliance with the Relevant Rules, in continued compliance with Regulatory Capital Requirements and as further provided in Conditions 7.2 and 7.10.

The circumstances in which an early redemption right may arise pursuant to Conditions 7.4, 7.5 and 7.6 may be difficult to predict. The redemption features of the Notes are likely to limit their market value. During any period when the Issuer has the right to elect to redeem the Notes, or if there is a perception in the market that any such right has arisen or may arise, the market value of the Notes will generally not be expected to rise substantially above the price at which they can be redeemed.

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

Variation or substitution of the Notes without Noteholder consent

Subject as provided in Condition 7, the Issuer may, at its option and without the consent or approval of the Noteholders, elect to substitute the Notes for, or vary the terms of the Notes so

that they become or remain, Qualifying Tier 2 Securities or (in the case of a Ratings Methodology Event) Rating Agency Compliant Notes at any time in the event of certain changes in the tax treatment of the Notes or payments thereunder due to a change in applicable law or regulation or the official interpretation thereof, in the event of a Capital Disqualification Event or in the event of a Ratings Methodology Event. While Qualifying Tier 2 Securities and Rating Agency Compliant Notes must have terms not materially less favourable to holders than the terms of the Notes, there can be no assurance that, due to the particular circumstances of a holder of Notes, such Qualifying Tier 2 Securities or Rating Agency Compliant Notes will be as favourable to each investor in all respects.

Restricted remedy for non-payment when due

The sole remedy against the Issuer available to the Trustee (acting on behalf of the Noteholders) or (where the Trustee has become bound to act but has failed or is unable to do so within 60 days and such failure or inability is continuing) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for the winding-up in England and Wales (but not elsewhere) of the Issuer and/or proving in any winding-up or in any administration of the Issuer and/or claiming in the liquidation of the Issuer (whether in England and Wales or elsewhere), and any such claim in a winding-up or liquidation of the Issuer shall be subordinated as provided under “*The Issuer’s obligations under the Notes are subordinated*” above.

Meetings, resolutions modification and waivers

The Conditions contain provisions for calling meetings of Noteholders (which need not be a physical meeting and instead may be by way of conference call, including by use of a videoconference platform, or a combination of such methods) to consider matters affecting their interests generally, and also allow for resolutions of the Noteholders to be passed by way of written resolution or (when the Notes are represented by a Global Certificate) electronic consents.

These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or who did not vote on the relevant resolution, as applicable, and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that, subject to the satisfaction of the Regulatory Clearance Condition, the Trustee may, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed in the circumstances described in Condition 14.2.

Substitution of Issuer

The Conditions provide that the Trustee may, without the consent of the Noteholders, agree to the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 13.

Change of law

The Conditions are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Limitation on gross-up obligation under the Notes

The Issuer's obligation, if any, to pay additional amounts in respect of any withholding or deduction in respect of taxes imposed in a Relevant Jurisdiction under the terms of the Notes applies only to payments of interest and not to payments of principal or any other amounts.

As such, the Issuer would not be required to pay any additional amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal or amounts other than interest. Accordingly, if any such withholding or deduction were to apply to any payments of principal or any other amounts under the Notes, Noteholders will receive less than the full amount which would otherwise be due to them under the Notes, and the market value of the Notes may be adversely affected.

The Issuer is a holding company within the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries. In addition, the Issuer is dependent upon cash flows from other entities in the Group to meet its obligations on the Notes

The Issuer is a holding company within the Group, with certain of its operations being conducted by operating subsidiaries. Accordingly, in the event of a winding up or administration of the Issuer or a subsidiary, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary (i.e. the Issuer or a subsidiary of the Issuer) and so to Noteholders. The Conditions do not limit the amount of liabilities that the Issuer's subsidiaries may incur.

Furthermore, payment of interest and repayment of indebtedness by the Issuer under the Notes will be dependent on the ability of other entities within the Group to make such cash available to the Issuer. The Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements and regulatory capital requirements.

There can be no assurance that arrangements with the Issuer's cash flow will provide it with sufficient means to fund payments on the Notes.

Integral multiples of less than £100,000

The Notes will be issued in amounts of £100,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the clearing systems in amounts in excess of £100,000 that are not integral multiples of £100,000. Should definitive Notes be required to be issued, they will be issued in principal amounts of £100,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Noteholders who hold Notes in the relevant clearing system in amounts that are less than £100,000.

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

3. RISKS RELATED TO THE MARKET GENERALLY

The secondary market generally

The Notes have no established trading market when issued, and one may never develop. If a market does develop it may not be liquid. Investors may not be able to sell their Notes easily or

at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and/or which are rated. Illiquidity may have a material adverse effect on the market value of the Notes. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market, including in circumstances where a significant proportion of the Notes are held by a limited number of initial investors.

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

Exchange rate risks and exchange controls

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the transferability or convertibility of any payment. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Notes will accrue interest at a fixed rate of interest. Investment in securities (such as the Notes), which bear a fixed rate of interest during a specified period involves the risk that subsequent increases in market interest rates over that period may adversely affect their market value.

Legal investment considerations may restrict certain investments

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

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

The Notes will be represented by the Global Certificate upon issue. The Global Certificate will be registered in the name of a nominee for the Common Depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg and will receive and provide any notices only through Euroclear or Clearstream, Luxembourg.

While the Notes are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the registered holder as nominee for the Common Depository for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer does not have responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Credit rating may not reflect all risks

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

Rating agencies other than Fitch could seek to rate the Notes, whether or not on a basis solicited by the Issuer. Any unsolicited ratings would be based on publicly available information only, and assigned without the benefit of the support and insight of the Issuer. If any further or alternative ratings are assigned to the Notes in future, and if any such rating is lower than the rating assigned by Fitch, this could have an adverse effect on the market value of the Notes.

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a

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

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

Terms and Conditions of the Notes

The following (save for paragraphs in italics, which are for information only and do not form part of the Terms and Conditions) is the text of the Terms and Conditions of the Notes which (subject to completion and modification) will be endorsed on the Certificates issued in respect of the Notes:

The £200,000,000 4.750 per cent. Subordinated Tier 2 Notes due 2032 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any Further Notes issued pursuant to Condition 16) of Chesnara plc (the “**Issuer**”, which term shall include any substitute therefor from time to time pursuant to the terms of Condition 13) are constituted by a Trust Deed dated 4 February 2022 (the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes. The issue of the Notes was (save in respect of any Further Notes) authorised by resolutions of the board of directors of the Issuer passed on 8 December 2021 and by resolutions of a sub-committee of the board of directors of the Issuer passed on 10 January 2022.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 4 February 2022 (the “**Agency Agreement**”) made between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent), and Citibank Europe Plc as registrar (the “**Registrar**”, which expression shall include any successor registrar) and as a transfer agent (the “**Transfer Agent**”, which expression shall include any successor and/or additional transfer agent(s) appointed under the Agency Agreement from time to time), (i) are available for inspection at all reasonable times during normal business hours by the Noteholders at the specified office of the Principal Paying Agent or the Transfer Agent or (ii) may be provided by email to a Noteholder requesting a copy, in each case upon such Noteholder providing satisfactory proof of a holding of Notes, and subject to the Trustee, the Principal Paying Agent or the Transfer Agent being supplied by the Issuer with electronic copies. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

The owners shown in the records of each of Euroclear Bank SA/NV and Clearstream Banking, S.A. of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of £100,000 and higher integral multiples of £1,000 (referred to as the “**principal amount**” of a Note, and references in these Conditions to “**principal**” in relation to a Note shall be construed accordingly). A note certificate (each a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will use reasonable endeavours to procure be kept by the Registrar (the “**Register**”).

1.2 Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**holder**” means the person in whose name a Note is registered in the Register.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or a Transfer Agent.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon a transfer of Notes will, within five Business Days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer.

Except in the limited circumstances described in this Offering Memorandum (see “Overview of the provisions relating to the Notes whilst in Global Form – Exchange”), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

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

2.3 Formalities free of charge

Registration of transfer of any Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal, interest or Arrears of Interest on that Note.

2.5 Regulations

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

3. STATUS OF THE NOTES

3.1 Status

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated as described in Condition 3.2.

3.2 Subordination

If:

- (a) at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution or which is effected in accordance with Condition 13 and (B) do not provide that the Notes or any amount in respect thereof shall thereby become payable); or
- (b) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend,

(the events in (a) and (b) each being an “**Issuer Winding-Up**”), the rights and claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration) and the Noteholders against the Issuer in respect of or arising under the Notes and the Trust Deed (including any damages awarded for breach of any obligations thereunder) will be subordinated in the manner provided in this Condition 3.2 and the Trust Deed only to the claims of all Senior Creditors of the Issuer and shall rank:

- (i) at least *pari passu* with all claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith (“**Pari Passu Obligations of the Issuer**”); and
- (ii) in priority to the claims of holders of (i) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) and all obligations which rank, or are expressed to rank, *pari passu* therewith and (ii) all classes of share capital of the Issuer (together, the “**Junior Obligations of the Issuer**”).

Nothing in this Condition 3.2 or in Condition 3.3 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

3.3 Issuer Solvency Condition

Other than in the circumstances set out in Condition 3.2 and without prejudice to Condition 10.2, all payments by the Issuer under or arising from the Notes and the Trust Deed (other than payments made to the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration but including, without limitation, any payments in respect of damages awarded for breach of any obligations thereunder) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable by the Issuer under or arising from the Notes and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Issuer Solvency Condition**”).

For the purposes of this Condition 3.3, the Issuer will be “**solvent**” if (i) it is able to pay its debts owed to Senior Creditors of the Issuer and Pari Passu Creditors of the Issuer as they fall due and (ii) its Assets exceed its Liabilities. A certificate as to the solvency of the Issuer signed by two Authorised Signatories or, if there is a winding-up or administration of the Issuer, by two authorised signatories of the liquidator or, as the case may be, the administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy hereof.

3.4 Set-off, etc.

By acceptance of the Notes, subject to applicable law, each Noteholder and the Trustee, on behalf of each Noteholder, will be deemed to have waived any right of set-off or counterclaim that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes whether prior to or in bankruptcy, winding-up or administration. Notwithstanding the preceding sentence, if any of the rights and claims of any Noteholder in respect of or arising under the Notes are discharged by set-off, such Noteholder will, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator, trustee, receiver or administrator of the Issuer and, until such time as payment is made, will hold a sum equal to such amount on trust for the Issuer or, if applicable, the liquidator, trustee, receiver or administrator in the Issuer’s bankruptcy, winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

4. INTEREST

4.1 Interest Rate

Each Note bears interest on its outstanding principal amount from (and including) the Issue Date at the rate of 4.750 per cent. per annum.

Subject to Condition 3.3 and Condition 5, interest shall be payable in equal instalments semi-annually in arrear on 4 February and 4 August of each year, the first payment to be made on 4 August 2022 (each an “**Interest Payment Date**”). The first payment shall be in respect of the period from (and including) the Issue Date to (but excluding) 4 August

2022, and thereafter for each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.

4.2 Interest Accrual

Interest shall cease to accrue on each Note on the due date for redemption (which due date shall, in the case of deferral of a redemption date in accordance with Condition 7.2, be the latest date to which redemption of the Notes is so deferred) unless payment is improperly withheld or refused, in which event interest shall continue to accrue (in each case, both before and after judgment) as provided in the Trust Deed.

4.3 Calculation of Interest

Subject to Condition 3.3 and Condition 5, the amount of interest which will be payable on each Interest Payment Date will be £23.75 per Calculation Amount.

Where it is necessary to compute an amount of interest in respect of any Note in respect of a payment date other than an Interest Payment Date, such interest shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the “**Accrual Date**”) to (but excluding) the relevant due date for payment (the “**Accrual Period**”) divided by (b) two times the actual number of days in the period from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date.

Interest shall be calculated per £1,000 in principal amount of the Notes (the “**Calculation Amount**”) by applying the rate of interest referred to in Condition 4.1 to such Calculation Amount, multiplying the resulting figure by the day count fraction described in the immediately preceding paragraph and rounding the resultant figure to two decimal places (with 0.005 being rounded up). The amount of interest payable in respect of a Note shall be calculated by multiplying the amount of interest per Calculation Amount determined as aforesaid by the specified denomination of such Note and dividing the resulting figure by £1,000.

5. DEFERRAL OF INTEREST

5.1 Mandatory Deferral of Interest

Payment of interest on the Notes by the Issuer will be mandatorily deferred in full on each Mandatory Interest Deferral Date, save as otherwise permitted by the Relevant Regulator pursuant to Condition 5.2. The Issuer shall notify the Noteholders, the Trustee and the Principal Paying Agent of any deferral of interest on a Mandatory Interest Deferral Date as provided in Condition 5.6 (provided that failure to make such notification shall not oblige the Issuer to make payment of such interest, or cause the same to become due and payable, on such date).

A certificate signed by two Authorised Signatories confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely absolutely on such certificate

without liability to any person and without any obligation to verify or investigate the accuracy hereof.

5.2 Waiver of Deferral of Interest by the Relevant Regulator

Notwithstanding Condition 5.1, the Issuer shall not be required to defer a payment of interest (including any Arrears of Interest) on a Mandatory Interest Deferral Date or any other date if and to the extent that:

- (a) the applicable Regulatory Deficiency Interest Deferral Event occurs (or would, upon the making of such interest payment, occur) solely as a result of non-compliance with an applicable Solvency Capital Requirement;
- (b) the Relevant Regulator has exceptionally waived the deferral of the relevant interest payment (in whole or in part) and has provided the Issuer with written confirmation of the same;
- (c) the making of the relevant interest payment (or the relevant part thereof permitted by the Relevant Regulator to be made) would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (d) each relevant Minimum Capital Requirement will be complied with immediately following the making of such interest payment (or the relevant part thereof permitted by the Relevant Regulator to be made), if made.

A certificate signed by two Authorised Signatories confirming that the conditions set out in this Condition 5.2 are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

5.3 No default

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral by the Issuer of any payment of interest (i) on a Mandatory Interest Deferral Date in accordance with Condition 5.1 or (ii) as a result of the non-satisfaction of the Issuer Solvency Condition in Condition 3.3 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Trust Deed.

5.4 Arrears of Interest

Any interest on the Notes not paid on an Interest Payment Date as a result of the obligation of the Issuer to defer such payment of interest pursuant to Condition 5.1 or the operation of the Issuer Solvency Condition in Condition 3.3 shall, together with any other interest not paid on any earlier Interest Payment Dates, to the extent and so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

5.5 Payment of Arrears of Interest

Any Arrears of Interest may, subject to Condition 3.3 and to satisfaction of the Regulatory Clearance Condition, be paid by the Issuer in its sole discretion, in whole or in part, at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made, save as otherwise permitted by the Relevant Regulator pursuant to Condition 5.2) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12, and in any event will become due and payable by the Issuer (subject, in the case of (a) and (c) below, to Condition 3.3 and to satisfaction of the Regulatory Clearance Condition) in whole (and not in part) upon the earliest of the following dates:

- (a) the next Interest Payment Date which is not a Mandatory Interest Deferral Date; or
- (b) the date on which an Issuer Winding-Up occurs; or
- (c) the date fixed for any redemption of Notes pursuant to, or purchase of Notes in accordance with, Condition 7 (subject to any deferral of such redemption date pursuant to the Issuer Solvency Condition or Condition 7.2).

5.6 Notice of Deferral

The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 not less than five Business Days prior to an Interest Payment Date:

- (a) (save where the Relevant Regulator has permitted the relevant interest payment to be made in full pursuant to Condition 5.2) if that Interest Payment Date is a Mandatory Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event (or the determination thereof) occurs less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 12 as soon as reasonably practicable following the occurrence (or, as the case may be, the determination) of such event; or
- (b) if payment of interest is to be deferred on that Interest Payment Date only as a result of the non-satisfaction of the Issuer Solvency Condition and specifying the same, provided that if the Issuer becomes aware of such non-satisfaction of the Issuer Solvency Condition less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 12 as soon as reasonably practicable following it becoming so aware,

provided that, in each case, any delay or failure in making any such notification shall neither constitute a default under the Notes or for any other purpose, nor oblige the Issuer to make payment of such interest, or cause the same to become due and payable, on such Interest Payment Date.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder. Payments of principal, and payments of interest and Arrears of Interest due at the time of redemption of the Notes, will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Save as provided in the previous sentence, interest and Arrears of Interest due for payment on the Notes will be paid to the holder shown on the Register at the close of business on the date (the “**record date**”) being 15 days before the due date for the relevant payment.

For the purposes of this Condition 6, a Noteholder’s “**registered account**” means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the Register at the close of business (a) in the case of principal and of interest and Arrears of Interest due at the time of redemption of the Notes, on the second Business Day before the due date for payment and (b) in the case of any other payment of interest and Arrears of Interest, on the relevant record date.

6.2 Payments subject to applicable laws

All payments will be subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (b) any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the “**Code**”), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (each, a “**FATCA Withholding Tax**”).

6.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

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

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

6.5 Partial payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.

6.6 Agents

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

- (a) a Principal Paying Agent; and
- (b) a Registrar.

Notice of any termination or appointment and of any changes in specified offices of any of the Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

7. REDEMPTION, SUBSTITUTION, VARIATION AND PURCHASE

7.1 Redemption at Maturity

Subject to Condition 7.2 and Condition 7.10 and to satisfaction of the Regulatory Clearance Condition, unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 4 August 2032 (the "**Maturity Date**") together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the Maturity Date.

7.2 Issuer deferral of redemption date

- (a) Subject as provided in Condition 7.2(b), no Notes shall be redeemed on the Maturity Date pursuant to Condition 7.1 or prior to the Maturity Date pursuant to Conditions 7.4, 7.5, 7.6, 7.7 or 7.8 if:
 - (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption were to be made pursuant to this Condition 7;
 - (ii) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules); or
 - (iii) redemption would otherwise breach the provisions of the Relevant Rules which apply to obligations eligible to qualify as Tier 2 Capital,

and, in each case, redemption shall instead be deferred in accordance with the provisions of this Condition 7.2.

- (b) Notwithstanding Condition 7.2(a), but subject to Condition 3.3, the Issuer shall be entitled to redeem the Notes (to the extent permitted by the Relevant Rules) on

the Maturity Date pursuant to Condition 7.1 or prior to the Maturity Date pursuant to Conditions 7.4, 7.5, 7.6, 7.7 or 7.8 if:

- (i) deferral of redemption would (but for this Condition 7.2(b)) be required only by virtue of Condition 7.2(a)(i) and the applicable Regulatory Deficiency Redemption Deferral Event occurs (or would occur if redemption were to be made) solely as a result of non-compliance with an applicable Solvency Capital Requirement;
- (ii) the Relevant Regulator has exceptionally waived the deferral of redemption and has provided the Issuer with written confirmation of the same;
- (iii) the Notes are exchanged for or converted into new Tier 1 Capital or Tier 2 Capital instruments of the same or higher quality than the Notes; and
- (iv) each relevant Minimum Capital Requirement will be complied with immediately following such redemption, if made.

A certificate signed by two Authorised Signatories confirming that the conditions set out in this Condition 7.2(b) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

- (c) The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be deferred in accordance with Condition 7.2(a), provided that if a Regulatory Deficiency Redemption Deferral Event (or the determination thereof) occurs less than five Business Days prior to the date set for redemption, the Issuer shall give notice of such deferral in accordance with Condition 12 as soon as reasonably practicable following the occurrence (or, as the case may be, the determination) of such event.
- (d) If redemption of the Notes does not occur on the Maturity Date or, as applicable, the date specified in the notice of redemption by the Issuer under Condition 7.4, 7.5, 7.6, 7.7 or 7.8 as a result of Condition 7.2(a) above, the Issuer shall (subject, in the case of (i) and (ii) below only, to Condition 3.3 and to satisfaction of the Regulatory Clearance Condition) redeem such Notes at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest upon the earlier of:
 - (i) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless on such 10th Business Day a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case, unless the further deferral of redemption is waived by the Relevant Regulator pursuant to Condition 7.2(b), the provisions of

Condition 7.2(a) and this Condition 7.2(d) will apply *mutatis mutandis* to determine the due date for redemption of the Notes); or

- (ii) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes (including, without limitation, where the Relevant Regulator has exceptionally waived deferral of redemption pursuant to Condition 7.2(b)); or
- (iii) the date on which an Issuer Winding-Up occurs.

The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 no later than five Business Days prior to any such date set for redemption pursuant to 7.2(d)(i) or (ii) above.

- (e) If Condition 7.2(a) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 7.4, 7.5, 7.6, 7.7 or 7.8 as a result of the Issuer Solvency Condition not being satisfied at such time, the Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 as soon as practicable on or following the scheduled redemption date on which the Issuer Solvency Condition is not satisfied and such redemption of the Notes has been deferred. Subject to satisfaction of the Regulatory Clearance Condition, such Notes shall be redeemed at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the redemption date on the 10th Business Day immediately following the day that:
 - (i) the Issuer is solvent for the purposes of Condition 3.3; and
 - (ii) the redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3.3,

provided that if on such 10th Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, then (unless the further deferral of redemption is waived by the Relevant Regulator pursuant to Condition 7.2(b)) the Notes shall not be redeemed on such date and Conditions 3.3 and 7.2(d) shall apply *mutatis mutandis* to determine the due date for redemption of the Notes.

The Issuer shall notify the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 no later than five Business Days prior to any date set for redemption pursuant to 7.2(e)(i) and (ii) above.

- (f) A certificate signed by two Authorised Signatories confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof, shall be binding on all such persons and the Trustee shall be entitled to rely on such certificate absolutely

without liability to any person and without any obligation to verify or investigate the accuracy hereof.

7.3 Deferral of redemption not a default

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3.3 or 7.2 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

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

Subject to Conditions 7.2(a) and 7.10, if immediately before the giving of the notice referred to below:

- (a) as a result of any change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application or official interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations, that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which have the characteristics of Tier 2 Capital under the rules applicable at issuance) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective or, in the case of a change or proposed change in United Kingdom law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Reference Date (each a “**Tax Law Change**”):
 - (i) the Issuer has paid, or on the next Interest Payment Date would be required to pay, additional amounts as provided or referred to in Condition 8; or
 - (ii) in respect of the Issuer’s obligation to make any payment of interest:
 - (1) the Issuer would not be entitled to claim a deduction in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; or
 - (2) the Issuer would not to any material extent be entitled to have any loss or deductions set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or
 - (iii) the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction; and

- (b) in any such case, the effect of the foregoing cannot be avoided by the Issuer taking measures reasonably available to it,

the Issuer may at its option (without any requirement for the consent or approval of the Noteholders) and having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 12, the Noteholders (which notice shall, subject as provided in Condition 7.14, be irrevocable and shall specify the date fixed for redemption, substitution or variation, as applicable) either:

- (i) redeem all (but not some only) of the Notes, at any time at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which:
 - (A) with respect to (a)(i), the Issuer would be obliged to pay such additional amounts;
 - (B) with respect to (a)(ii)(1), the payment of interest would no longer be deductible for United Kingdom tax purposes;
 - (C) with respect to (a)(ii)(2), the Issuer would not to any material extent be entitled to have the loss or deduction set against the profits as provided in (a)(ii)(2); or
 - (D) with respect to (a)(iii), the Issuer would suffer any other material adverse tax consequence,

in each case were a payment in respect of the Notes then due; or

- (ii) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 2 Securities, and the Trustee shall (subject as provided in Condition 7.9 and to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 7.10 and in the definition of 'Qualifying Tier 2 Securities') agree to such substitution or variation.

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

Subject to Conditions 7.2(a) and 7.10, if at any time a Capital Disqualification Event has occurred and is continuing or, as a result of any change in, or amendment to, or any change in the application or official interpretation of, any applicable law, regulation or other official publication, a Capital Disqualification Event will occur within a period of six months, then the Issuer may at any time, having given not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12, the Trustee and the Principal Paying Agent (which notice shall, subject as provided in Condition 7.14, be irrevocable and shall specify the date fixed for redemption, substitution or variation, as applicable) either:

- (a) redeem all (but not some only) of the Notes at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or

- (b) substitute all (and not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Tier 2 Securities, and the Trustee shall (subject as provided in Condition 7.9 and to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 7.10 and in the definition of 'Qualifying Tier 2 Securities') agree to such substitution or variation.

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

- (a) Subject to Conditions 7.2(a) and 7.10, if at any time a Ratings Methodology Event has occurred and is continuing or, as a result of any change in or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology by the relevant Rating Agency), a Ratings Methodology Event will occur within a period of six months, then the Issuer may at any time, having given not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12, the Trustee and the Principal Paying Agent (which notice must be given during the Notice Period and shall, subject as provided in Condition 7.14, be irrevocable and shall specify the date fixed for redemption, substitution or variation, as applicable) either:
 - (i) redeem all (but not some only) of the Notes at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
 - (ii) substitute all (and not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Rating Agency Compliant Notes, and the Trustee shall (subject as provided in Condition 7.9 and to the receipt by it of the certificates of the Authorised Signatories referred to in Condition 7.10 and in the definition of 'Rating Agency Compliant Notes') agree to such substitution or variation.
- (b) For the purposes of this Condition 7.6, "**Notice Period**" means the six-month period commencing on the date on which the relevant Ratings Methodology Event first occurs (or, as applicable, the date on which the Issuer certifies that the same will occur within a period of six months), provided that if the Issuer has, during such six-month period, made such application or notification to the Relevant Regulator as is then required under the Relevant Rules for the purposes of initiating the process for satisfying the Regulatory Clearance Condition, the Notice Period shall extend to the thirtieth calendar day following satisfaction of the Regulatory Clearance Condition in respect of the redemption, substitution or variation which is the subject of the notice to which the Notice Period relates.

7.7 Issuer par call

Subject to Conditions 7.2(a) and 7.10, the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 12, the Noteholders (which notice shall, save as provided in Condition 7.14 below, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes on any day falling in the period commencing on (and including) 4 February 2032 and ending on (but excluding) the Maturity Date at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption.

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

7.8 Clean-up redemption at the option of the Issuer

Subject to Conditions 7.2(a) and 7.10, if, at any time after the Issue Date, 80 per cent. or more of the aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 16 will be deemed to have been originally issued) has been purchased and cancelled, then the Issuer may, at its option, having given not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12, the Trustee and the Principal Paying Agent (which notice shall, save as provided in Condition 7.14 below, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the remaining Notes at any time at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption.

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

7.9 Trustee role on redemption, variation or substitution; Trustee not obliged to monitor

The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to substitution or variation of the Notes for or into Qualifying Tier 2 Securities pursuant to Condition 7.4 or Condition 7.5 above or, as the case may be, Rating Agency Compliant Notes pursuant to Condition 7.6 above, provided that the Trustee shall not be obliged to co-operate in or agree to any such substitution or variation of the terms if such co-operation or the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it or reduce its authorities or protections or expose it to any additional liability. If the Trustee does not so co-operate or agree as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 7 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 7, it shall be entitled to assume that no such event or circumstance exists.

7.10 Preconditions to redemption, variation, substitution and purchases

- (a) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 7.4, 7.5, 7.6 or 7.8, the Issuer shall deliver to the Trustee:
 - (i) in respect of any redemption, variation or substitution pursuant to Condition 7.4, an opinion from a nationally recognised law firm or other tax adviser in the Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in Condition 7.4(a) applies or will apply on the next Interest Payment Date (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it); and

- (ii) in respect of any redemption, variation or substitution pursuant to Condition 7.4, 7.5, 7.6 or 7.8, a certificate signed by two Authorised Signatories stating that, as the case may be:
 - (A) the requirement referred to in Condition 7.4(a) above applies or will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking measures reasonably available to it; or
 - (B) a Capital Disqualification Event or, as the case may be, Ratings Methodology Event has occurred and is continuing as at the date of the certificate or, as the case may be, will occur within a period of six months from the date of the certificate; or
 - (C) for the purposes of Condition 7.8, 80 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased and cancelled as at the date of the certificate; and
 - (D) in respect of any redemption, variation or substitution pursuant to Condition 7.4, 7.5 or 7.6, the circumstance entitling the Issuer to exercise the right of redemption, variation or substitution was not reasonably foreseeable as at the Reference Date,

and the Trustee shall, in the absence of manifest error, accept such certificate and, if applicable, opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders (it being declared that the Trustee may rely absolutely on such certification and opinion, if applicable, without liability to any person and without any obligation to verify or investigate the accuracy hereof).

- (b) In addition, prior to the publication of any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with the Regulatory Clearance Condition and be in continued compliance with the Regulatory Capital Requirements (but without prejudice to Condition 7.2(b), if applicable), and such redemption, substitution, variation or purchase must comply with the Relevant Rules applicable at the time. A certificate from any two Authorised Signatories to the Trustee confirming such compliance shall be conclusive evidence of such compliance for the purposes of these Conditions (it being declared that the Trustee may rely absolutely on such certification without liability to any person and without any obligation to verify or investigate the accuracy hereof).
- (c) The Issuer shall not redeem or purchase any Notes unless at the time of such redemption or purchase:
 - (i) it is, and will immediately thereafter remain, solvent (as such term is described in Condition 3.3); and
 - (ii) it is, and will immediately thereafter remain, in compliance with all Regulatory Capital Requirements applicable to it (but without prejudice to Condition 7.2(b), if applicable).

A certificate from any two Authorised Signatories to the Trustee confirming such compliance shall be conclusive evidence of such compliance (it being declared that the Trustee may rely absolutely on such certification without liability to any person and without any obligation to verify or investigate the accuracy hereof).

- (d) Any redemption pursuant to Condition 7.4, 7.5, 7.6, 7.7 or 7.8 and any purchase pursuant to Condition 7.12 will only be made:
 - (i) in compliance with the Relevant Rules; and
 - (ii) if a redemption or purchase is to occur within five years following the Reference Date (and if the Relevant Rules so require at the relevant time):
 - (A) on the condition that the Notes are exchanged for, or redeemed out of the proceeds of a new issue of, capital of the same or higher quality; or
 - (B) in the case of a redemption pursuant to Condition 7.4 or 7.5, if the Issuer has demonstrated to the satisfaction of the Relevant Regulator (such satisfaction to be conclusively evidenced by satisfaction of the Regulatory Clearance Condition in respect of such redemption) that:
 - (1) the Solvency Capital Requirement of the Issuer and/or the Insurance Group (as applicable), immediately after the redemption, will be exceeded by an appropriate margin, taking into account its solvency position and its medium-term capital management plan; and
 - (2) either (x) (in the case of a redemption pursuant to Condition 7.4) the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date, or (y) (in the case of a redemption pursuant to Condition 7.5) the relevant change in the regulatory classification of the Notes is sufficiently certain and was not reasonably foreseeable as at the Reference Date.

If on the proposed date for any redemption of the Notes the relevant pre-conditions to redemption under this Condition 7.10 are not met, redemption of the Notes shall instead be deferred and such redemption shall occur only in accordance with Condition 7.2. If on the proposed date for any purchase of Notes pursuant to Condition 7.12 the relevant pre-conditions to purchase under this Condition 7.10 are not met, the purchase of the Notes shall instead be cancelled.

A certificate from any two Authorised Signatories to the Trustee confirming compliance with the relevant pre-conditions to redemption or purchase shall be conclusive evidence of such compliance and the Trustee may rely absolutely on such certification without liability to any person and without any obligation to verify or investigate the accuracy hereof.

7.11 Compliance with stock exchange rules

In connection with any substitution or variation of the Notes in accordance with Condition 7.4, 7.5 or 7.6, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

7.12 Purchases

Subject to Condition 7.10, the Issuer or any of the Issuer's Subsidiaries may at any time purchase Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be held, reissued, resold or, at the option of the Issuer and the relevant purchaser, surrendered for cancellation to the Principal Paying Agent.

7.13 Cancellations

All Notes redeemed or substituted by the Issuer pursuant to this Condition 7, and all Notes purchased and surrendered for cancellation pursuant to Condition 7.12, will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7.14 Notices Final

Subject and without prejudice to Conditions 3.3, 7.2 and 7.10, any notice of redemption as is referred to in Conditions 7.4, 7.5, 7.6, 7.7 or 7.8 above shall be irrevocable and upon expiry of such notice, the Issuer shall be bound to redeem, or as the case may be, vary or substitute, the Notes in accordance with the terms of the relevant Condition.

8. TAXATION

8.1 Payment without withholding

All payments of principal, interest (including, without limitation, Arrears of Interest) and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In any such event, the Issuer will pay such additional amounts in respect of interest payments (including, without limitation, payments of Arrears of Interest), but not in respect of any payments of principal or other amounts, as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been received in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (a) *Other connection*: the holder of which is liable to the Taxes in respect of the Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
- (b) *Lawful avoidance of withholding*: the holder of which could lawfully have avoided (but has not so avoided) such deduction or withholding by making a declaration

of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note is presented for payment; or

- (c) *Surrender more than 30 days after the Relevant Date*: surrendered for payment (where surrender is required) more than 30 days after the Relevant Date, except to the extent that a holder would have been entitled to additional amounts on surrendering the same for payment on the thirtieth day (assuming, whether or not such is in fact the case, that day to have been a Business Day); or
- (d) where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

Notwithstanding the above, any amounts to be paid by the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding Tax, and the Issuer will not be required to pay any additional amounts under this Condition 8.1 on account of any FATCA Withholding Tax.

8.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, this Condition 8 pursuant to the Trust Deed.

9. PRESCRIPTION

Claims against the Issuer in respect of principal, interest and any other amounts in respect of the Notes will be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest, including, without limitation, Arrears of Interest, or any other amounts) from the Relevant Date.

10. EVENTS OF DEFAULT

10.1 Rights to institute and/or prove in a winding-up of the Issuer

The right to institute winding-up proceedings in respect of the Issuer is limited to circumstances where a payment of principal, interest or other amount in respect of the Notes by the Issuer under the Notes or the Trust Deed has become due and is not duly paid. For the avoidance of doubt (without prejudice to Condition 10.2), no amount shall be due from the Issuer in circumstances where payment of such amount could not be made in compliance with the Issuer Solvency Condition or is deferred by the Issuer in accordance with Conditions 5.1 or 7.2.

If:

- (a) default is made by the Issuer for a period of 14 days or more in the payment of any interest (including, without limitation, any Arrears of Interest) or principal due in respect of the Notes or any of them; or
- (b) an Issuer Winding-Up occurs,

the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an

Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or prefunded to its satisfaction):

- (i) in the case of (a) above, institute proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere) and prove in the winding-up; and/or
- (ii) in the case of (b) above, prove in the winding-up or administration of the Issuer (whether in England and Wales or elsewhere) and/or claim in the liquidation of the Issuer (whether in England and Wales or elsewhere),

but (in either case) may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed.

No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 10.1, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received an indication of no objection from, the Relevant Regulator which the Issuer shall confirm in writing to the Trustee and upon which the Trustee may rely conclusively without liability to any person.

10.2 Amount payable on a winding-up or administration

Upon the occurrence of an Issuer Winding-Up (including, for the avoidance of doubt, a winding-up initiated pursuant to Condition 10.1(i)), the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to it having been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and payable at the amount equal to their principal amount together with any Arrears of Interest and any other accrued and unpaid interest and, if applicable, any damages awarded for breach of any obligations under the Notes or the Trust Deed.

Claims against the Issuer in respect of such amounts will be subordinated in accordance with Condition 3.2.

10.3 Enforcement

Without prejudice to Conditions 10.1 or 10.2, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including any damages awarded for breach of any obligations thereunder, but excluding any payments made to the Trustee acting on its own account under the Trust Deed in respect of its costs, expenses, liabilities or remuneration) but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

Nothing in this Condition 10.3 shall, however, prevent the Trustee (subject to Condition 10.1) instituting proceedings for the winding-up of the Issuer in England and Wales and/or proving in any winding-up or administration of the Issuer (whether in England and Wales or elsewhere) and/or claiming in any liquidation of the Issuer in respect of any payment obligation of the Issuer (whether in England and Wales or elsewhere), in each case where

such payment obligation arises from the Notes or the Trust Deed (including, without limitation, payment of any principal, interest or Arrears of Interest in respect of the Notes or any damages awarded for breach of any obligations under the Notes or the Trust Deed).

10.4 Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 10.1, 10.2 or 10.3 above against the Issuer to enforce the terms of the Trust Deed or the Notes or to take any other action under or pursuant to the Trust Deed unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

10.5 Right of Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or prove in the winding-up or administration of the Issuer or claim in the liquidation of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or administration or claim in such liquidation, fails or is unable to do so within 60 days and such failure or inability shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

10.6 Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or other Transfer Agent (or any other place notice of which shall have been given in accordance with Condition 12) upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

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

13. SUBSTITUTION OF ISSUER

Subject to the satisfaction of the Regulatory Clearance Condition and to compliance with the Relevant Rules, the Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution of the successor in business (as defined in Condition 19) to the Issuer (or to a previous Substitute Obligor) in place of the Issuer (or, as the case may be, such previous Substitute Obligor) as principal debtor under the Trust Deed and the Notes (such substitute being hereinafter referred to as the “**Substitute Obligor**”) provided that in each case:

- (a) a trust deed or some other form of undertaking, supported by one or more legal opinions, is executed by the Substitute Obligor in a form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and the Notes, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be) (and such consequential amendments may include, without limitation, amending those references to “England and Wales” in Condition 10 which are applicable to such Substitute Obligor to refer instead to the jurisdiction of incorporation of such Substitute Obligor);
- (b) the Substitute Obligor certifies to the Trustee that (i) it has obtained all necessary governmental and regulatory approvals and consents necessary for its assumptions of the duties and liabilities as Substitute Obligor under the Trust Deed and the Notes in place of the Issuer or, as the case may be, any previous Substitute Obligor and (ii) such approvals and consents are at the time of substitution in full force and effect (it being declared that the Trustee may rely absolutely on such certification without liability to any person);
- (c) two directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify that the Substitute Obligor is solvent at the time at which the substitution is proposed to be in effect, and immediately thereafter (it being declared that the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer or (as the case may be) any previous Substitute Obligor);
- (d) (without prejudice to the generality of sub-paragraph (a) above) the Trustee may, in the event of such substitution agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes if in the opinion of the Trustee such change would not be materially prejudicial to the interests of the Noteholders;
- (e) if the Substitute Obligor is, or becomes, subject in respect of payments made by it of principal, interest (including, without limitation, Arrears of Interest) and/or any other amounts in respect of the Notes to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer (or any previous Substitute Obligor) is subject in respect of such payments (the “**Original Territory**”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the

Trustee in terms corresponding to Condition 8 with the substitution in the definition of “Relevant Jurisdiction” (for the purposes of both Condition 8 and Condition 7.4) of references to the Original Territory with references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly;

- (f) if the Notes are rated (where such rating was assigned at the request of the Issuer) by one or more credit rating agencies of international standing immediately prior to such substitution, the Notes shall continue to be rated by each such rating agency immediately following such substitution, and each credit rating agency shall have confirmed that the credit ratings assigned to the Notes by each such credit rating agency immediately following such substitution are expected to be no less than those assigned to the Notes immediately prior thereto; and
- (g) without prejudice to the rights of reliance of the Trustee under sub-paragraphs (b) and (c) above, the Trustee shall be satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution proposed pursuant to this Condition 13.

Any substitution effected in accordance with this Condition 13 shall be binding on the Noteholders and (unless the Trustee otherwise agrees) shall be notified promptly by the Issuer to the Noteholders in accordance with Condition 12.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders (which need not be a physical meeting and instead may be by way of conference call, including by use of a videoconference platform, or a combination of such methods) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and/or certain of the provisions of the Trust Deed (such provisions being set out in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds (a “**Special Quorum**”), or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting and whether or not voting in favour.

The Trust Deed also provides that a written resolution executed by or on behalf of the holders of not less than three-quarters in principal amount of the Notes outstanding who would have been entitled to vote upon it if it had been proposed at a meeting at which

they were present shall take effect as if it were an Extraordinary Resolution duly passed at such a meeting.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed made in connection with the substitution or variation of the Notes pursuant to Conditions 7.4, 7.5 or 7.6 or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 13.

14.2 Modification, waiver, authorisation and determination

The Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

14.3 Trustee to have regard to interests of Noteholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution of obligor), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

14.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution made in accordance with this Condition 14 shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

14.5 Regulatory Clearance Condition

Any modification to, or waiver in respect of, these Conditions or any provisions of the Trust Deed will (to the extent then required by the Relevant Regulator or the Relevant Rules) be subject to the Issuer having notified the Relevant Regulator of such modification or waiver and satisfaction of the Regulatory Clearance Condition.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

15.2 Trustee contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15.3 Regulatory Clearance Condition

Wherever in these Conditions and/or the Trust Deed there is a requirement for the Regulatory Clearance Condition to be satisfied, the Trustee shall be entitled to assume without enquiry that such condition has been satisfied unless notified in writing to the contrary by the Issuer.

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes ("**Further Notes**"), provided that the issue date of such Further Notes falls not less than ten years prior to the Maturity Date. Any Further Notes shall be constituted by a deed supplemental to the Trust Deed.

17. GOVERNING LAW

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

18. RIGHTS OF THIRD PARTIES

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

19. DEFINED TERMS

In these Conditions:

"**Accrual Date**" has the meaning given to it in Condition 4.3;

“Accrual Period” has the meaning given to it in Condition 4.3;

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

“Agents” means the Registrar, the Principal Paying Agent, the Transfer Agent and the other Paying Agents appointed from time to time under the Agency Agreement;

“Arrears of Interest” has the meaning given in Condition 5.4;

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

“Authorised Signatories” has the meaning given to it in the Trust Deed;

“Business Day” means:

- (a) except for the purposes of Condition 2 and 6.4, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London;
- (b) for the purposes of Condition 2, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located; and
- (c) for the purpose of Condition 6.4, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in London and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered;

a **“Capital Disqualification Event”** is deemed to have occurred if, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules:

- (a) the whole or any part of the principal amount of the Notes no longer counts or qualifies as Tier 2 Capital for the purposes of the Issuer; and/or
- (b) the whole or any part of the principal amount of the Notes no longer counts or qualifies as Tier 2 Capital for the purposes of the Insurance Group,

(whether on a solo, group or consolidated basis), except where such non-qualification is only as a result of the aggregate amount of eligible items available to be counted towards Tier 2 Capital (or a relevant component part thereof) exceeding any applicable upper limit on the aggregate amount of such items permitted to be so counted (other than a limit derived from any transitional or grandfathering provisions under the Relevant Rules);

“Certificate” has the meaning given in Condition 1.1;

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

“Director” means a director of the Issuer;

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

“EUWA” means the European Union (Withdrawal) Act 2018 (as amended, modified, re-enacted or replaced from time to time including, without limitation, by the European Union (Withdrawal Agreement) Act 2020);

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

“FATCA Withholding Tax” has the meaning given in Condition 6.2;

“Further Notes” has the meaning ascribed to it in Condition 16;

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

“Insolvent Insurer Winding-up” means (a) the winding-up of any Group Insurance Undertaking; or (b) the appointment of an administrator of any Group Insurance Undertaking, in each case where the Issuer has determined, acting reasonably, that the Policyholder Claims of that Group Insurance Undertaking may or will not all be met in full;

“Insurance Group” means, at any time, the Insurance Group Holding Company and its Subsidiaries at such time;

“Insurance Group Holding Company” means, at any time, the ultimate insurance holding company of the group of companies which includes the Issuer and which is subject to consolidated supervision by the Relevant Regulator for the purposes of the Relevant Rules (the Insurance Group Holding Company being, as at the Issue Date, the Issuer);

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

“Interest Payment Date” has the meaning given in Condition 4.1;

“Issue Date” means 4 February 2022;

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

“Issuer Solvency Condition” has the meaning given in Condition 3.3;

“Issuer Winding-Up” has the meaning given in Condition 3.2;

“Junior Obligations of the Issuer” has the meaning given in Condition 3.2;

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

“Mandatory Interest Deferral Date” means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were to be made on such Interest Payment Date;

“Maturity Date” has the meaning given in Condition 7.1;

“Member State” means a member of the European Economic Area;

“Minimum Capital Requirement” means the Minimum Capital Requirement or the group minimum Solvency Capital Requirement (as applicable) referred to in, or any other minimum capital requirement howsoever described in, the Relevant Rules, in each case as may be applicable to the Issuer and/or the Insurance Group (whether on a solo, group or consolidated basis);

“Noteholder” has the meaning given in Condition 1.2;

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

“Notice Period” has the meaning given in Condition 7.6;

“Original Territory” has the meaning given in Condition 13;

“Pari Passu Creditors of the Issuer” means creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders, including holders of securities which are Pari Passu Obligations of the Issuer;

“Pari Passu Obligations of the Issuer” has the meaning given in Condition 3.2;

“Paying Agents” means the Principal Paying Agent and any successor, replacement and/or additional paying agent(s) appointed from time to time under the Agency Agreement;

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

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

“Qualifying Tier 2 Securities” means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (b)(1) to (7) below) signed by two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities); and

- (b) (subject to (a) above) (1) contain terms which comply with the then-current requirements of the Relevant Regulator and the Relevant Rules in relation to Tier 2 Capital; (2) bear the same rate of interest as the Notes and preserve the same Interest Payment Dates; (3) contain terms providing for the deferral of payments of interest and/or principal only if such terms are not materially less favourable to an investor than equivalent terms contained in the terms of the Notes; (4) rank senior to, or *pari passu* with, the ranking of the Notes; (5) provide for the same Maturity Date and preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, any such redemption; (6) do not contain terms providing for or requiring the Issuer to write down or convert into equity the whole or any part of the principal amount of the Qualifying Tier 2 Securities; and (7) preserve in full any rights to Arrears of Interest and accrued and unpaid interest on the Notes immediately prior to substitution or variation; and
- (c) are listed and admitted to trading either (i) on the same stock exchange as the Notes were so listed and admitted to trading immediately prior to the relevant variation or substitution of the Notes for such Qualifying Tier 2 Securities, or (ii) on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

“Rating Agency” means each of Fitch Ratings Limited (**“Fitch”**), S&P Global Ratings UK Limited (**“S&P”**) and Moody’s Investors Service Limited (**“Moody’s”**) or any of their respective successors or affiliates;

“Rating Agency Compliant Notes” means securities issued directly or indirectly by the Issuer that are:

- (a) Qualifying Tier 2 Securities; and
- (b) assigned by each relevant Rating Agency substantially the same ‘equity content’ (which term, as used in these Conditions, shall include any equivalent nomenclature of a Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer’s senior obligations in terms of either leverage or total capital) as or, at the absolute discretion of the Issuer, a lower ‘equity content’ than (provided such ‘equity content’ is still higher than the ‘equity content’ assigned to the Notes after the occurrence of the Ratings Methodology Event) that which was (i) first assigned by such Rating Agency to the Notes (whether on or around the Issue Date or at any time thereafter) or (ii) (if later) assigned as at (or in connection with an issue of Further Notes on) the Reference Date (where, in each case, any such ‘equity content’ was assigned to the Notes following solicitation by, or with the co-operation of, the Issuer) and provided, in each case, that a certification to such effect signed by two Authorised Signatories shall have been delivered to the Trustee prior to the issue of the relevant securities (upon which the Trustee shall be entitled to rely without liability to any person);

a **“Ratings Methodology Event”** will be deemed to occur upon a change in, or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology) after the Reference Date as a result of which the ‘equity content’ assigned by that Rating Agency to the Notes is, as notified by that Rating Agency to the Issuer or

as published by that Rating Agency, reduced when compared to (a) the 'equity content' which was first assigned by such Rating Agency to the Notes (whether on or around the Issue Date or at any time thereafter) or (b) (if this is lower) the lowest 'equity content' assigned by such Rating Agency to the Notes at the time of, or in connection with, any issue of Further Notes pursuant to Condition 16 (where, in each case, any such 'equity content' was assigned to the Notes following solicitation by, or with the co-operation of, the Issuer);

"Recognised Stock Exchange" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as amended or re-enacted from time to time, and any provision, statute or statutory instrument replacing the same from time to time;

"Reference Date" means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Notes have been issued pursuant to Condition 16;

"Register" has the meaning given in Condition 1.1;

"Registrar" has the meaning given in the preamble to these Conditions;

"Regulatory Capital Requirements" means any applicable capital resources requirement or applicable overall financial adequacy rule required by the Relevant Regulator or the Relevant Rules, as such requirements or rule are in force from time to time;

"Regulatory Clearance Condition" means, in respect of any proposed act on the part of the Issuer, the Relevant Regulator having approved or consented to, or otherwise having confirmed that it does not object to, such act (in any case only if and to the extent required by the Relevant Rules, the Relevant Regulator or any applicable rules of the Relevant Regulator at the relevant time);

"Regulatory Deficiency Interest Deferral Event" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or the Insurance Group to be breached and such breach is, or continues to be, an event) which under the Relevant Rules would require the Issuer to defer payment of interest in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules);

"Regulatory Deficiency Redemption Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or the Insurance Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be such breach is, or continues to be, an event) which under the Relevant Rules would require the Issuer to defer or suspend repayment or redemption of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules);

"reinsurance undertaking" has the meaning given to it in the Relevant Rules;

"Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the

money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12;

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

“Relevant Regulator” means the UK Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Insurance Group;

“Relevant Rules” means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then having effect in the United Kingdom and applied by the Relevant Regulator to the Issuer or the Insurance Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the Relevant Regulator which amend, modify, re-enact or replace Solvency II in the United Kingdom, including any such legislation made under the EUWA; and references in these Conditions to any matter, action or condition being required or permitted by, or in accordance with, the Relevant Rules shall be construed in the context of the Relevant Rules as they apply to Tier 2 Capital and on the basis that the Notes are intended to continue to have the characteristics of Tier 2 Capital of the Issuer and/or the Insurance Group under the Relevant Rules (notwithstanding the occurrence of a Capital Disqualification Event);

“Senior Creditors of the Issuer” means:

- (a) (if applicable at the relevant time) any policyholders of the Issuer or beneficiaries under contracts of insurance or reinsurance of the Issuer (and, for the avoidance of doubt, the claims of Senior Creditors of the Issuer who are policyholders or such beneficiaries (if any) shall include all amounts to which they would be entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive, or expectation of receiving, benefits which policyholders or such beneficiaries may have);
- (b) all unsubordinated creditors of the Issuer; and
- (c) all subordinated creditors of the Issuer (including, without limitation, creditors whose claims constitute, or would, but for any applicable limitation on the amount of such capital constitute, Tier 3 Capital), other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or Tier 2 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders against the Issuer in respect of the Notes and the Trust Deed;

“Solvency II” means the United Kingdom transposition of the Solvency II Directive and the Solvency II Regulation, as each forms part of the domestic law of the United Kingdom by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws

of England and Wales from time to time, and any additional measures adopted to give effect thereto (whether implemented by way of regulation, guidelines or otherwise);

“**Solvency II Directive**” means Directive 2009/138/EC of the European Union (as amended) on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and transposed by Member States pursuant to Article 309 of Directive 2009/138/EC;

“**Solvency II Regulation**” means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended (including, without limitation, by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019);

“**Solvency Capital Requirement**” means the Solvency Capital Requirement or the group Solvency Capital Requirement referred to in, or any other equivalent capital requirement (other than the Minimum Capital Requirement) howsoever described in, the Relevant Rules, in each case as may be applicable to the Issuer and/or the Insurance Group (whether on a solo, group or consolidated basis);

“**sterling**” or “**£**” means the lawful currency of the United Kingdom;

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

“**Substitute Obligor**” has the meaning given in Condition 13;

“**Substituted Territory**” has the meaning given in Condition 13;

“**successor in business**” means, in relation to the Issuer (or any previous Substitute Obligor), any body corporate which, as a result of any amalgamation, merger, reconstruction, asset acquisition or transfer, or agreement, beneficially owns the whole or substantially the whole of the undertaking, property and assets owned by the Issuer (or by a previous Substitute Obligor) prior to such amalgamation, merger, reconstruction, asset acquisition or transfer, or agreement coming into force and carries on as successor to the Issuer (or a previous Substitute Obligor), the whole or substantially the whole of the business carried on by the Issuer (or a previous Substitute Obligor) immediately prior thereto;

“**Taxes**” has the meaning given in Condition 8.1;

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

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

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

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

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

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

Overview of the provisions relating to the Notes whilst in Global Form

The Notes will initially be represented by a global certificate (the “**Global Certificate**”). The Global Certificate contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Memorandum. The following is a summary of certain of those provisions.

Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the “**Registered Holder**”) for the Common Depository for Euroclear and Clearstream, Luxembourg and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Accountholders

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system as the holder of a Note represented by a Global Certificate (an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or such other relevant clearing system (as the case may be) as to the outstanding principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the term “**Noteholders**” and references to “**holding of Notes**” and to “**holder of Notes**” shall be construed accordingly) (the “**Accountholder’s Holding**”) for all purposes other than with respect to payments on such Notes, for which purpose the Registered Holder shall be deemed to be the holder of such aggregate principal amount of the Notes in accordance with and subject to the terms of the Global Certificate and the Trust Deed.

Each Accountholder must look solely to Euroclear, Clearstream, Luxembourg or any such other relevant clearing system (as the case may be) for his share of each payment made by the Issuer to or to the order of the Registered Holder and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such other relevant clearing system (as the case may be). Each Accountholder shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to or to the order of the Registered Holder in respect of each amount so paid.

Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or a relevant clearing system. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate may only be made in whole but not in part for Certificates only upon the occurrence of an Exchange Event. An “**Exchange Event**” means that:

- (i) the Issuer has been notified that the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has done so and no successor clearing system is available; or
- (ii) an Event of Default (as defined in the Trust Deed) has occurred and is continuing; or
- (iii) the Issuer has or will become subject to tax consequences which would not be suffered were the Notes evidenced by the Certificates in definitive form.

The Issuer will promptly give notice to the Noteholders (in accordance with Condition 12 and “*Notices*” below) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any Accountholder may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

Exchanges will be made upon presentation of the Global Certificate at the office of the Registrar by or on behalf of the Registered Holder on any day on which banks are open for general business in Ireland and will be effected by the Registrar (a) entering each Accountholder in the Register as the registered holder of the principal amount of Notes equal to such Accountholder’s Holding (as defined above) and (b) completing, authenticating and dispatching to each Accountholder a Certificate evidencing such Accountholder’s Holding. The aggregate principal amount of the Notes evidenced by Certificates issued upon an exchange of the Global Certificate will be equal to the aggregate outstanding principal amount of the Notes evidenced by the Global Certificate.

The Registrar will not register title to the Notes in a name other than that of a nominee for Euroclear and/or Clearstream, Luxembourg acting as the common depository for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and/or, Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg and their respective direct and indirect participants.

Payments

For so long as the Registered Holder is shown in the Register as the holder of the Notes evidenced by a Global Certificate, the Registered Holder shall (subject as set out above under “*Accountholders*”) in all respects be entitled to the benefit of such Notes and shall be entitled to the benefit of the Agency Agreement. Payments of all amounts payable under the Conditions in respect of the Notes as evidenced by a Global Certificate will be made to the Registered Holder pursuant to the Conditions.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Upon any payment of any amount payable under the Conditions the amount so paid shall be entered by the Registrar on the Register, which entry shall constitute prima facie evidence that the payment has been made.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of the Issuer's Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

Calculation of interest

Notwithstanding the provisions of Condition 4.3, for so long as all of the Notes are represented by the Global Certificate, interest payable to the Registered Holder shall be calculated on the aggregate principal amount of the Notes represented by such Global Certificate and not per Calculation Amount (but otherwise shall be calculated in accordance with Condition 4).

Notices

For so long as all of the Notes are represented by the Global Certificate and the same is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to such relevant clearing system(s) for communication to the relevant accountholders (or otherwise in such manner as the Trustee, the Principal Paying Agent and the relevant clearing system(s) may approve for this purpose) rather than in the manner as required by Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the day such notice is delivered to the relevant clearing system as aforesaid.

So long as the Notes are admitted to listing or trading on any stock exchange, the requirements of such stock exchange shall also be complied with.

Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for a clearing system, then approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Noteholders, in the case of an Extraordinary Resolution, of not less than three-quarters in principal amount of the Notes outstanding, or, in the case of an Ordinary Resolution, not less than a clear majority in principal amount of the Notes (an "**Electronic Consent**") shall, for all purposes, take effect as an Extraordinary Resolution (including matters that would otherwise require an Extraordinary Resolution (as defined in the Trust Deed) to be passed at a

meeting for which the Special Quorum was satisfied) or, as the case may be, an Ordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent.

Where Electronic Consent is not being sought, for the purpose of determining whether a resolution in writing signed by Noteholders, in the case of an Extraordinary Resolution, of not less than three-quarters in principal amount of the Notes outstanding, or, in the case of an Ordinary Resolution, not less than a clear majority in principal amount of the Notes (a **Written Resolution**) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer or the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Use of Proceeds

The net proceeds from the issue will be utilised by the Issuer for its general corporate purposes, including investments and acquisitions.

Description of the Issuer and the Group

The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this document, including the financial and other information incorporated by reference in “Documents Incorporated by Reference”.

1. Introduction

The Issuer is a life assurance and pensions consolidator. The Group has operations in the UK, Sweden and the Netherlands.

The Issuer’s primary focus is the efficient management of life assurance and pension policies to give fair outcomes to its customers, whilst generating profits to provide attractive dividends and value growth to its investors. The Issuer seeks to create further value and sustain its dividend policy by acquiring new companies or books of business. Its acquisition strategy primarily focuses on the territories in which it operates, though it will consider opportunities in other European countries where there is sufficient value and strategic and cultural fit.

The Group comprises both open-book and closed-book operations. It writes new business where it is sufficiently confident that conditions will ensure the sales are value adding. New businesses are acquired based on what the Group considers to be realistic market share expectations and in line with the Group’s policy of managing in-force books to provide good returns to customers and investors.

The registered office of the Issuer and the business address of each of its directors for matters concerning the Issuer’s business is 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston PR1 8UY, United Kingdom.

2. History and development, ownership and organisational structure

2.1. History and development

The Issuer was incorporated on 29 October 2003 and is listed on the London Stock Exchange. The Group initially consisted of Countrywide, a closed life and pensions book demerged from Countrywide plc, a large estate agency group. Since then, the Group has grown through the acquisition of further closed UK businesses, an open life and pensions business in Sweden and both a closed-book group and an open life and pensions business in the Netherlands.

The below table provides a detailed summary of the key milestones since the Issuer was founded.

Date	Milestone
2003/2004	The Issuer is incorporated - Countrywide estate agency group divested its life insurance business and this became the inaugural portfolio of the Group with an opening European Embedded Value of the Group which is valued in accordance with principles issued by the European Insurance CFO Forum (“ Embedded Value ”) of £126 million
2005	The Issuer made its first acquisition – City of Westminster Assurance, adding £30.3 million of Embedded Value to the Group.

Date	Milestone
2009	The Issuer moved into Europe with the acquisition of a Swedish business now called Movestic. The Group's Embedded Value reached £263 million. Unlike the UK operation, Movestic is open to new business which adds a further source of Embedded Value growth.
2010	The acquisition of Save and Prosper took the Group's assets under management to over £4 billion.
2013	Direct Line's life assurance business was acquired and by the end of 2014, total Group Embedded Value had risen above £400 million.
2015	Expansion into a new territory with the acquisition of the Waard Group (" Waard "), a closed book in the Netherlands.
2017	Building upon its entry to the Dutch market, the Issuer completed the acquisition of Legal & General Nederland , renamed Scildon, at a 32 per cent. discount to its Economic Value of £202.5 million.
2019	Completion of the acquisition of a portfolio of 6,000 policies from Monuta Insurance , under Waard.
2020	Completion of the acquisition of 44,000 policies from the Dutch branch of Argenta Bank , also under Waard.
2021	Expansion in the Netherlands continued under Waard, with the completion of the acquisition of a portfolio of policies from Brand New Day .
2021	On 13 September the Issuer announced the purchase of Sanlam Life & Pensions UK Limited in the UK for consideration of £39.0 million, adding £2.9 billion of assets under management ¹ and approximately 80,000 new policies ² . The acquisition is expected to complete in the first half of 2022.
2021	On 25 November the Group announced the acquisition of Robein Leven N.V. in the Netherlands for cash consideration of £13 million, furthering the delivery of the Group's strategy of acquiring value-enhancing books in the Netherlands.

2.2. Ownership and organisational structure

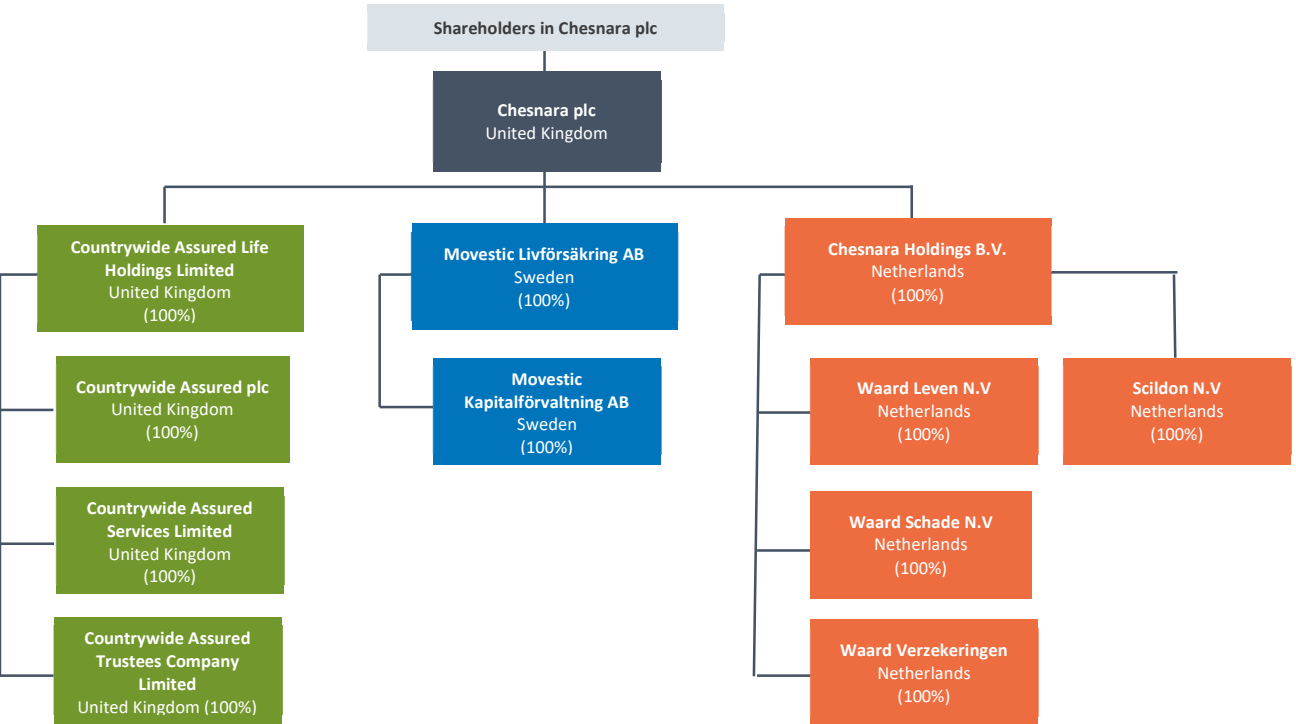
As at 30 November 2021, the ten largest shareholders in the Issuer were as follows:

¹ Source: Sanlam Life and Pensions UK Limited Solvency and Financial Condition Report 2020

² Source: Sanlam Life and Pensions UK Limited Solvency and Financial Condition Report 2020

Name of shareholder	Total number of ordinary shares held	Percentage of the issued share capital
Aberdeen Standard Investments	21,072,303	14.03%
Columbia Threadneedle Investments	18,234,838	12.14%
M&G Investments	9,507,099	6.33%
Interactive Investor	9,300,640	6.19%
Hargreaves Lansdown Asset Management	9,156,669	6.10%
Canaccord Genuity Wealth Management	8,550,000	5.69%
Janus Henderson Investors	5,266,939	3.51%
Royal London Asset Management	4,504,560	3.00%
Dimensional Fund Advisors	4,060,807	2.70%
Chelverton Asset Management	3,900,459	2.60%

The corporate structure of the Group and the other operating subsidiaries within the Group's corporate structure as at the date hereof is outlined below:



3. Overview of key business segments

The Group manages itself on a geographical basis. It has three key operating segments, being:

- the UK
- Sweden; and
- the Netherlands.

3.1. UK

The UK division principally consists of the insurance company Countrywide. Countrywide manages approximately 230,000 policies and is in run-off. Countrywide uses outsourcing partners to support a large part of its operating model, with functions such as customer services, investment management and accounting and actuarial services being outsourced. A central governance team is responsible for managing all outsourced operations.

As a closed book, the division creates value and surplus capital through managing the following key value drivers: costs; policy attrition; investment return; and capital management actions, including reinsurance.

In general, surplus regulatory capital emerges as the book runs off. The level of required capital is closely linked to the level of risk to which the division is exposed. Management's risk-based decision-making process seeks continually to manage and monitor the balance of making value enhancing decisions whilst maintaining a risk profile in line with the board's risk appetite.

Key metrics at 30 June 2021:

- Solvency II:
 - Own funds: **£148 million**
 - Solvency Capital Requirement (“**SCR**”): **£105 million**
 - Surplus: **£43 million**
 - Solvency ratio: **142 per cent.**
- Economic Value (“**EcV**”): **£167.7 million**
- Funds Under Management: **£2.3 billion**
- No. of policies: **approximately 230,000**

3.2. Sweden

Movestic is a life and pensions business based in Sweden and is open to new business. From its Stockholm base, Movestic operates as an innovative brand in the Swedish life insurance market. It offers personalised unit-linked pension and savings solutions through brokers and is well-rated within the broker community.

Movestic creates value predominantly by generating growth in the unit-linked Funds Under Management, whilst assuring a high-quality customer proposition and maintaining an efficient operating model. Funds Under Management growth is dependent upon positive client cash flows and positive investment performance. Capital surplus is a factor of both the company's capital resources and capital requirements and hence surplus can also be optimised by effective management of capital.

As an “open” business, Movestic not only adds value from sales but as it gains scale, it aims to become increasingly cash generative which should fund further growth or contribute towards the Group’s dividend strategy. Movestic has a clear sales focus and targets a market share of 6 per cent. - 10 per cent. of the advised occupational pension market.

Key metrics at 30 June 2021:

- Solvency II:
 - Own funds: **£224 million**
 - SCR: **£161 million**
 - Surplus: **£63 million**
 - Solvency ratio: **139 per cent.**
- Economic Value: **£246.4 million**
- Funds Under Management: **£3.9 billion**
- No. of policies: **approximately 330,000**

3.3. Netherlands

The Group’s Dutch division has two business units: Waard and Scildon. Both Waard and Scildon have a common aim to make capital available to the Group to fund further acquisitions or to contribute to dividends.

Waard: This is the division’s closed book business. It is also the Group’s Dutch acquisition vehicle and supports the Group’s aim of further consolidation in the Netherlands. The division generates value and capital through a combination of running efficient operations, optimising investment management and capital management initiatives.

Scildon: Scildon is an “open” business and aims to add value and create surplus capital by writing “new” business and by efficient operational management and capital optimisation.

Scildon sells protection, individual savings and group pensions contracts via a broker-led distribution model. Its aim is to deliver meaningful value growth from realistic market share. Having realistic aspirations regarding volumes means the Group is able to adopt a profitable pricing strategy. New business also helps the business maintain scale and hence contributes to unit cost management.

Key metrics at 30 June 2021:

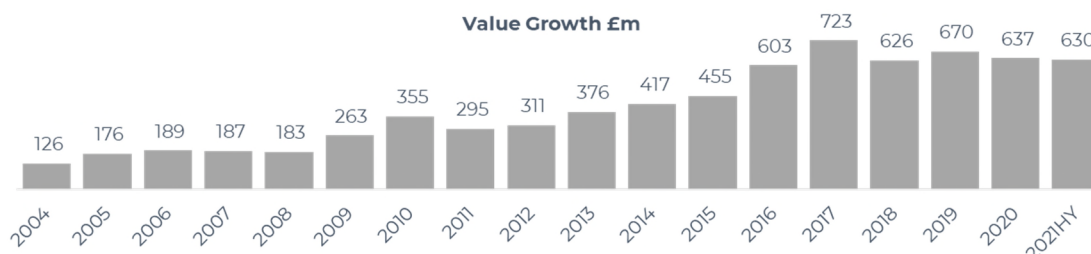
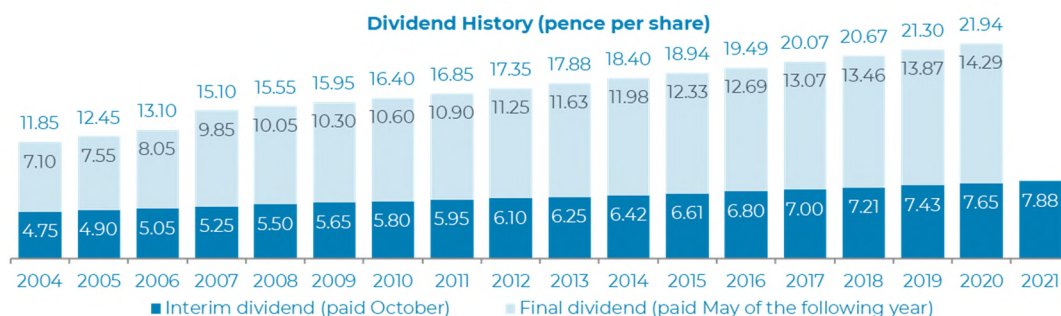
- Solvency II:
 - Scildon*
 - Own funds: **£153 million**
 - SCR: **£75 million**
 - Surplus: **£78 million**
 - Solvency ratio: **204 per cent.**

Ward

- Own funds: **£55 million**
- SCR: **£12 million**
- Surplus: **£43 million**
- Solvency ratio: **457 per cent.**
- Economic value: **£220.8 million**
- Funds under management: **£2.5 billion**
- No. of policies: **approximately 325,000**

4. Dividend and Economic value growth

The Group has a strong track record of delivering value growth and dividends to its shareholders, showing the strength of its business model. This can be summarised by the following charts:



Note: For the financial years 2004 to 2015, “value” was defined as being the European Embedded Value (“**EEV**”) of the Group. Subsequent to this, as a result of the introduction of Solvency II, value was defined as the Economic Value (“**EcV**”) of the Group. Economic value is derived from Solvency II own funds, but adjusted for certain items where it is deemed that Solvency II own funds do not reflect the commercial value of the business. The HY 2021 closing EcV of £630 million is net of cumulative dividends of £374 million.

5. Strategy

The Group has three core strategic objectives:

No.	Strategic objective	Description	Why it matters
1	Maximise value from its existing business	Managing its existing customers fairly and efficiently is core to delivering its overall strategic aims.	The existing books of policies are the principal source of cash generation.
2	Acquire life and pension businesses	Acquiring and integrating companies into its business model is key to continuing its growth journey.	Well considered and appropriately priced acquisitions maintain the effectiveness of the operating model, create a source of value enhancement and sustain the longer-term cash generation potential of the Group.
3	Enhance value through profitable new business	Writing profitable new business supports the growth of the Group and helps mitigate the natural run-off of its book.	The primary focus of the Group's operations is to ensure it manages the existing policy base in an efficient and compliant manner. In addition, the Group's financial model supports modest incremental value generation through writing new business. New business profits are an important source of regular value growth which supplements the growth delivered from the Group's existing policy base and periodic acquisitions.

6. Market environment

The market in which the Group seeks to deliver its three core strategic objectives can be summarised as follows:

6.1. Acquisitions

Following a period of consolidation in the UK market, the Group extended its mergers and acquisitions (“M&A”) focus into the Netherlands in 2016 through the acquisition of Waard. Whilst some potential value adding opportunities remain in the UK, entering the Dutch market, which remains less mature in terms of market consolidation, strongly supports the Group's overall strategy.

6.1.1. The UK

Despite many years of consolidation, the UK heritage market still offers future consolidation potential. Closed businesses continually become less viable as they lose scale, and the ownership of life portfolios remains suitably complex and capital intensive that divesting non-core assets continues to offer significant benefits to vendors. As a measure of market scale for the UK

heritage market, opportunity for targets with less than £50 billion of assets under management is approximately £300 billion (based on total assets under management disclosed within company Solvency and Financial Condition Reports for a range of UK and Netherlands insurance companies as at 31 December 2020), of which approximately £40 billion is from companies with less than £10 billion of Funds Under Management.

6.1.2. The Netherlands

Historically, the Dutch market has been characterised by relative fragmentation, with a large number of businesses and portfolios that are likely to be sub-scale or a non-core capital distraction to current owners. Since entering the market, there has been sufficient activity to support its expectation of consolidation potential but not so much as to have a meaningful reduction in future opportunities. Since the acquisition of Waard, the Group has delivered four subsequent acquisitions of varying scale and structure.

6.1.3. Future potential

In both the UK and the Netherlands the Group is proactively looking for future acquisitions, and retains an ambition to complete deals of more meaningful scale whilst remaining conscious of the merits of recurring smaller scale deals as an effective way of sustaining the business and financial model.

Whilst the market remains competitive, the Group believes that the level of competition naturally reduces at deal sizes that would be material to the Group but may be less attractive to larger consolidators or private equity investors.

Whilst the Group's primary focus for further M&A activity is the UK and Netherlands, a willingness and capability to operate out of new markets where the operating and financial case is appropriate creates additional optionality.

6.2. Existing business

The table below shows the product mix across the Group as at 31 December 2020 by number of policies:

Policy count '000	Countrywide	Movestic	Scildon	Waard	
31 December 2020	(UK)	(Sweden)	(Netherlands)	(Netherlands)	Total
Term / Protection	109	-	148	96	353
UL Savings	96	142	32	24	294
Traditional Savings	-	-	-	-	<1
Annuities	8	-	3	-	11
With-Profits	26	-	-	3	29
Non-savings	-	224	-	-	224
Other	-	-	20	1	21
TOTAL	238	366	203	124	932,000

Life and pensions products are highly regulated both from a conduct and prudential perspective and require a work force with specialist knowledge. As a result, the market has relatively high barriers to entry and this brings a level of stability in the markets in which the Group operates. Being in a highly regulated market requires the Group's regulated subsidiaries to be governed in line with the expectations of their regulators and customers, and this regulatory responsibility underpins the delivery of the Group's strategy.

6.3. Writing new business

The Group writes new business in the following key market segments:

Geography	Product	Market environment
Sweden	Unit-linked group pensions and unit-linked savings	Mature market with a high proportion of employees having occupational pension schemes. Key players are traditional life insurance companies and unit-linked savings providers. Products are distributed either via intermediaries or direct to consumer.
Sweden	Individual protection	Movestic offers risk insurance products that complement its core business of unit-linked group pensions products. The market environment is consequently similar to that described above.
Netherlands	Unit-linked group pensions and unit linked savings	Group defined contribution pension schemes are a growth area in the Netherlands as defined contribution benefit schemes phase out over time. Unit-linked savings market is stable and mature.
Netherlands	Individual life insurance	This is Scildon's core offering in a mature market. Products include annuities, term assurances and life assurance.

7. Business model overview

7.1. Summary of business model

The table below sets out an overview of the Group's business model by division:

Division	UK	Netherlands	Netherlands	Sweden
Operating Company	Countrywide	Waard	Scildon	Movestic

Division	UK	Netherlands	Netherlands	Sweden
Strategic Objectives	– Maximise value from existing business – Acquire life and pensions businesses	– Maximise value from existing business – Acquire life and pensions businesses	– Maximise value from existing business – Write profitable new business	– Maximise value from existing business – Write profitable new business
Key products	Underwriting linked pension business; life insurance, covering both index-linked and unit-linked; endowments; whole of life; annuities and some with profit business.	Underwriting mainly term life policies, with some unit linked and non-life policies.	Underwriting of protection, individual savings and group pensions contracts.	Predominantly the underwriting of unit-linked pensions and savings. Also provides some life and health product offerings.
No. policies	Approximately 230,000	Approximately 125,000	Approximately 210,000	Approximately 330,000
Distribution Method	Not open to new business.	Not open to new business.	Sold through a broker network.	Largely through a network of brokers, although some is directly to customers.

7.2. M&A framework

Well-considered acquisitions or investments (whether by the Group acting alone or together with partners) create a source of value enhancement and sustain the cash generation potential of the Group.

How the Group delivers its acquisition strategy:

- Identify potential deals through an effective network of advisers and industry associates, utilising both Group and divisional management expertise as appropriate.
- Focus primarily on acquisitions in the UK and Netherlands, although the Group would consider other territories should the opportunity arise.
- Assess deals applying well established criteria which consider the impact on cash generation and Economic Value under best estimate and stressed scenarios.
- Work cooperatively with regulators.

- View financial benefits in the context of the impact the deal will have on the enlarged Group's risk profile.
- Seek to minimise transaction risk through stringent risk-based due diligence procedures and the senior management team's acquisition experience and positive track record.
- Assess the potential risk capital synergies and economies of scale for each acquisition, along with any potential risk profile changes that might be available to maximise the potential benefits of any potential acquisition.

Acquisition selection criteria:

The Group assesses the merits of deals using a framework that focuses on the four key assessment criteria below:

Assessment criteria	Why this matters
Cash generation	Collectively the Group's future acquisitions must be suitably cash generative to continue to fund the Chesnara plc dividend strategy.
Value enhancement	Acquisitions are required to be accretive to Economic Value over the long-term, under both best estimate and certain adverse scenarios. The Group has achieved an average discount of 29 per cent. to EcV (or EEV prior to 2016) for the 11 acquisitions completed or announced to date.
Customer outcomes	Acquisitions must protect, or ideally enhance, customer interests.
Risk appetite	Acquisitions should normally align with the Group's documented risk appetite. Central to the Group's risk management framework is the maintenance of adequate financial resources. In particular, historically, the Group has operated with a Solvency ratio in a range between 140 per cent. and 160 per cent. and has limited appetite for any acquisitions that are expected to reduce the Solvency ratio below the bottom end of this range. If any deal were to fall outside the Group's normal risk appetite, the financial returns from it would need to be suitably compelling or alternative solvency-enhancing actions or profits would need to be available to compensate for any adverse direct deal impacts.

Acquisitions funding:

For smaller acquisitions, the Group generally funds them with a combination of debt, equity or cash depending on the size and cash flows of each opportunity and commercial considerations.

For larger acquisitions, the Group investigates funding options that best suit the scenario. This includes raising equity on the open market, potential equity arrangements with vendors, longer term debt instruments, joint ventures and partnerships.

8. Board of Directors

8.1. Members

The Issuer's board comprises the following individuals:

Steve Murray: Group Chief Executive Officer

Appointment to the Board:

Appointed as a Director of Chesnara plc on 2 August 2021 and as Group Chief Executive Officer on 19 October 2021.

Career, skills and experience:

Steve joined Chesnara plc from Royal London where, as part of their Group Executive Committee, he was Chief Commercial Officer with Group-wide accountability for M&A and Strategy, Transformation and Analytics & Insight as well as accountability for its legacy business with approximately 5 million customers and the take to market activity across the UK insurance and savings. He was also a Non-Executive Director of Royal London Asset Management. Prior to that he spent 15 years at Standard Life across a variety of roles. He worked on its demutualisation and initial public offering before leading Group M&A and strategy. He then worked in the UK & European insurance business initially as CEO of 1825 financial planning before becoming Managing Director Commercial & Strategy. After leading the first phase of the separation of the UK & European insurance business to Phoenix Group Holdings plc, he was appointed as Deputy Head of the Private Market division in Aberdeen Standard Investments. Steve started his career with Ernst & Young Global Limited. He is also the chair of Cattanach, a private charitable funder for early years work in Scotland.

David Rimmington: Group Finance Director

Appointment to the Board:

Appointed as Group Finance Director with effect from May 2013.

Career, skills and experience:

David trained as a chartered accountant with KPMG LLP, has more than 20 years' experience in financial management within the life assurance and banking sectors and has delivered a number of major acquisitions and business integrations. Prior to joining Chesnara plc in 2011 as Associate Finance Director, David held a number of financial management positions within the Royal London Group including 6 years as Head of Group Management Reporting.

Luke Savage: Independent Non-Executive Director and Chairman of the Board

Independent Non-Executive Director and Chairman of the Board, Luke is responsible for the leadership of the Board, setting the agenda and ensuring the Board's effectiveness on all aspects of its role.

Appointment to the Board:

Appointed to the board in February 2020 and as Chairman from commencement.

Committee membership:

Nomination & Governance Committee (Chairman) and Remuneration Committee. Luke attends the Audit & Risk Committee by invitation.

Current directorships/business interests:

- Chesnara Holdings BV, Non-Executive Director and Chairman
- Numis Corporation plc, Non-Executive Director and Chairman designate
- DWF Group plc, Non-Executive Director
- Liverpool Victoria Financial Services Limited, Non-Executive Director
- Queen Mary University of London Foundation, Member of Council and Chairman of the Finance and Investment Committee

Jane Dale: Senior Independent Non-Executive Director and Chairman of the Audit & Risk Committee

Appointment to the Board:

Appointed to the Chesnara plc Board in May 2016 and as Senior Independent Director in October 2018.

Committee membership:

Audit & Risk Committee (Chairman) and Nomination & Governance Committee.

Current directorships/business interests:

- Countrywide Assured plc, Non-Executive Director and Chairman of the Audit & Risk Committee
- Covea Insurance plc, Chairman of the Audit Committee
- Covea Life Limited, Chairman of the Audit Committee
- Global Risk Limited, Non-Executive Director
- Amber Financial Investments Limited, Non-Executive Director and Chairman
- Novia Financial plc, Non-Executive Director and Chairman of the Audit and Risk Committees
- Novia Financial Holdings Limited, Non-Executive Director

Mark Hesketh: Independent Non-Executive Director

Appointment to the Board:

Appointed to the Chesnara plc board in December 2018.

Committee membership:

Audit & Risk Committee and Nomination & Governance Committee.

Current directorships/business interests:

- Countrywide Assured plc, Non-Executive Director
- Zurich Finance (UK) plc, Non-Executive Director
- Bethany Enterprises Ltd., Non-Executive Director
- Bethany Christian Trust, Treasurer & Non-Executive Director
- Stonebridge International Insurance Limited, Non-Executive Director

Eamonn Flanagan: Independent Non-Executive Director

Appointment to the Board:

Appointed to the Chesnara plc board in July 2020.

Committee membership:

Audit & Risk Committee, Nomination & Governance Committee and Remuneration Committee.

Current directorships/business interests:

- Countrywide Assured plc, Non-Executive Director
- Movestic Livförsäkring AB, Non-Executive Director
- A J Bell, Non-Executive Director
- Randall & Quilter Investment Holdings Ltd, Non-Executive Director

8.2. Conflicts of Interest

There are no potential conflicts of interest between the duties of each of the directors of the Issuer and his/her private interests and/or other duties.

9. Financial performance

The table below is a summary of certain financial and solvency metrics of the Group as at the end of each of the last 5 financial years:

Financial metric	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
Solvency ratio (per cent.)	158	146	158	155	156

Solvency surplus (£ million)	184.7	193.4	203.0	210.8	204.0
Solvency II own funds (£ million)	505.4	615.2	552.6	590.9	567.7
Debt* (excl. financial reinsurance) (£ million)	52.7	89.5	69.6	52.5	39.0
Gearing** (per cent.)	11.8	16.5	13.5	9.9	7.4
Hold co liquidity*** (£ million)	117.1	41.0	55.3	75.5	59.9

* Defined as borrowings as reported on the consolidated balance sheet in the Chesnara plc annual report and accounts, excluding amounts due in relation to financial reinsurance.

** Defined as the ratio of borrowings excluding amounts due in relation to financial reinsurance to total shareholders' equity plus borrowings excluding amounts due in relation to financial reinsurance on the consolidated balance sheet as reported in the Chesnara plc annual report and accounts.

*** Defined as the cash and cash equivalents plus the holdings in collective investment schemes at fair value through income on the Chesnara plc company balance sheet as reported in the Chesnara plc annual report and accounts.

9.1. Summary of recent results

The Group's most recent reported results are for the six months ended 30 June 2021. Below is a summary of the key financial metrics relating to these results, along with comparatives.

Financial performance

		HY 2021	HY 2020	FY 2020
Dividends	Dividends per share (p)	7.88	7.65	21.94
Cash	Group cash generation (£ million)	5.4	12.9	27.7
Economic value	Economic value earnings (£ million)	38.5	(74.1)	(37.6)
International Financial Reporting Standards ("IFRS")	Profit before tax (£ million)	20.8	(9.1)	24.6
New business	Commercial new business profit (£ million)	6.6	6.7	10.5
New business	Incremental long term cash generation (£ million)	12.7	12.6	20.7

Financial position

		30 Jun 2021	30 Jun 2020	31 Dec 2020
Solvency	Solvency ratio (per cent.)	153	162	156
Solvency	Solvency surplus (£ million)	198.7	207.8	204.0
Economic value	Economic value (£ million)	629.6	604.2	636.8
Economic value	Economic value per share (£)	4.19	4.03	4.24
Assets	Assets under management (£ billion)	8.7	7.5	8.5
Gearing	Gearing ratio (per cent.)	6.1	9.1	7.4

9.2. Cashflow generation

Over the five and a half years to 30 June 2021 the Group's divisions have generated approximately £271 million of cash which has enabled a total divisional dividend flow to Chesnara plc of £309 million. These figures provide a shareholder dividend coverage ratio of 160 per cent. and 182 per cent. respectively. The closed books have been the primary source of cash generation, contributing £308 million while the open businesses of Scildon and Movestic have seen a cash strain of £37 million over the same period (in each case based on an illustrative split of cash flow generation between existing business in force as at 31 December 2015 vs. new business written since that date). However, these are expected to make material contributions to total cash generation and total dividend flow over time.

Historical cash generation:

	2016 - 2021 H1 <i>(5 ½ year total)</i> <i>(£ million)</i>
CA	186.9
Movestic	22.9
Scildon	17.8
Waard	<u>43.2</u>
Divisional cash generation	270.8
Chesnara & other	<u>(39.1)</u>
Total	<u>231.7</u>

Historical divisional dividends (paid basis):

	2016 - 2021 H1 <i>(5 ½ year total)</i> <i>(£ million)</i>
CA	214.0
Movestic	14.6
Scildon	26.7
Waard	53.4
Total	308.7

9.3. New business profitability

The Group's aim is to write profitable new business which supports the growth of the Group in the following ways:

- provides additional future cash generation;
- mitigates the run-off in closed books; and
- provides an alternative but additional facility to grow the Group's business, compared to acquisitions.

The Group has a medium-term ambition that the commercial value of new business will cover at least half of the dividend.

	Commercial value of new business <i>(£ million)</i>			Incremental long-term cash generation <i>(£ million)</i>			Market share (%)		Total policies in force <i>('000)</i>		
	HY 2021	2020	2019	HY 2021	2020	2019	2020	2019	HY 2021	2020	2019
Scildon	3.9	8.8	7.5	7.1	15.9	15.0	14.2	11.6	210	203	190
Movestic	2.7	1.6	6.9	5.5	4.8	8.6	4.5	6.5	330	365	350
Total	6.6	10.5	14.4	12.7	20.7	23.6	n/a	n/a	540	568	540

- Scildon delivers consistent commercial new business profits. Market shares have stabilised at the increased levels that were achieved towards the end of 2020, illustrating the attractiveness of the Scildon Term Life proposition.
- Movestic has developed its custody product. The reduction in policy count primarily relates to life and health policies which are not part of the Economic Value.
- Both Scildon and Movestic continue to generate positive commercial value new business profits, and are well-positioned to take advantage of expected market recoveries.

- The new business franchise continues to support long-term cash flow generation and has remained profitable, despite the impact of COVID-19.

10. Recent developments

The most recent set of results that have been published by the Group are those for the six month period ended 30 June 2021. Since then the following key developments have taken place:

10.1. Sanlam acquisition

On 13 September 2021 the Group announced the acquisition of Sanlam Life & Pensions UK Limited ("**Sanlam UK**").

Transaction highlights:

- Chesnara plc has entered into an agreement with Sanlam UK Limited to acquire Sanlam UK, a specialist provider of insurance and long-term savings products in the UK.
- Enhances the scale of its operations in the UK by adding £2.9 billion of assets under management³ and approximately 80,000 policies⁴. This increases Group assets under management by 34 per cent. and UK assets under management by 126 per cent. to £5.2 billion.
- Cash consideration of £39.0 million funded from Chesnara plc's existing debt facility.
- £48.1 million estimated Sanlam UK Economic Value applying the Group's assumptions.
- Sanlam UK had a 133 per cent. solvency ratio as at 31 December 2020⁵ based on Sanlam UK's assumptions.
- Completion is expected to occur in early 2022, conditional upon customary regulatory approvals.

Strategic rationale and benefits of the transaction:

- **Scale enhancement:** Sanlam UK's specialist pension and long-term savings propositions and risk profile are well aligned with the Group's existing life and pension liability mix in the UK. Adds approximately 80,000 additional policies⁶ and increases Group Funds Under Management by 34 per cent. to £11.4 billion at the end of 2020.
- **Attractive financial terms:** Cash consideration of £39.0 million represents an attractive discount to estimated EcV of £48.1 million, providing an incremental EcV per share of 4p after deal costs. Provides future material value creation potential from expense and

³ Source: Sanlam Life and Pensions UK Limited Solvency and Financial Condition Report 2020

⁴ Source: Sanlam Life and Pensions UK Limited Solvency and Financial Condition Report 2020

⁵ Source: Sanlam Life and Pensions UK Limited Solvency and Financial Condition Report 2020

⁶ Source: Sanlam Life and Pensions UK Limited Solvency and Financial Condition Report 2020

capital synergies, future investment returns above risk free and risk margin run-off which will add further EcV accretion over time.

- **Enhanced dividend support:** Incremental cash generation of approximately £5 million per annum under steady state conditions, supporting Chesnara plc's progressive dividend strategy.
- **Preserved financial flexibility:** Including the impact of the acquisition, the Group's pro forma estimated year-end 2020 Solvency II ratio would remain strong and within its target operating range at 142 per cent. The Group's debt leverage ratio will remain low at 15 per cent., leaving the Group with further financing capacity for additional transactions.
- **Integration into the Group's UK platform:** the Sanlam UK business will be integrated into Countrywide, the Group's UK platform, and will follow its tried and tested business model as a focused, closed-book consolidator. Sanlam UK will retain a commercial relationship with Sanlam Investments UK Limited for investment management.

10.2. Robein Leven acquisition

On 25 November 2021 the Group announced the acquisition of Robein Leven in the Netherlands.

Transaction highlights:

- Chesnara plc has entered into an agreement with Monument Re Group to acquire Robein Leven, a specialist provider of traditional and linked savings products, mortgages and annuities in the Netherlands.
- The acquisition adds further scale to the Group's Netherlands closed book platform by increasing Waard funds under management by 51 per cent. and policies by 7 per cent.
- Cash consideration of £13.0 million funded from existing resources within Waard, the Group's closed book consolidator platform in the Netherlands, representing an attractive 21 per cent. discount to the Group's estimate of EcV.
- Robein Leven had a 211 per cent. solvency ratio as at 31 December 2020⁷ based on Monument Re Group's assumptions.
- Robein Leven is well capitalised and is expected to generate incremental annual cash of approximately £2 million under steady state conditions.
- The acquisition, which is consistent with the Group's strategy and will deliver attractive shareholder value, is the Group's sixth acquisition in the Netherlands since 2015.

11. Balance sheet risk profile

11.1. Liability risk profile

⁷ Source: Robein Leven N.V. Solvency and Financial Condition Report 2020

The Group has a combination of insurance contract and investment contract liabilities. The maturity profile of these liabilities as at 31 December 2020, as reported in the Group's IFRS financial statements, is presented in the table below. For unit-linked insurance and investment contracts, the table presents all the liabilities as due in the earliest period because they are repayable or transferable on demand.

Contractual cash flows (£ million):

Carrying values and cash flows arising from:	Carrying value	<1 yr	1-2 yrs	2-5 yrs	5-10 yrs	10-15 yrs	15-20 yrs	>20 yrs	Total
Insurance contract liabilities									
Unit-linked	2,824	2,824	-	-	-	-	-	-	2,824
With discretionary participation features	320	42	27	86	70	41	10	5	281
Annuities in payment	103	5	5	14	19	15	10	10	78
Other non-linked	711	115	92	241	283	165	79	52	1,027
Total insurance contract liabilities	3,958	2,986	124	341	372	221	99	67	4,210
Investment contract liabilities									
Unit-linked	4,031	4,031	-	-	-	-	-	-	4,031
Other	4	4	-	-	-	-	-	-	4
Total investment contract liabilities	4,035	4,035	-	-	-	-	-	-	4,035
Liabilities relating policyholder's fund held by the Group	332	332	-	-	-	-	-	-	332
Lease liabilities	3	1	1	1	-	-	-	-	3
Borrowings	67	45	24	-	-	-	-	-	69
Total financial liabilities	4,437	4,413	25	1	-	-	-	-	4,439

11.2. Approach to asset management and allocation

Below is a description of how the liabilities analysed above are managed.

Unit-linked contracts

For unit-linked contracts, which may be insurance or investment contracts, the Group matches the financial liabilities, with units in the financial assets of the funds to which the value of the liabilities is linked, such that the policyholders bear the principal market risk (being interest rate, equity price and foreign currency risks) and credit risk. Accordingly, this approach results in the Group having no significant direct market or credit risk on these contracts. Its primary exposure to market risk is the risk of volatility in asset-related fees due to the impact of interest rate, equity

price and foreign exchange rate movements on the fair value of the assets held in the linked funds, on which asset-related fees are based.

There is residual exposure to market risk on certain unit-linked contracts where the Group provides to policyholders guarantees as to fund performance or additional benefits which are not dependent on fund performance. This exposure is mitigated to the extent that the Group matches the obligations with suitable financial assets external to the unit-linked funds, such that the residual exposure is not considered to be material.

Insurance contracts with discretionary participation features

Insurance contracts with discretionary participation features subsist entirely within the UK businesses in the form of with-profits policies.

For the Countrywide business, where the policyholder benefits comprise a discretionary annual bonus and a discretionary terminal bonus, the with-profits business is wholly reinsured to ReAssure Limited and hence there is no market risk for this class of business. Policyholders have the option, for a small element of the with-profits business, to invest a portion of their investment in unit-linked funds as an alternative to the with-profits fund. In this case, a portion of the business is retained, with the management of financial risks of this portion being the same as described under "Unit-linked Contracts" above.

For the Countrywide business, the primary investment objective of the with-profits policyholder funds is that the guaranteed minimum benefits of the with-profits policyholders should be met entirely from the policyholder funds. The secondary investment objective is, where possible, to provide a surplus in excess of the guaranteed minimum benefits. The entire surplus in the policyholder fund accrues to the with-profits policyholders. Any deficit in the policyholder fund is ultimately borne by shareholders. Therefore, the Group has a significant exposure to market risk in relation to with-profits business should the with-profits policyholder assets be unable to fully meet the cost of guarantees. To achieve the investment objectives, the funds may invest in a range of asset classes including property, equities, fixed interest securities, convertibles, cash and derivatives, both in the UK and overseas. Such exposure may be achieved by investment in collective investment schemes (including such schemes with total or absolute return objectives or which include investments in commodities). Investment guidelines restrict the level of exposure for certain asset categories. In respect of derivatives, these may only be used for the purposes of reduction of investment risks and efficient portfolio management.

Annuities in payment

These are contracts which pay guaranteed financial benefits, generally monthly, for the lifetime of the policyholder, and in some cases of their spouse. The financial component of these contracts is a guaranteed fixed interest rate: accordingly, the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the fixed interest debt securities backing the liabilities are insufficient to fund the benefits payable. The Group manages the interest rate risk by matching closely new contracts written with fixed interest debt securities of a suitable duration and quality. Regular monitoring of the interest rate risk is carried out by analysis of expected cash flows from the financial assets held with those for the liabilities, which are determined by means of projecting expected cash flows from the contracts using prudent estimates of mortality.

Other non-linked contracts and shareholder funds

These categories, in which market risk is borne by shareholders, consist of non-linked insurance contracts without discretionary participation features (“**DPF**”) and of net shareholder assets representing shareholders’ equity. The Group manages market risks by setting investment guidelines which restrict market exposures.

Non-linked contracts without DPF include contracts which pay guaranteed benefits on death or other insured events, the terms being fixed at the inception of the contract. Exposure to market price risk is minimised by generally investing in fixed-interest debt securities, while interest rate risk is generally managed by closely matching contracts written with financial assets of suitable yield and duration. To the extent that the Group is unable to fully match its interest rate risk, it makes provision in respect of assumed shortfalls on guaranteed returns to policyholders.

Shareholder funds at both Group parent company and operating subsidiary level, in accordance with corporate objectives and, in some instances, in accordance with local statutory solvency requirements, are invested in order to protect capital and to minimise market and credit risk. Accordingly they are generally invested in assets of a shorter-term liquid nature, which gives rise to the risk of lower returns on these investments due to changes in short-term interest rates.

Below is a summary of the assets that were held at 31 December 2020:

	Policyholder Linked	Amount subject to credit risk	Balance sheet carrying
	£000	£000	£000
Holdings in collective investment schemes	6,630,000	84,303	6,714,303
Debt securities	11,402	1,087,157	1,098,559
Policyholders’ funds held by the Group	332,117	–	332,117
Cash and cash equivalents	9,940	95,411	105,351
Derivative financial instruments	–	830	830
Reinsurers’ share of insurance contract liabilities	–	197,068	197,068
Amounts deposited with reinsurers	–	37,026	37,026
Mortgage loan portfolio	–	344,918	344,918
Insurance and other receivables	23,340	21,708	45,048
Reinsurers’ share of accrued policyholder claims	1	12,715	12,716
Income taxes	744	3,822	4,566
Total	7,007,544	1,884,958	8,892,502

As can be seen above, the vast majority of assets that are held do not subject the Group to direct credit risk as they are held on behalf of policyholders.

The remaining £1.9 billion of assets that do carry an element of credit risk can be analysed below:

Credit rating	AAA	AA	A	BBB	Unrated	Total
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As at 31 December 2020	£000	£000	£000	£000	£000	£000
Reinsurers share of insurance contract liabilities	–	147,552	42,299	4,469	2,748	197,068
Holdings in collective investment schemes	–	–	79,406	–	4,897	84,303
Amounts deposited with reinsurers	–	–	37,026	–	–	37,026
Debt securities at fair value through income	290,715	402,929	262,779	130,342	392	1,087,157
Mortgage loan portfolio	–	–	–	–	344,918	344,918
Insurance and other receivables	742	9,368	1,190	1,053	9,355	21,708
Reinsurers share of accrued policyholder claims	–	6,310	5,750	419	236	12,715
Derivative financial instruments	–	–	679	–	151	830
Income taxes	–	–	–	–	3,822	3,822
Cash and cash equivalents	–	–	84,361	1,908	9,142	95,411
Total	291,457	566,159	513,490	138,191	375,661	1,884,958

The above table shows that:

- £1.4 billion of assets held are rated A or above.
- of the remaining £0.5 billion (rated as BBB or unrated), £0.3 billion relates to a mortgage loan portfolio. Common in the Netherlands is a structure whereby the insurance company providing the savings vehicle invests in the policyholders' mortgages, which are held by the bank that provides the relevant mortgage. The arrangement with the bank is structured such that any impact as a result of default of the mortgage by the policyholder is incurred by the bank only, with no impact on the Group. These assets earn the same interest as the mortgage, thereby providing a perfect investment match against the insurance liability.

11.3. Capital management

11.3.1. Capital management framework

The Group operates in compliance with the Solvency II regime adopting the standard formula. At both a Group and divisional level, capital requirements are calculated, and buffers agreed, with regulators as part of documented Capital Management Policies.

Whilst the Group's current solvency position is considered by the Issuer to be strong, the Group considers it prudent to have plans to manage the situation were circumstance to lead to a material reduction in solvency levels. The Issuer has options and actions available to enhance solvency under more strained conditions. These form part of a documented Capital Management and Risk Appetite and Intervention plan. The levels at which various intervention options are triggered are driven by factors unique to each regulated entity and are linked to risk appetite frameworks which themselves recognise factors such as result sensitivities and absolute surplus levels.

A core feature of the capital management framework is the management of dividends. The framework has defined levels which will not be breached by payment of a dividend. The Group's divisions operate in line with capital policies which define dividends by reference to either a post dividend solvency ratio or by reference to an absolute dividend payment profile (subject to being above the required solvency level).

11.3.2. Current position

Based on the position as at 30 June 2021, all regulated entities were operating at solvency levels in excess of the SCR plus the Group's dividend paying limits as referenced in the table below.

	Country wide	Movestic	Waard	Scildon	Group
Own funds (post dividends) (£ million)	148	224	55	153	574
SCR (£ million)	105	161	12	75	375
Solvency surplus (£ million)	44	63	43	78	199
Solvency ratio (per cent.)	142	139	457	204	153

The Solvency ratio is expected to increase to in excess of 180 per cent. post- the proposed issuance of the Notes, with leverage remaining at conservative levels. The Solvency ratio may be affected by a range of factors over which the Group may have some control (including acquisitions) and other external factors over which it has little or no control. These are considered further below. In addition to the sensitivities discussed below, past acquisitions have often resulted in a reduction in the Solvency ratio. Any future deals may also cause the Solvency ratio to reduce below 180 per cent., including reverting to a level more in line with the Group's historic track record. For more information on this, see the Group's acquisition selection criteria in "Section 7.2 M&A Framework" above.

11.3.3. Capital management risk appetite and intervention plans

The Group has reported strong and stable solvency results over recent years at levels significantly higher than the 10 per cent. SCR buffer requirement at the consolidated Group level as reported in the Chesnara plc Annual Report and Accounts. This 10 per cent. buffer represents the level at

which certain recovery action would become more mandatory in nature. However, in practice from a capital management perspective, the Group operates at solvency levels significantly higher than the reported 10 per cent. minimum buffer taking into consideration commercial and risk appetite factors. Should external factors result in downward pressure on the actual solvency level, then capital enhancement opportunities are available including hedging, asset de-risking or reinsurance. The level of solvency the Group operates at takes into account several considerations, including the fact that the Group does not adopt transitional measures, which by definition only provides temporary capital benefits and the fact that the financial model has historically demonstrated a good level of solvency stability.

11.3.4. Sensitivities

The Group's solvency position can be affected by a number of factors over time. The table below provides an indication of the immediate solvency surplus impact of a number of sensitivities based on the Group's own theoretical modelling. It should be noted that, whilst this is not a precise exercise, the general aim is that the sensitivities modelled are deemed to be broadly similar (with the exception that the 10 per cent. equity movements are naturally more likely to arise) in terms of likelihood. Whilst these sensitivities provide a useful guide to management, they are based on the Group's own theoretical modelling and how the Group's solvency surplus will react in practice to changing conditions may be different. Such calculations are complex and the level of impact can vary due to, among other things, the interactions of different events and starting position. Accordingly, no assurance can be given that the actual impact of one or more of the events in the table below will match the modelled theoretical impact.

	Solvency surplus impact (as of 30 June 2021) (£ million)
20 per cent. sterling appreciation	(32) to (27)
20 per cent. sterling depreciation	27 to 32
25 per cent. equity fall	(3) to 13
25 per cent. equity rise	27 to 42
10 per cent. equity fall	(7) to 3
10 per cent. equity rise	1 to 11
1 per cent. interest rate rise	11 to 21
1 per cent. interest rate fall	(52) to (37)
50 bps credit spread rise	(12) to (7)
25 bps swap rate fall	(26) to (21)
10 per cent. mass lapse	(11) to (6)
10 per cent. expense increase plus 1 per cent. inflation rise	(60) to (50)
10 per cent. mortality increase	(25) to (20)

Insight:

Sterling appreciation: A material sterling appreciation would be expected to reduce the value of solvency surplus in the Group's overseas divisions and hence have an immediate impact on

Group solvency surplus. It also is expected to reduce the value of overseas investments in Countrywide.

Equity sensitivities: Should equities rise, this would be expected to cause both the capital resources of the Group as measured in accordance with Solvency II valuation rules (“**Own Funds**”) and SCR to rise, as the value of the funds exposed to risk is higher. An increase in SCR may be larger than Own Funds, resulting in an immediate reduction in surplus, depending on the starting point of the symmetric adjustment (a countercyclical adjusting factor that reduces or increases the level of capital required to be held against equity investments depending on historical market conditions). Conversely, in an equity fall, Own Funds and SCR would both be expected to fall; the extent to which the SCR reduction offsets the Own Funds depends on the stress applied. Countrywide and Movestic contribute the most due to their large amounts of unit-linked business, much of which is invested in equities.

Interest rate sensitivities: An interest rate rise would be generally expected to be positive for the Group’s absolute level of solvency surplus.

Credit spread rise: A credit spread rise would be expected to have an adverse impact on surplus and future cash generation, particularly in Scildon due to corporate and non-local government bond holdings that form part of the asset portfolios backing non-linked insurance liabilities.

Swap rate fall: Should the swap discount curve fall with no change in the value of assets this would be expected to result in liability values increasing in isolation, which would in turn be expected to reduce the solvency surplus of the Group.

Mass lapse: In the event of a mass lapse, this would be expected to have a small impact on surplus as the reduction in Own Funds is largely offset by the SCR fall. However, with fewer policies on the books there is less potential for future profits, and therefore, in the longer term, a mass lapse event would be expected to reduce the Group’s surplus generation. The division expected to be most affected would be Movestic; the loss in future fee income following mass lapse hits Own Funds by more than the SCR reduction.

Inflation rise: A rise in inflation would be expected to reduce the solvency position of the Group as the increase in future expenses and inflation would be expected to be capitalised into the balance sheet.

Mortality increase: This would be expected to have an adverse impact on surplus, particularly for Scildon due to its term products.

Debt management

The Group’s approach to how it manages its debt levels is underpinned by the Group’s debt and leverage policy.

In the normal course of business, the Group would expect gearing levels below 30 per cent.

The Group will operate at a debt gearing level above the base policy maximum where debt financing is the most effective source of funding for any further acquisitions and where the expected cashflows from the proposed acquisition and existing operations enable the gearing level to be brought back below the steady state limit of 30 per cent. within a 2 to 3 year period.

The Group does not envisage tolerating a gearing level above 40 per cent. even on this temporary funding basis, other than in exceptional short term circumstances.

12. ESG strategy

12.1. The Group's ESG policy aims to further embed environmental, social and governance considerations in the way it conducts business, treats customers and manages investments. The Group's focus to date has been centred around the following three key areas:

12.1.1. Providing responsible and sustainable investment choices:

- The Group takes responsibility for having a long-term sustainable business model focused on long-term profitability, not short-term profit maximisation.
- 100 per cent. of the funds in Movestic's investment offering have signed the United Nations Principles for Responsible Investment and thus committed themselves to following the six principles for responsible investments therein.
- Each of the Group's businesses uses data from proprietary ESG investment tools to identify and measure ESG risks and screen companies against minimum standards of business practice and international norms such as the United Nations Global Compact.

12.1.2. Reducing our environmental impact

- Scildon is increasing its use of solar generated power and has installed a heat pump to reduce gas consumption.
- The Group has fully offset its carbon emissions for 2020 and so was operationally carbon neutral for that year and is committed to this as a permanent objective.
- This occurs via a tree buddying scheme, planting new trees in the north west of England alongside supporting projects to minimise deforestation in Brazil.

12.1.3. Investing in people

- The Group's focus is on the long-term sustainability of its workforce, suppliers, outsourcers and wider society.
- Each of the businesses has supported staff whilst they have been working from home and a Wellbeing Hub was launched by Countrywide to provide online guidance to its staff.
- Chesnara plc is providing funding and training for the Foxton Centre, a Preston-based charity working with vulnerable adults and young people. Chesnara plc is funding, for a nominal rent, the purchase of two flats in Preston to house vulnerable adults and young people.

Regulation of the Issuer and the Group

1 The UK

Overview

The Group and its subsidiaries are subject to extensive laws and regulations, in particular, the UK regulatory framework established under FSMA. Such regulatory framework is enforced by a number of different governmental authorities and non-governmental agencies and other regulators.

Countrywide, the Group's life assurance subsidiary in the UK, is authorised by the PRA, and regulated by the PRA (in relation to prudential and organisational requirements) and the FCA (in relation to conduct of business requirements). As a company carrying on an insurance business in the UK, Countrywide is subject to detailed regulatory requirements, including requirements to be authorised to carry on an insurance business and to comply with comprehensive prudential and conduct of business rules.

This section provides an overview of the key features of the regulatory regime governing insurance business in the UK as it applies to the Group.

Regulation by the Bank of England, the PRA and the FCA

The framework regulating the UK financial system separates prudential regulation (carried out by the PRA) and conduct of business regulation (carried out by the FCA). The Bank of England is responsible for ensuring and protecting the stability of the UK financial system and supervising financial market infrastructures.

The PRA, the Bank of England acting through its Prudential Regulation Committee, is responsible for the safety and soundness of the financial services sector through the micro-prudential regulation of insurers, banks, building societies, credit unions and major investment firms. The PRA started with two primary statutory objectives introduced by the amendments to FSMA under the Financial Services Act 2012 (the "**FS Act**"), as follows:

- a general objective to promote the safety and soundness of the firms it regulates, focusing on the adverse effects that they can have on the stability of the UK financial system; and
- an objective specific to insurance firms, to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders.

In 2014, an additional secondary objective to promote effective competition in the markets for services provided by PRA-authorised firms was introduced. This further objective is complementary to, rather than the equivalent of, the FCA's primary competition objective.

The FCA is the independent conduct of business regulator and, in broad terms, is responsible for, among other things, regulating standards of conduct in the retail and wholesale markets. The FCA has the strategic objective of ensuring that the retail and wholesale markets function effectively, as well as operational objectives focused on market integrity, consumer protection and effective competition. The FCA regulates the conduct of every authorised insurer in the UK.

The Bank of England has specific responsibilities in relation to financial stability, including:

- ensuring the stability of the financial system of the UK;
- the oversight of financial market infrastructures, in particular, inter-bank payment systems; and
- maintaining a broad overview of the financial system through its monetary stability role.

The Financial Policy Committee (“**FPC**”), a committee of the Bank of England’s board of directors, is responsible for monitoring and responding to systemic risks to the UK financial system. The FPC considers prudential regulation issues across the UK financial system on a macro-level, in contrast to the PRA’s micro- prudential role. The FPC may direct the PRA and the FCA to take action to address systemic risks.

Authorised insurance companies are required to comply with the provisions of FSMA, as well as the rules made by the PRA and the FCA under FSMA. These rules are set out in the PRA’s rulebook (“**PRA Rulebook**”) and the FCA’s handbook (“**FCA Handbook**”), respectively (see – “The PRA Rulebook and the FCA Handbook” below).

The PRA and the FCA have extensive powers to supervise and intervene in the affairs of the insurers that they are responsible for regulating. For example, the PRA and the FCA can supervise and/or intervene should they consider it appropriate in order to protect policyholders against a risk that an insurer may be unable to meet its liabilities as they fall due, that the threshold conditions (as discussed in more detail below) may cease to be met, that the insurer has failed to comply with obligations under the relevant legislation or rules, that the insurer has furnished them with misleading or inaccurate information or that there has been substantial departure from any proposal or forecast submitted to the relevant regulator.

The PRA Rulebook, the FCA Handbook and secondary legislation made under FSMA have been used to implement the requirements contained in a number of EU directives relating to financial services and to insurance businesses in particular, prior to the UK’s departure from the EU.

The PRA and the FCA have continued the more direct style of regulation adopted by the FSA following the onset of the financial crisis in 2008. This strategy, combined with (i) an outcome-focused regulatory approach and (ii) a more proactive approach to enforcement and more punitive approach to penalties for infringements, means that authorised firms continue to face increased supervisory scrutiny, resulting in increased internal compliance costs and supervision fees.

In addition, the FS Act provides for additional specific powers for the PRA and the FCA, including:

- the ability of the FCA to intervene in order to ban financial products from sale or to prevent an insurer from selling a widely accepted product if it determines such firm’s sale process to be unacceptable; and
- the ability of the FCA or the PRA to direct an unregulated UK holding company (for example, the Issuer) of an authorised firm to take particular action, or refrain from taking a particular action, and to censure or fine such company if it does not so comply.

The PRA Rulebook and the FCA Handbook

The FCA Handbook and the PRA Rulebook set out the rules, guidance and other provisions made by the FCA and the PRA, respectively, under powers given to them under FSMA.

The FCA's approach to regulation and the standards it requires insurers to maintain are set out in the FCA Handbook. In addition, the PRA Rulebook sets out the PRA's rules in respect of which insurance companies are expected to comply, which focus on prudential matters.

The PRA Rulebook and the FCA Handbook comprise a number of sourcebooks containing regulatory obligations which are binding on firms or manuals containing provisions relevant to the regulatory relationship which the regulators have with firms, such as in relation to supervision and enforcement, which set out the rules which apply to dual-regulated insurers. They include the following which are, amongst other sourcebooks and manuals, relevant to the Group:

- the Fundamental Rules and Principles for Businesses (each as defined below);
- the Senior Management Arrangements, Systems and Controls (“**SYSC**”);
- the conduct of business rules contained in the “Conduct of Business Sourcebook” (“**COBS**”);
- the “Insurance: Conduct of Business Sourcebook” (“**ICOBS**”); and
- the “Mortgages and Home Finance: Conduct of Business Sourcebook” (“**MCOB**”).

The PRA Rulebook and the FCA Handbook provide the core ongoing requirements for PRA-authorized insurers, as discussed in further detail below.

The Principles for Businesses

Insurance companies that are authorised by the PRA are subject to certain overarching principles issued by the PRA (the “**Fundamental Rules**”) and the FCA (the “**Principles for Business**”). These principles are intended to ensure fairness and integrity in the provision of financial services in the UK and contain the fundamental obligations of insurers. The Fundamental Rules also focus on the effectiveness of the risk management frameworks of insurance companies that are authorised by the PRA. The emphasis and reliance on these principles by the PRA and the FCA has marked a move to more “judgment-based” regulation in recent years.

Prudential standards

It is a fundamental requirement of the PRA's prudential rules that insurance companies maintain adequate financial resources. This requirement and the obligation for an insurer to carry out a risk-based assessment of its own capital requirements are contained in the PRA Rulebook. Provisions relating to the requirement to manage risks in general and details relating to management of particular types of risk are set out in the PRA Rulebook and in SYSC of the FCA Handbook.

The PRA Rulebook covers the overall requirement to have adequate financial resources (referred to as eligible own funds) to satisfy the technical provisions, minimum capital requirement and solvency capital requirement and sets out what constitutes eligible own funds and how different

insurers should calculate their capital requirement. These are explained further in the “Solvency II” section below.

There are rules in SYSC which aim to encourage senior managers and directors to take appropriate practical responsibility for an insurer’s affairs. They elaborate on the Principles for Businesses and require an insurer’s senior managers to ensure that, among other things:

- the insurer’s employees have suitable skills, knowledge and expertise;
- the insurer has in place appropriate risk management systems and controls; and
- the insurer has in place appropriate compliance, record-keeping and audit systems.

The Senior Managers & Certification Regime

The Senior Managers & Certification Regime (“**SMCR**”) came into effect for insurers from 10 December 2018.

The SMCR comprises the following elements:

- a senior managers’ regime, which applies to individuals performing a senior management function (“**SMF**”). A SMF is a function that requires the person performing it to be responsible for managing one or more aspects of the relevant firm’s affairs (so far as such affairs relate to regulated activities) and those aspects involve, or may involve, a risk of serious consequences for the relevant firm, or for business or other interests in the United Kingdom. Firms must ensure that every activity, business area and management function has a senior manager with overall responsibility for it. Appointment of an individual performing a SMF continues to require prior regulatory approval;
- a certification regime, which applies to employees of relevant firms who could pose a risk of significant harm to the firm or to any of its customers (for example, staff who give investment advice or administer benchmarks) (each, a “**Certified Person**”). Such employees are not pre-approved by the PRA or FCA. Rather, firms are required to certify that such employees are fit and proper for their roles on an on-going basis. Insurers were required to identify and train the individuals performing certification functions by the commencement date of the SMCR. Fitness and propriety assessments were required to be completed by 10 December 2019. Every Certified Person receives one certificate which covers FCA functions and any PRA functions; and
- conduct rules, which are high level requirements that apply to persons within the scope of the senior managers’ regime and the certification regime. The FCA’s Conduct Rules apply to most employees of relevant firms based in the United Kingdom or those who deal with customers in the United Kingdom. The conduct rules also apply to Certified Persons. In addition, the SMCR confers the FCA and/or the PRA with the power to make conduct rules that are not limited to senior managers and employees. This enables the FCA and/or the PRA to apply the conduct rules directly to directors of firms who are not performing SMFs and are considered to be outside the scope of the senior managers’ regime.

Conduct of business requirements

Through COBS and ICOBS, the FCA regulates the distribution and sale of insurance products. COBS applies where such insurance products have an investment element, such as pension policies, and ICOBS applies to non-investment insurance products. Accordingly, differing requirements apply to the sale of general and pure protection insurance contracts as compared to long-term insurance contracts that function as savings and investment vehicles.

The scope and range of the obligations imposed on an authorised company under COBS and ICOBS varies according to the scope of the insurer's business and the nature of its clients. Many of the provisions only apply to insurance companies that deal directly with retail customers or to transactions with retail customers or provide packaged products. Such insurance companies are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for private customers, the range and scope of the advice which the insurer provides, and fee and remuneration arrangements.

COBS and ICOBS are supplemented by the Principles for Business, including the principle that insurers should provide information to consumers which is clear, fair and not misleading, as well as to treat customers fairly. Such principles are actionable by the FCA. In recent years, conduct of sales of insurance products have come under greater scrutiny, resulting in an increase in the fines levied on insurers by the FCA and compensation orders made against insurers by the Financial Ombudsman Service ("**FOS**") for breaches of conduct of COBS and ICOBS. An example of such action is the extensive regulatory review and subsequent fines levied and compensation orders made in relation to the sales of payment protection insurance products noted above.

As an insurer in run-off in the UK, a number of the COBS and ICOBS relating to the sale of new policies do not concern the Group. However, there are certain COBS and ICOBS rules applicable in the course of administration of in-force policies by the Group relating to:

- information to be provided to existing policyholders;
- cancellation rights;
- the handling of claims;
- reporting to clients;
- the provision of certain protections in relation to clients' assets;
- treating policyholders fairly; and
- pensions transfer and the open market option.

These may apply regardless of whether or not an insurer is actively selling its products.

COBS and ICOBS implement the Insurance Mediation Directive in the UK.

Through MCOB, the FCA regulates the distribution and sale of home finance activities.

Treating customers fairly

There is a clear focus in the UK on the fair treatment of customers, in particular, on the manner in which insurance companies sell and administer insurance policies and other products. Principle 6 of the FCA's Principles for Business requires a firm to pay due regard to the interests of its customers and to treat them fairly. The emphasis of this initiative is to achieve fair outcomes for customers.

The FCA has wide-ranging powers to take enforcement action against insurers and individuals (for example, against senior management if it considers that they have failed in relation to their responsibilities) for breach of the TCF principle, including where it finds that an insurance company's systems and controls or actions cause actual or potential consumer detriment.

Proposed consumer duty

On 14 May 2021, the FCA published a consultation paper (CP21/13) proposing to introduce a new "Consumer Duty" on firms that provide services to retail clients, that would set higher expectations for the standard of care that firms provide. In summary the duty would require relevant firms to ask themselves what outcomes consumers should be able to expect from their products and services, act to enable rather than hinder those outcomes and assess the effectiveness of their actions. This consultation has now closed. The FCA published a second consultation paper on 7 December 2021 (CP21/36) and currently expects to make any new rules by 31 July 2022.

Enforcement and Supervision

Enforcement

The PRA and the FCA have powers to take a range of investigative, disciplinary or enforcement actions, including the ability to sanction companies and individuals. Most notably, enforcement action may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an approved person's status. The PRA and the FCA also have the power to undertake a range of investigative actions. In addition, the PRA (and, where relevant, the FCA) can grant, vary, revoke or cancel the permissions or authorisations of an authorised insurance company that has not engaged in regulated activities for 12 months or that fails to meet the threshold conditions (see "– Permission to Carry on Insurance Business in the UK") below. They may also impose product intervention rules and require the maintenance of adequate financial resources.

In addition to the above, the FCA has the power to impose sanctions on an authorised person who is found to have committed market abuse and it has the power to institute criminal proceedings for offences under:

- FSMA or any statutory instruments made under it (with the exception of certain provisions for which the PRA is the relevant regulator);
- the insider dealing provisions of the Criminal Justice Act 1993; and
- certain provisions contained in anti-money laundering and counter-terrorist financing legislation.

The PRA and the FCA may also make enquiries of the insurance companies that they regulate regarding compliance with applicable regulations.

Supervision

The PRA has wide powers to supervise, and intervene in, the affairs of an insurance company under FSMA. It can, for instance, require insurance companies to provide particular information or documents to it, require the production of a report by a “skilled person” appointed by the PRA or formally investigate an insurer.

The nature and extent of the PRA’s supervisory relationship with an insurer depends on how much of a risk the PRA considers it could pose to its statutory objectives. The PRA assigns insurers to one of five “impact categories”, based on its overall assessment of an insurer’s systemic importance, its proximity to failure, the context in which the insurer operates and a bespoke selection of activities which PRA supervisors deploy as they judge necessary.

The FCA’s supervisory approach is built around three pillars, which can broadly be described as follows:

- **Pillar 1:** involves “proactive firm supervision” (also referred to as the “firm systematic framework”) which is designed to be a forward-looking assessment of an insurer’s conduct risk;
- **Pillar 2:** involves the FCA’s event-driven work where it reacts to what is actually happening at the insurer; and
- **Pillar 3:** relates to products and issues, where the FCA carries out thematic reviews and market studies across a particular sector or sectors, which are becoming more common.

Permission to Carry on Insurance Business in the UK

Pursuant to section 19 of FSMA, it is unlawful to effect or carry out contracts of insurance in the UK, or carry on the business of an insurer, without permission to do so from the PRA under Part 4A of FSMA (a “**Part 4A Permission**”). The FCA must also consent to the granting of the permission.

In order to grant a Part 4A Permission, the PRA (with input from the FCA, where appropriate) must determine that the applicant meets the requirements of FSMA, including certain “threshold conditions”. The threshold conditions are the minimum conditions which must be satisfied, both at the time of authorisation and on an ongoing basis, in order for an insurer to gain and continue to have permission to carry on the relevant regulated activities under FSMA. Dual-regulated insurers must meet both the PRA’s and the FCA’s threshold conditions. These relate to matters including the applicant’s legal form, whether the applicant has adequate resources (both financial and non-financial) to carry on its business and whether, having regard to all the circumstances (including whether the applicant’s affairs are conducted soundly and prudently), the applicant is fit and proper to conduct the relevant regulated activities.

The Part 4A Permission contains a description of the activities that an authorised insurer is permitted to carry on. When granting a Part 4A Permission, the PRA may impose such limitations and requirements as it considers appropriate.

Once authorised, in addition to continuing to meet the threshold conditions, insurers must comply with the Principles for Businesses, as well as other rules in the PRA Rulebook and the FCA Handbook, as discussed above.

Change of Control of Insurance Companies

The FCA and PRA regulate the acquisition and increase (or decrease) of control of authorised firms. Under section 178 of FSMA, any person who intends to acquire or increase its “control” over a UK authorised insurance company must notify the PRA of its decision and receive approval from the PRA before becoming a “controller” or increasing its interest in such insurance company to or above certain thresholds.

The PRA must, within 60 working days of the date on which it acknowledges receipt of a notification (provided it has received all the necessary information), either approve, or notify the applicant that it does not approve, the relevant acquisition of or increase in control. In considering whether or not to grant or withhold its approval to the change of control, the PRA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by its acquisition of, or increase in, control. Additionally, in reaching its decision, the PRA is required to consult with the FCA and the FCA may require the PRA to reject the application or impose conditions on the approval of the application in certain circumstances.

The PRA must also be notified when the transaction which results in the change of control takes place. No prior approval for reducing control below one of the thresholds referred to below is required, although (pursuant to section 191D of FSMA) notification must still be given to the PRA of the relevant transaction prior to effecting the disposition.

A “controller” is any natural or legal person or such persons “acting in concert” who has or have taken a decision to acquire or increase, directly or indirectly, a holding above a certain level in a UK authorised insurance company. Broadly, “control” over a UK authorised insurer will occur if the acquirer (together with other persons acting in concert with it):

- holds 10 per cent. or more of the shares or voting rights in that company or in its parent undertaking; or
- is able to exercise significant influence over the management of an insurer by virtue of the acquirer’s shares or voting power in the company or its parent undertaking.

Increases in control of an insurance company require the prior approval of the PRA where they reach thresholds of 20 per cent., 30 per cent. and 50 per cent. or more of the shares or voting power in the insurer or its parent undertaking, or where the acquirer becomes the parent undertaking of the insurance company.

Breach of the requirements to notify the PRA of a decision to acquire or increase (or decrease) control or to obtain approval before effecting the relevant transaction in question is a criminal offence attracting fines, and other offences exist for breaches of the provisions of the change of control regime described above.

Transfers of Insurance Business

Any transfer of UK insurance business (as defined under FSMA) must be effected in accordance with Part VII of FSMA and relevant secondary legislation, which requires a scheme of transfer to be prepared and approved by the High Court of England and Wales (the “**Court**”). A Part VII transfer enables insurers and reinsurers to transfer all or part of their book of business to another approved insurer by operation of law without the need for individual policyholder consent, although policyholders have the right to object to the proposed scheme at the Court hearing. The proposed scheme may also allow for the transfer of assets and other contracts related to the transferring business so as to give proper effect to the transfer.

A report of an independent expert is required on the terms of the scheme, which would consider amongst other things, whether the proposed transfer would have a material adverse effect on policyholders including in relation to their security of benefits and benefit expectation. The regulators also have an important role in a transfer under Part VII of FSMA, including in relation to the approval of the appointment of the independent expert and review of the independent expert’s report, and in advising the Court whether a transfer should be approved.

Solvency II

Solvency II has applied since 1 January 2016. Consistent with the general approach to the onshoring of EU law, following the expiry of the Brexit transitional period on 31 December 2020, Solvency II has been retained in the United Kingdom in substantially complete form with policy changes only being made to the extent they are necessary to reflect the United Kingdom’s position outside the EU. The rules may diverge further in future, including as a result of reviews of Solvency II currently being undertaken by HM Treasury in the United Kingdom and the EU Commission in the EU.

The main aim of the Solvency II framework is to protect policyholders through establishing prudential requirements better matched to the true risks of the business, taking into account other regulatory objectives of ensuring the financial stability of the insurance industry and stability of the markets. Solvency II adopts a three-pillar approach to prudential regulation, which can broadly be described as follows:

- **Pillar 1:** quantitative requirements covering the amount of capital an insurer should hold;
- **Pillar 2:** qualitative requirements in relation to undertakings such as risk management and supervisory activities; and
- **Pillar 3:** enhanced public and supervisory reporting, disclosure and transparency requirements.

More specifically, Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;

- the maintenance of a minimum capital requirement (“**MCR**”) and a higher and more risk-sensitive solvency capital requirement (“**Solvency Capital Requirement**” or “**SCR**”);
- what capital (that is, own funds) is eligible (and in what proportions) to cover technical provisions, the MCR and the Solvency Capital Requirement;
- what capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm’s entire operations;
- on what basis an insurer calculates its Solvency Capital Requirement;
- governance requirements, including risk management processes;
- requirements covering (i) matters to be reported privately to the firm’s supervisor leading to a full supervisory review process, and (ii) matters to be published and made publicly available in a “solvency and financial condition report” (“**SFCR**”);
- rules providing for the Solvency Capital Requirement to be supplemented by a “capital add-on” in appropriate cases, the add-on to be imposed by the PRA;
- rules on insurance products which are linked to the value of specific property or indices; and
- the application of the above requirements across insurance groups.

Many insurance companies and insurance groups expect to benefit from using an internal model to calculate their SCR (or specific risks or major business units within the SCR). However, they require supervisory approval to do this. The process of obtaining that approval is a rigorous one involving a full review of the firm’s governance arrangements and proof that the internal modelling is fully used within the firm’s business. The PRA may also impose regulatory capital add-ons if it considers that the resultant regulatory capital requirement does not reflect the risk exposures of the relevant firm or insurance group. The Group has not adopted an internal model for the purpose of determining its capital requirements under Solvency II. Instead, it has applied the “standard formula”, and has not used any elements of Solvency II’s long term guarantee package, including transitional arrangements.

Solvency II also requires insurers to disclose a considerably greater level of qualitative and quantitative information as compared to the previous rules, both to their own supervisor through “regular supervisory reporting” and to the market through the publication of the SFCR. This is intended to increase transparency, allowing easier comparison across the industry and enabling supervisors to identify sooner if insurers are heading for financial difficulty. In turn, increased transparency is intended to drive market discipline, arising from the reaction of rating agencies and the capital markets to insurers’ performance.

In addition to these capital requirements and procedures, the Solvency II regime also imposes various requirements in relation to insurers’ business operations, including the organisation of internal processes, the roles and responsibilities among certain key officers and external reporting obligations, as well as to the presentation of financial information.

Markets in Financial Instruments Directive

Although the Markets in Financial Instruments Directive does not apply to insurance businesses, it has driven changes to the conduct of business rules, including those that apply to insurance businesses.

The original Markets in Financial Instruments Directive 2004/39/EC (“**MiFID**”) and its predecessor legislation, the Investment Services Directive, set out detailed and specific requirements in relation to organisational and conduct of business matters for investment firms and regulated markets. In particular, MiFID and its implementing measures made specific provision in relation to, among other things, organisational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling and suitability and appropriateness, and investment research and financial analysis, pre- and post-trade transparency obligations, transaction reporting and substantial changes to the responsibility for the supervision of cross-border investment services (including the UK).

In May 2014, MiFID was replaced by (i) a substantially revised Markets in Financial Instruments Directive; (ii) the Markets in Financial Instruments Regulation (EU) No 600/2014; and (iii) secondary legislation in the form of Delegated Acts made thereunder (together, “**MiFID II**”). MiFID II came into force on 3 January 2018 and represents a significant overhaul of the EU regulatory regime for financial services. The Markets in Financial Instruments Regulation (EU) No 600/2014 forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”).

MiFID II and UK MiFIR set out detailed and specific requirements in relation to organisational, trading and conduct of business matters for investment firms and trading venues. Each of MiFID II and UK MiFIR is more wide ranging than MiFID and has direct impact on MiFID II and UK MiFIR investment firms respectively and indirect impact on non-MiFID II and non-UK MiFIR financial services firms respectively who deal in EU securities and derivatives markets and UK securities and derivatives markets respectively.

Insurance Distribution

The United Kingdom insurance distribution regime is derived in part from the Insurance Distribution Directive, which was transposed into UK law through legislation, regulations and FCA rules, including amendments to FSMA, ICOBS and COBS. Similarly to Solvency II, to the extent that onshoring was necessary following the expiry of the Brexit transitional period, policy changes were not made except to the extent necessary to reflect the United Kingdom’s position outside of the EU.

A key focus of the Insurance Distribution Directive is on the regulation of distribution products. The key elements of the Insurance Distribution Directive include:

- extending the scope to cover all sales of insurance products, whether by insurance intermediaries or insurance undertakings, including proportionate requirements for those who sell insurance products on an ancillary basis;
- identifying, managing and mitigating conflicts of interest;
- strengthening administrative sanctions, as well as measures to be applied in the event of a breach of key provisions;

- enhancing the suitability and objectiveness of insurance advice;
- mandatory disclosure at the pre-contractual stage by insurance intermediaries of the nature and basis (but not amount) of remuneration received;
- ensuring that sellers' professional qualifications match the complexity of the products that they sell; and
- clarifying the procedure for cross-border market entry.

The Insurance Distribution Directive will continue to be a minimum harmonisation directive, enabling EU Member States to impose higher standards if they wish.

In the UK, the Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 (the "**IDD Order**") transposed the Insurance Distribution Directive into UK law, and amended the relevant provisions of FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. The IDD Order came into force on 1 October 2018.

Whistleblowing

In October 2015, the PRA and FCA published policy statements containing new rules in relation to whistleblowing by employees with respect to the conduct of their employers or others within their firm.

The rules go further than the requirements of the Public Interest Disclosure Act 1998 ("**PIDA**"), which is the legislation that protects employees who act as whistleblowers in relation to the conduct of their employer or others within their firm. The rules are designed to encourage individuals with concerns about a firm's practices to raise them, and to ensure that such concerns are properly managed and reported to the regulator where appropriate.

The rules apply to:

- insurance and reinsurance firms within the scope of Solvency II and the Society of Lloyd's and managing agents;
- PRA-designated investment firms; and
- UK deposit takers with assets of £250 million or more (including banks, building societies and credit unions).

Under the rules, such firms must:

- appoint a senior manager in accordance with the requirements of the SIMR or SMCR (as applicable) who is a non-executive director to act as a "whistleblowers' champion". The whistleblowers' champion is responsible for oversight of the firm's whistleblowing policies and procedures, and for ensuring an annual report on whistleblowing is presented to the board and made available to the regulator;

- put internal arrangements in place to handle any type of disclosure by any person (including anonymous disclosures) as opposed to only those disclosures that currently fall within the scope of the PIDA;
- put in place systems which protect confidentiality, allow for the escalation of concerns to the appropriate regulator or law enforcement agency, track the outcome of whistleblowing reports, provide feedback to whistleblowers and have measures in place to protect whistleblowers from victimisation;
- inform the FCA and the PRA if there is an unsuccessful judgment against the firm in an employment tribunal claim for whistleblowing and there are findings relating to a claim that the whistleblower was victimised;
- ensure that employees based in the United Kingdom are informed about the whistleblowing services offered by the PRA and the FCA and they can approach these regulators directly without first raising concerns with their employer; and
- ensure their appointed representatives and tied agents inform their own staff about the FCA and the PRA's whistleblowing arrangements.

Money Laundering and Financial Crime

The FCA has a duty to consider the importance of minimising the risk of the insurance companies that it regulates being used for financial crime. It therefore looks at measures an insurer takes to monitor, detect and prevent financial crime. This includes measures in respect of money laundering, terrorist financing, data security, bribery and corruption, fraud and sanctions breaches. The EU's money laundering framework was recently updated by the Fourth Money Laundering Directive ("**MLD4**") which was implemented in the UK on 26 June 2017. The EU authorities have now adopted a Fifth Money Laundering Directive ("**MLD5**") to clarify certain aspects of MLD4, which were required to be implemented in EU Member States by 10 January 2020. The UK has implemented MLD5 and it came into force in the UK on 10 January 2020.

Consumer Complaints and Compensation

The Financial Services Compensation Scheme ("**FSCS**"), established under FSMA, seeks to protect policyholders where a UK authorised insurer is unable or unlikely to be able to meet its financial obligations to policyholders. The FSCS provides compensation to certain categories of customer who suffer loss as a consequence of the failure by an insurer to meet its liabilities arising from claims made in connection with regulated activities. The FSCS can pay compensation if an insurer is unable, or likely to be unable, to pay claims against it. Participating insurers and other financial services firms are responsible for contributing to compensation schemes in respect of insurers and other financial services firms that are unable to meet their obligations to policyholders. In this respect, the FSCS is funded by way of levies imposed on all of its participating insurers.

Insurance companies, along with other authorised entities and certain other unregulated businesses, fall within the jurisdiction of the FOS, which is a body established under FSMA. The FOS is a free and independent service for individuals and small business customers designed to resolve disputes where the customer is not satisfied with the response received from an

authorised insurer. Authorised insurers are required to have adequate complaints-handling procedures in place but, where these are exhausted and a complaint or dispute has not been resolved, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought by individuals and small business customers. This service covers most financial products and services in (or from) the UK. Insurers that are covered by the FOS are required to pay levies and case fees, which provide the funding for the FOS. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve matters on the basis of what is fair and reasonable. In this regard, the FOS is not bound by its own precedent; however, the decisions made by the FOS are binding on insurers.

In addition, where larger groups or matters of public policy are concerned, the PRA and/or the FCA may intervene directly to provide redress to consumers.

Data Protection

On 25 May 2018, the General Data Protection Regulation 2016/679 (“**GDPR**”) came into force and replaced the previous regime set out in the first Data Protection Directive (Directive 95/46/EC) on the protection of individuals with regard to the processing of personal data and on the free movement of such data. The GDPR contains measures that seek to harmonise data protection procedures and enforcement across the EU. It is directly binding on data controllers (as well as introduced certain direct obligations on data processors) in all EU member states without the need for implementation by the member states. Importantly, the GDPR introduced more substantial penalties for data breaches, as well as greater enforcement power by data protection authorities. The GDPR forms part of the domestic law of the UK by virtue of the EUWA, with such domestic law referred to as the “**UK GDPR**”.

In the UK, the Data Protection Act 2018 (the “**DPA**”) exercised on the UK’s part the limited discretion accorded to member states under the GDPR, and dealt with data processing issues not covered by the GDPR.

The Group is required to comply with the GDPR, the UK GDPR and the DPA, and any breach could give rise to criminal or civil liability and other enforcement action by the Information Commissioner’s Office.

Competition Regulation

The CMA is the UK’s competition authority. Its regulatory and enforcement powers could impact the insurance sector in a number of ways, including powers to investigate and impose remedies on any feature, or combination of features, of a market in the UK. In addition, since 1 April 2015, the FCA has also had competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector, which it holds concurrently with the CMA.

2. The Netherlands

Overview

Waard Group (“**Waard**”) and Scildon N.V. (“**Scildon**”, and together with Waard, the “**Dutch Subsidiaries**”) are the two Business Units within the Group’s Dutch division, Chesnara Holdings B.V., (“**Chesnara Netherlands**”), headed by Chesnara plc. Waard comprises the legal entities Waard Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.

Ward and Scildon's operations are subject to extensive government regulation, including the DFSA (as defined below) and other Dutch laws. Some of these laws require the relevant Group entity to be authorised, licensed or registered. Below is an overview of the regulatory framework for the insurance industry in the Netherlands.

The Dutch Financial Supervision Act (“DFSA”)

The Dutch Subsidiaries are subject to substantial regulatory oversight from the DNB and the AFM (together, the “**Regulators**”). The DNB is the primary regulator of the Dutch Subsidiaries.

Approach to regulation

The DNB employs a risk-based and proportionate approach to supervision comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root causes of such risk. The DNB regularly pro-actively contacts insurers to discuss matters of strategy, day-to-day operations and the current (and expected future) financial standing of each company, in order to assess what parts of a regulated company (if any) could pose (systemic) risk.

The DNB and the AFM expect firms to avoid actions that jeopardise compliance with their statutory objectives. When the DNB and the AFM are concerned that a company may present a risk, this may lead to imposed consequences, including the requirement to maintain a higher level of regulatory capital (via capital “add-ons” under Solvency II) to match the higher perceived risks, and enforcement action where the risks identified breach the DNB and the AFM's high-level or more prescriptive rules. In case of such a breach, although both the DNB and the AFM must apply the principle of proportionality in all of their actions, the Regulators have a large amount of discretion in determining what measures to impose in order to address, remedy or sanction a breach.

Overview of the DFSA regulatory regime

Competent regulatory authorities

The DFSA is the main source of financial regulations in the Netherlands. The DFSA provides for supervision based on a so-called twin peaks model. The first peak is formed by prudential supervision consisting of supervising the liquidity and solidity of financial undertakings. Prudential supervision is exercised by the DNB. As supervisor, the DNB's aim is to ensure the solidity of individual market participants and of the Dutch financial system as a whole by, for example, regulating access to financial markets and supervising compliance with statutory capital requirements.

The second peak is formed by market conduct supervision. Supervision of market conduct is exercised by the AFM. Market conduct supervision is aimed at regulating the way in which market participants conduct their operations. The AFM aims to promote orderly and transparent market processes, proper treatment of consumers and fair relationships between financial undertakings.

Insurers are both subject to licensing and prudential supervision from the DNB as well as conduct supervision from the AFM.

The relevant EU supervisory body for insurers – the EIOPA – has limited supervisory powers in the Netherlands. However, it plays an important role in drafting and issuing technical standards and preparing guidance relating to various EU directives and regulations. EIOPA aims to accomplish efficient and harmonised financial supervision across the whole of the EU.

Permission to carry on “regulated activities”

A broad range of financial activities are subject to supervision in the Netherlands. As a result, many companies operating in the financial sector require either a licence to carry on a regulated activity or are under an obligation to notify the relevant supervisor of their intent to carry out regulated activities in the Netherlands. Most regulated activities in the Netherlands are currently prescribed in the DFSA. These include life, pensions, non-life, funeral expenses and benefits in kind insurers and re-insurers. Pursuant to the DFSA, insurers have to be authorised by the DNB. In addition to being regulated by the DNB, insurers are also regulated by the AFM (conduct supervision).

Authorisation procedure

The actual process of applying for an authorisation to perform certain regulated activities depends on a number of factors, such as the type of licence or authorisation being applied for. However, most application processes take the form set out below.

The application process starts with the submission of the relevant forms and other essential documents. Usually, these essential documents must include financial projections for a period of at least three years. When this information has been received in good order by the relevant regulator, the regulator will evaluate the undertaking's compliance with the applicable requirements as set out in the DFSA. In general, the DNB and the AFM have thirteen weeks to decide on a licence application. However, the actual consideration period depends on many factors and regularly this consideration period is extended. Often, this is either due to (i) a lack of quality and completeness of the application or (ii) the submitted documents giving rise to further information requests.

Once authorised, and in addition to continuously meeting the threshold conditions to authorisation, regulated companies are obliged to comply with EU regulations, EU directives (in as far as these directives have direct effect in the Netherlands) and the DFSA (and the lower regulations set out thereunder), all of which contain detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e. capital) requirements.

Principles for business

EU legislation and the DFSA (including secondary legislation set out thereunder) provide for standards relating to various matters of business conduct and sound business operations. In addition, the DNB maintains the so-called “open book of supervision” (*Open Boek Toezicht*) containing high-level standards and guidance for conducting regulated activities in the Netherlands which fall under the supervision of the DNB. The AFM has not published a handbook but has published various guidelines and interpretations on a wide range of financial regulatory topics.

All firms are expected to comply with these standards which cover matters such as sound business operations, customer care and communication with customers.

Application of DFSA regulatory regime to the Group

Ward and Scildon are subject to regulation and supervision by the DNB and the AFM in the carrying on of their regulated activities. The discussion below considers the main features of the regulatory regime applicable to the Group's insurance business in the Netherlands.

Regulation applicable to Ward and Scildon

Supervision of management (“Management”) and change of control of authorised firms

One of the methods by which the DNB and the AFM supervise the management of authorised firms is through the continuing assessment of policymakers (such as directors and supervisory board members). The regime for the assessment of policymakers is a regulatory framework that aims to (i) make sure that insurance firms and groups have a clear and effective governance structure and (ii) enhance the accountability and responsibility of individual senior managers. Additionally, the regime provides that persons who hold positions of significant influence within an authorised firm must be pre-approved by the AFM and, if relevant, the DNB. For dual-regulated firms, certain co-policymakers, such as directors, are approved by the DNB and the DNB will consult with the AFM in relation to such approval. This regime (and the requirements thereunder relating to the integrity and suitability of policymakers) was further enhanced following the implementation of Solvency II in early 2016.

Change of control of authorised firms

The AFM and the DNB also regulate the acquisition of, and increase of control over, certain authorised firms, such as insurers. Under the DFSA, any person intent on acquiring control of, or increasing (or decreasing) control over, certain authorised firms must first obtain the consent of the DNB and, if necessary, the AFM. In relation to dual-regulated firms, approval for the change of control is sought from the DNB. In considering whether to grant or withhold its approval for the acquisition of control, the DNB must be satisfied that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by the acquisition of, or increase in, control.

A person (“**A**”), will acquire control (in accordance with Section 3.3.11 of the DFSA, and be a “controller”) of an authorised person (“**B**”) if they hold:

- (a) 10 per cent. or more of the shares in B or a parent undertaking of B (“**P**”);
- (b) 10 per cent. or more of the voting power in B or P; or
- (c) shares or voting power in B or P, as a result of which A is able to exercise significant influence over the management of B.

In order to determine whether person A or a group of persons is a controller, the holdings (shares or voting rights) of A and other persons acting in concert with A, if any, are aggregated.

A person (“A”) will be treated as increasing (or decreasing) his control over an authorised firm (“B”), requiring prior approval from the DNB (and the AFM, if appropriate) if the level of his percentage shareholding or voting power in B or P crosses the 10 per cent., 20 per cent., 33 per cent., 50 per cent. or 100 per cent. threshold.

Intervention and enforcement

The AFM and the DNB have extensive powers to intervene in the affairs of an authorised undertaking and monitor compliance with their objectives, including withdrawing a firm’s authorisation, prohibiting individuals from carrying on regulated activities or acting as policymaker for a regulated firm, suspending firms or individuals from undertaking regulated activities and fining firms or individuals who breach their rules.

The AFM can also sanction persons who commit market abuse and can apply to the court for injunctions and restitution orders. In addition to its ability to apply sanctions for market abuse, the AFM has the power to prosecute criminal offences arising under the DFSA, insider dealing under the DFSA and breaches of money laundering regulations.

The AFM and the DNB may also vary or revoke a firm’s permission to carry on regulated activities or a policymakers’ approved status for reasons including (i) if it is desirable in order to protect the interests of consumers or potential consumers, (ii) if the firm has not engaged in regulated activity for 12 months, or (iii) if it is failing to meet the threshold conditions for authorisation. The AFM and the DNB have further powers to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the AFM and the DNB have made a decision to take enforcement action against an authorised or Approved Person (other than in the case of an application to the court for an injunction or restitution order), the person affected may refer the matter to the competent court.

In general, the DNB and the AFM are obliged to apply in all their actions the principle of proportionality. This means that the Regulators in any (penalty) decision will have to take all facts and circumstances of the case into account in determining a proportional enforcement measure, such as the gravity and duration of the breach, the redress actions taken by the offender, the extent of cooperation by the offender during the investigation, the damage caused by the breach and the introduction date of the breached provision. In doing so, the Regulators can also decide not to take enforcement measures after becoming aware of a breach. The Regulators have large discretionary power in doing so.

The DNB, although not a creditor, may seek administration orders (such as the appointment of an administrator under the Dutch emergency regulations (*noodregeling*)), present a petition for the winding-up of credit institution or insurer or have standing to be heard in the voluntary winding-up of a credit institution or insurer. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up without the consent of the DNB.

Conduct of Business Rules

The provisions of the DFSA and its secondary legislation with regard to conduct of business apply to every authorised firm carrying on regulated activities and regulate the day-to-day conduct of business standards to be observed by authorised persons in carrying on regulated activities. In addition, certain regulated companies must also observe the standards set forth by EU regulations

and directives (in as far as these directives are directly applicable to such undertaking). Whilst the AFM is primarily responsible for conduct regulation, the DNB will also seek to ensure that companies that it regulates conduct their business in a safe and sound manner.

The scope and range of obligations imposed on an authorised company under the DFSA and its secondary legislation vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised company by the DFSA will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products and managing portfolios, manage conflicts of interest, report appropriately to its clients and provide certain protections in relation to client assets.

The AFM's concept of "*Klantbelang Centraal*"

The AFM has the following main operational objectives: (i) to secure an appropriate degree of protection for consumers; (ii) to protect and enhance the integrity of the Dutch financial system; and (iii) to promote effective competition in the interests of consumers.

In this regard, the AFM has developed the key concept of "putting customers' interest first" (*klantbelang centraal*), a concept used by the AFM to describe a regulated company's duty of care towards its customers. "Putting customers' interests first" is much broader than for example providing good customer service. The concept boils down to an obligation to provide services and products that fit the needs of a customer (and provide some form of long term and/or added value for that customer). A regulated company "puts customers' interests first" when it (i) actively takes its customers' needs into consideration when developing its products or services, (ii) provides the customer with all relevant information regarding a particular product or service and (iii) only provides services or products when this is in the best interest of the customer.

Prudential Supervision

As set out above, in order to maintain authorised status under the DFSA, a firm must continue to satisfy the threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business. The DNB has published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in its Open Book of Supervision.

The DNB's regulatory capital rules for insurers are primarily contained in the Solvency II prudential framework (as to which, please refer to the "Solvency II" section below).

The Klachteninstituut Financiële Dienstverlening

Authorised firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*, "**KiFiD**") which is intended to provide speedy, informal and cost effective dispute resolution of complaints made against authorised firms by individuals and small- business customers. The KiFiD is empowered to order firms who have indicated they wish to be bound by KiFiD's rulings to pay fair compensation for

loss and damage and may order a firm to take such steps as it determines to be just and appropriate to remedy a complaint.

Insurance Guarantee Schemes

Currently there are no rules at the EEA level requiring EU Member States to adopt insurance guarantee schemes. The European Commission has, however, indicated that it is considering proposing a directive with regard to insurance guarantee schemes. This was scheduled to be introduced by the end of 2012, but no new proposals are forthcoming. Currently, Dutch law does not provide for an insurance guarantee scheme.

Conduct of Business Requirements for insurance business

The relevant provisions of the DFSA and its secondary legislation apply requirements to the sale of insurance contracts. More stringent requirements apply where the contract has an investment value or otherwise is a product which historically gave rise to mis-selling problems. Authorised companies which advise and sell packaged products (such as life insurance policies) are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for private customers, the range and scope of the advice which the company provides, and fee and remuneration arrangements.

Transfer of Insurance Business

Any transfer of Dutch insurance business must be effected in accordance with Section 3.5.1a of the DFSA, which requires a scheme of transfer to be prepared and approved by the DNB. A scheme of transfer enables direct insurers and reinsurers to transfer all or part of their books of business to another approved insurer by operation of law without the need for individual policyholder consents, although policyholders have the right to object to the proposed scheme. A scheme of transfer may also allow for the transfer of assets and other contracts related to the business so as to give proper effect to the transfer. A transfer of insurance business means a transfer of insurance policies and should be distinguished from the change of control of a business effected by a transfer of shares in an insurance company.

Solvency II

Solvency II has been applicable in the Netherlands since 1 January 2016. For more information on Solvency II, please refer to the section entitled "Solvency II" in paragraph 1 of "Regulation of the Issuer and the Group" above.

DNB thematic review

The DNB publishes an annual thematic review with relevant supervisory themes for the coming years. For the years 2021-2024, the 2021 review covers the themes set out below for insurers.

COVID-19

The COVID-19 crisis has demanded a great deal of attention and effort from the Dutch financial sector. Meanwhile, banks, insurers and pension funds are facing medium-term structural challenges that must be tackled and cannot simply be deferred.

The DNB has updated its “Supervisory Strategy 2021-2024”, fleshing out the priorities it had identified in 2018 in the areas of technological innovation, sustainability and financial crime.

Not only is the financial sector grappling with the impact of the COVID-19 crisis, it is also facing challenges such as digitalisation, greening the economy and persistently low interest rates. Rapid technological developments mean that institutions not only need to review their business models, but also face new players from a technological background in their markets.

Data is increasingly important

Data is of increasing importance in these trends. This is why the DNB calls institutions to account over their duty to have adequate safeguards for their data in place. They must ensure the quality of their data, in terms of completeness and integrity, but also in terms of robust security, for example to withstand cyberattacks. In addition, the privacy aspects of managing and using such data is important, especially if financial institutions increasingly use algorithms and artificial intelligence.

Sustainability risks warrant additional attention

Adequate management of sustainability risks by financial institutions requires even more of the attention of the DNB. In recent years, the DNB has studied how climate change, the energy transition and biodiversity loss can affect financial institutions. It is now up to the institutions to embed the results into their policies and risk management, while the DNB integrates them further into its supervision.

Stepping up the fight against financial crime

Financial institutions have further strengthened their gatekeeping role and invested in human and technological resources to keep criminals out of the financial system more effectively. There is still great scope for improvement, however. Over the coming years, the DNB will ensure that financial institutions take more structural measures aimed at managing integrity risks and more effectively preventing financial crime. Both the sector participants and the DNB can do so by, among other things, promoting initiatives for public-private partnership in crime prevention, and cooperating more closely across borders.

Anti Money-Laundering and Anti-Terrorist Financing Act

The *Wet ter voorkoming van witwassen en financieren van terrorisme* (in English, translated as the Anti-Money Laundering and Anti-Terrorist Financing Act) (the “**Wwft**”) entered into force on 1 August 2008 and has since been amended several times. Any EU anti-money laundering directives are usually implemented in the Wwft. The Wwft provides a comprehensive set of measures to prevent the use of the financial system for money laundering or terrorist financing. The Wwft was amended in 2020 in order to implement the EU’s amendments to the Fourth Anti-Money Laundering Directive.

The Wwft follows a risk-based approach. This means that institutions to a large extent are free to decide on the degree of risk the entity wants to take. In turn, that choice determines which mitigation measures the entity must put into place. This analysis, including mitigation measures, is part of the systematic integrity risk analysis.

Customer due diligence is an important element in the range of measures available to prevent money laundering and terrorist financing. As a rule, institutions must carry out customer due diligence in all cases. This also includes the monitoring of intended and actual transactions. The degree of scrutiny must be tailored to the risk posed by a particular type of customer, relationship, product or transaction.

Financial and other institutions that, in a professional capacity or on a commercial basis, provide services specifically listed in the Wwft must notify the FIU-the Netherlands of any unusual transactions. The Wwft also lists indicators to determine what unusual transactions exactly are.

3. Sweden

Overview

The Group's operations are subject to extensive Swedish regulatory laws as well as a large volume of regulations and guidelines from the Swedish Financial Supervisory Authority ("**SFSA**") (Sw. *Finansinspektionen*). Some of these laws require the relevant Group entity to be authorised, licensed or registered with the SFSA.

Movestic, the Group's life assurance subsidiary in Sweden, and Movestic K AB, the Group's fund subsidiary in Sweden, are both subject to regulation and supervision by the SFSA in carrying on their regulated activities.

This overview considers the main features of the regulatory regime applicable to the Group's fund and insurance business in Sweden.

Overview of the regulatory regime

Sweden has one regulator, the SFSA, with responsibility for the authorisation and supervision of banks, insurers, fund companies and other financial institutions. The role of the SFSA is to promote stability and efficiency in the financial system as well as to ensure an effective consumer protection. The SFSA authorises, supervises and monitors all companies operating in Swedish financial markets, examines the risks and control systems in financial companies and supervises compliance with statutes, ordinances and other regulations.

In addition, the SFSA monitors companies to ensure that they disclose complete and clear information to consumers and ensure that the systems put in place by the companies for the disclosure of such information are satisfactory. The duties of the SFSA also include preparing rules for financial reporting by financial companies.

Movestic K AB is, since its operational change in 2019, regulated under the Swedish Ucits Act (Sw. lag (2004:46) *om värdepappersfonder*) ("**SUA**").

Movestic is regulated under the Swedish Insurance Business Act (Sw. *försäkringsrörelselagen* (2010:2043) ("**IBA**").

Under both SUA and IBA, no entity or individual may carry on or purport to carry on a regulated activity by way of business in Sweden unless it is authorised by the SFSA. In order to become authorised, an applicant must satisfy the SFSA that it meets the requirements for authorisation

set out in the SUA and the IBA. A company that has been granted authorisation must continuously comply with the rules that have been set up for the business.

Movestic (Insurance company)

Swedish Insurance companies have a number of regulations to comply with, most of which are based on EU common regulations.

- **IBA and Solvency II**

IBA, together with its regulations and guidelines from the SFSA and Solvency II, states which requirements must be met for an insurance company to be authorised to conduct insurance business. IBA, which is largely based on the Solvency II directive, also sets out the basic requirements that an insurance company continuously must comply with. IBA, together with its regulations and guidelines from the SFSA and the Solvency II regulation, require, among other things, the following:

Authorisation may be given to a company:

- if the insurance company's articles of association are in accordance with IBA;
- if the business can be assumed to meet current requirements;
- if the qualified holder/holders (a direct or indirect ownership representing 10 per cent or more of the capital or voting rights in the company or otherwise enabling a significant influence over the management of the company) is deemed suitable to exercise a significant influence over the management of the insurance company (described below) and
- if the board members, the chief executive officer ("**CEO**") and the persons who will hold a key function (the compliance function, the risk management function, the actuarial function, the internal audit function or – if the function is outsourced – the person responsible for the outsourcing) are deemed to have the insight and experience needed and are otherwise deemed suitable for the assignment. A suitability assessment is made regarding these persons.

The assessment of whether a qualified owner is suitable includes assessments of the owner's repute and capital strength, if there is reason to assume that the owner will prevent the insurance company's operations being conducted in a manner that is compatible with the law and if there is reason to assume that the acquisition is related to or may increase the risk of money laundering or similar crimes. The assessment regarding the suitability of the qualified owner includes assessments of the suitability of the board and the CEO of the owner company.

Authorisation is granted to conduct insurance business in Sweden and within certain insurance classes. The company may only operate within this framework. Certain cross-border activities may be permitted after notification to the SFSA. An insurance company may not conduct any activity other than insurance business and thereto related activities.

An insurance company must be run with a satisfactory equity ratio, liquidity and control over its risks, so that the commitments to those entitled to compensation on the basis of insurance can

be fulfilled. Sufficient information must be provided to policyholders and other persons entitled to compensation and the business of an insurance company must be conducted in accordance with good insurance standard.

There are detailed rules regarding solvency and capital adequacy (originating from Solvency II). Also, there are rules on how an insurance company may invest its assets, meaning that investments can only be made in assets where the risks can be identified and controlled. An insurance company has significant reporting obligations.

There are certain rules regarding governance. An insurance company needs to have a corporate governance system that ensures that the company is governed in a healthy and responsible manner, which means, among other things, that it must establish and comply with certain internal governing documents and that it must have certain control functions and set up processes for the work fulfilled by the control functions. Among other things, the insurance company must perform its own risk- and solvency assessment at least once a year and submit the result to the SFSA.

The governance rules also require that the insurance company's board members, CEO and the key functions (the risk management function, the compliance function, the actuarial function and the internal audit function or the person at Movestic responsible for these functions, when outsourced) must be approved by the SFSA. This is assessed not only when the authorisation is given, as described above, but also when a change is made regarding these roles. Also, a notification has to be sent to the SFSA regarding the board's overall competence in connection with a change in the board. In addition, the insurance company itself must continuously assess the suitability of the mentioned roles and check that the board has sufficient overall competence.

A direct or indirect acquisition of shares in an insurance limited company, which means that the acquirer's total holding constitutes a qualifying holding, may only take place following permission from the SFSA. The same applies to acquisitions which lead to a qualifying holding being increased so that it exceeds certain thresholds or so that the insurance company becomes a subsidiary of the acquirer. The suitability assessment of the owners made by the SFSA when permission is granted for an acquisition is equivalent to the one that is made when an application is made for authorisation.

The rules regarding suitability of qualified owners also means that when the board and/or the CEO in a qualified owner company is changed, the owner company must send a notification regarding the change and an application for suitability assessment to the SFSA regarding the new CEO or the new board member.

An insurance company must annually notify the SFSA of the names of the owners who have a qualified holding of shares in the company and the size of the holdings.

There is a requirement that at least half of the number of board members and the CEO must be resident in the EEA and that the company must have its head office in Sweden. The SFSA can decide on exemptions from the residence requirements.

There are certain rules regarding outsourcing in order to minimize the risks which are associated with outsourcing. Some outsourcing agreements have to be notified to the SFSA. The rules on outsourcing are further developed in detail in EIOPA's guidelines regarding cloud outsourcing, which Movestic has to comply with.

There are also detailed rules regarding Information Communication Technology (“ICT”) and information security risks. EIOPA recently released their guidelines on information and communication technology security and governance, applicable from 1 July 2021 (the “Guidelines”). The Guidelines aim to increase the resilience of insurance undertakings’ digital operations against the risks they face. The Guidelines, which includes detailed rules, should be read in conjunction with the IBA/Solvency II legislation. As regards governance and strategy, the board of the insurance company has an overall responsibility for setting and approving the company’s written ICT strategy as part of, and aligned with, their overall business strategy, as well as for overseeing its communication and implementation. Insurance companies should establish a governance system to effectively support the insurance company’s ICT strategy.

Transfer of insurance portfolios may only take place after permission from the SFSA.

An insurance company may raise or take over loans (borrowing) only if it is done to streamline asset management or if it is otherwise justified by the insurance business.

There are certain rules on group supervision. Group supervision shall be exercised in accordance with certain provisions over an insurance company whose parent company is an insurance holding company within the EEA (which Chesnara plc was previously). Group supervision shall be exercised in accordance with certain other rules over insurance companies whose parent company is an insurance holding company with headquarters outside the EEA. The Group has not yet received the details regarding how post-Brexit supervision shall be performed.

An insurance company is obliged to cooperate with the SFSA and provide the information that the SFSA requests. The SFSA may, when it deems it necessary, carry out an investigation with an insurance company. The SFSA has the right to request that an insurance company takes certain measures, such as submitting specific reports or statements.

The SFSA can intervene against the insurance company in the event of certain violations, including if the insurance company has breached its obligations under law or internal governing documents. The SFSA may intervene against the insurance company by issuing an injunction to rectify, by prohibiting the execution of a decision or by issuing a remark. If the violation is serious, the insurance company’s licence shall be revoked, or, if judged sufficient, a warning may be issued. In some cases, the SFSA may decide on a ban or restriction on the right to dispose of assets. A warning or a remark is combined with a penalty fee. There are also other circumstances under which the SFSA can revoke a company’s licence.

The SFSA shall intervene if a member of the insurance company’s board or its CEO has violated rules on money laundering and terror financing. The SFSA may then – if the violation is caused wilfully or by gross negligence – suspend such person from performing certain functions in an insurance company for a certain period of time and decide on a penalty fee.

The SFSA can also intervene if a member of the insurance company’s board, the CEO or a person responsible for a central function does not meet the fit and proper requirements. Firstly, the SFSA must notify the insurance company that the person in question holds his position in breach of the fit and proper requirements. If the person remains in his position after a certain period of time has elapsed after such a notification, the SFSA may revoke the insurance company’s licence. The SFSA may also decide that the person in question may not retain his position.

The SFSA can decide on other measures against the insurance company; for example, it can decide to order the insurance company to draw up an action plan in the event of a lack of solvency capital requirements.

The SFSA can intervene against an insurance holding company if it does not live up to certain group supervision rules.

- **SIDA/IDD**

Movestic also has to comply with the relatively new Swedish Insurance Distribution Act (Sw. *lagen (2018:1219) om försäkringsdistribution*) ("**SIDA**") together with its regulations and guidelines from the SFSA. The regulation on insurance distribution is based on the Insurance Distribution Directive. There are also two Insurance Distribution Directive Delegated Acts with regard to 1) Product Oversight and Governance requirements and 2) information requirements and conduct of business rules. The above-described package of rules is referred to as "**The IDD regulation**".

The IDD regulation aims to provide a high level of consumer protection and transparency regarding distribution of insurances, irrespectively of distribution channels. There are especially strict rules regarding "insurance-based investment products" and "pension insurance products". The Insurance Distribution Directive is the equivalent to MiFID II when distributing financial savings products within an insurance wrapper.

The IDD regulation can be briefly divided into the following areas:

- 1. Good repute/insight and experience of board members/CEO**

This means that certain controls have to be made by the insurance company regarding the board members'/CEO's repute and insight and experience. The board members and the CEO shall have enough insight and experience to be able to fulfil the tasks and assignments that are attributable to the insurance distribution and in accordance with the regulatory requirements placed on the operations. This means having enough insight to be able to ultimately determine whether the distribution is conducted in accordance with current regulations and be able to act if this is not the case. Additionally, at least one board member or the CEO shall have theoretical knowledge and practical experience of the role and function of the insurance market and the regulations that apply to insurance distribution, as well as the insurance products distributed by the undertaking.

- 2. Good repute/knowledge and experience of employees "directly involved" in the insurance distribution**

This means that certain controls have to be made by the insurance company regarding the repute of the employees directly involved in the insurance distribution and regarding their knowledge and experience.

- 3. Inducements**

The legislation generally accepts third party remuneration in connection with the distribution of insurance-based investment products and pension insurance products, as long as the payment of e.g. commissions does not have a detrimental impact on the quality of the relevant service and does not impair the distributor's duty to act honestly in accordance with the customer's best

interests. There are detailed rules on when an insurance distributor may, in connection with the distribution of insurance-based investment products or pension insurance products, offer or receive remuneration from a third party. One important limitation is that a remuneration is not acceptable if it is of such size that it is obviously disproportionate to the services provided.

4. Conflicts of interest

According to the IDD regulation, an insurance undertaking shall take appropriate organizational steps to prevent conflicts of interest from adversely affecting the interests of its customers. These steps shall be proportionate to the activities performed and the insurance products sold. An insurance undertaking shall take all appropriate steps to identify conflicts of interest between themselves, including their managers and employees, or any person directly or indirectly linked to them by control, and their customers or between one customer and another, that arise in the course of carrying out any insurance distribution activities.

5. Suitability assessment of customers

When providing advice on insurance-based investment products/pension insurance products, the insurance undertaking shall obtain the necessary information regarding the customer's knowledge and experience, that person's financial situation including that person's ability to bear losses, and that person's investment objectives, including that person's risk tolerance, so as to enable the undertaking to recommend to the customer or potential customer the products that are suitable for that person and that, in particular, they are in accordance with that person's risk tolerance and ability to bear losses.

6. Information to policyholders

The IDD regulation contains detailed rules on information to the policyholder to make it easier for the customer to understand the cost structure of an insurance-based investment product or a pension insurance product. For example, the policyholder shall receive annual information regarding costs/charges and fund rebates received from fund companies, based on the policyholder's actual holdings.

7. Product Oversight and Governance Requirements (POG)

The IDD regulation requires insurance undertakings to have a "Product Approval Process", containing, among other things, requirements on identifying a target market and making sure only products compatible with the needs, characteristics, and objectives of the customers in the target market are to be designed and brought to the market. The target market, along with other parameters such as the product characteristics and its risks for the customer, shall be taken into account when selecting distribution channels. Also, product testing shall be performed, to assess if the product matches the identified target market's needs, objectives, and characteristics.

- **ICA**

The Insurance Contracts Act (*Sw. Försäkringsavtalslagen (2005:1014)*) (the "ICA") regulates the legal relationship between the insurance company, the insured, and others covered by the policy. The law is applicable to consumer insurance, business insurance and insurance of a person. In general, the law is mandatory, meaning any insurance clauses less favourable for the consumer than those set forth in the law will not be applicable. The law regulates the right to obtain insurance

coverage, premium payments, settlements, limitations, information and how to enter and terminate insurance agreements. The ICA is not primarily supervised by the SFSA, since it essentially contains civil law.

Movestic K AB (a fund company)

- **SUA**

The Swedish legislation

Swedish Fund Companies are regulated under the Swedish Ucits Act (Sw. *lag (2004:46) om värdepappersfonder*) ("**SUA**"), together with regulations and guidelines from the SFSA. SUA is mainly based on the EU UCITS Directive.

SUA, together with its regulations and guidelines from the SFSA, require, among other things, the following:

The rules regarding authorisation and suitability assessments of board members/CEO and qualified owners' board members/CEO are equivalent or almost equivalent to those regarding insurance companies. Also, the rules regarding notification and assessments of suitability when changes are made regarding these roles are almost equivalent to those for insurance companies. However, no assessments need to be done regarding key functions and no internal assessments (before assignment or annual) need to be done.

Also, the rules regarding acquisition of qualified holdings in a fund company, the rules regarding notification of acquisition or selling of shares in the company, the rules regarding the location of the head office, the residence of the board members/CEO and the rules regarding cooperation with the SFSA are equal or similar to those regarding insurance companies.

A fund company is, as a starting point, licensed to conduct fund operations. This means that it manages one or more mutual funds, the sale and redemption of units in the fund and related administrative measures. A fund company may have a licence for certain additional activities which are not described here.

There are certain rules regarding governance. A fund company must have a business plan that also contains a general description of the fund company's organisation. It must have sound routines for management of the business and accounting, internal control, and for operation and management of their information systems. It must also have a remuneration system that promotes sound and efficient risk management. There are also rules of conduct; a fund company must conduct its operations in an honest, fair and professional manner and also in other respects so that the public's confidence in the fund market is maintained. The company must take all reasonable measures to prevent fund unit holders' interests from being adversely affected by conflicts of interest. A fund company must have internal rules for shareholder's engagement.

There are capital requirements for a fund company which the fund company must comply with. There are certain rules regarding outsourcing in order to minimize the risks which are associated with outsourcing.

A fund company shall appoint a custodian for each mutual fund managed by the company. The custodian shall act in the common interest of the fund unit holders. The custodian shall, inter alia,

execute the fund company's instructions regarding the mutual fund and ensure that the sale, redemption and cancellation of units in the fund are carried out in accordance with law and fund rules, that the value of the funds in the fund is calculated in accordance with this law and fund rules, that assets are paid into the fund without delay, and that the fund's income is used in accordance with the legislation and the fund rules. The custodian shall monitor the mutual funds' cash flows.

A mutual fund may not acquire rights or assume obligations. The fund can also not bring an action before a court or any other authority.

For each mutual fund, there must be fund regulations established by the fund company. There are detailed provisions on what the fund regulations shall contain. The fund regulations and changes in them shall be decided by the SFSA.

There are detailed information requirements regarding the mutual funds.

There are rules on how funds in a mutual fund may be invested. Each mutual fund shall have an appropriate distribution of investments with regard to the risk diversification associated with the fund's investment policy in accordance with the fund rules. A fund company must have a system for risk management that enables the fund company to at all times check and assess the risk associated with the positions taken in a mutual fund and how the positions affect the fund's risk profile.

A fund company shall annually notify the SFSA of the qualified owners in the fund company and the size of the holdings.

The rules regarding a fund company's obligation to cooperate with the SFSA and regarding the SFSA's ability to conduct investigations are similar.

The rules regarding intervention from the SFSA are similar to those regarding insurance companies, but there are some differences, which are not described in detail in this section. However, one difference that should be noted is that the SFSA has wider powers to intervene against a fund company's board members and CEO than in the case of insurance companies, meaning that there are a larger number of reasons for which the SFSA can intervene against those persons.

Rules applicable to both Movestic and Movestic K AB

- **Data protection**

The GDPR came into force on 25 May 2018. It applies to all data controllers established in Sweden. Processing of personal data must comply with the fundamental principles stated in the regulation, such as lawfulness, transparency, purpose limitation, data minimisation and storage limitation. The GDPR is supervised by the Swedish Authority for Privacy Protection.

- **AML**

Sweden has a law on measures against money laundering and terrorist financing, with associated rules at a lower level, which is based on the EU directives that exist in the area. The anti-money laundering rules leads to that a number of measures need to be taken by financial companies.

- **Regulations on sustainability**

The EU has identified the lack of ESG (Environmental, Social and Governance) related sustainability information of investments, as an obstacle in the development of a more sustainable financial market. The EU has therefore developed new regulations and proposed changes in existing regulations.

The **Disclosure Regulation** is based on Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector applicable as of 10 March 2021. The purpose of the Disclosure Regulation is to direct capital flows to sustainable investments to succeed in achieving the objectives set out in the Paris Agreement.

The Disclosure Regulation encompasses the following main areas:

- Transparency of adverse sustainability impacts at entity level:
 - Financial market participants/financial advisers considering principal adverse ESG-impacts when making investment decisions/giving insurance advice, must provide information regarding these negative consequences.
 - Financial market participants/financial advisers not considering principal adverse ESG-impacts when performing investment decisions/giving insurance advice, must inform investors why they are not taken into account and when the negative consequences shall be taken into account.
- Transparency of sustainability risk policies:
 - Financial market participants/financial advisers shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process/insurance advice.
- Transparency of remuneration policies in relation to the integration of sustainability risks:
 - Financial market participants/financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites.
- Transparency in pre-sale information disclosures:
 - How sustainability risks are integrated into their investment decisions/insurance advice; and
 - The results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available/advise on.
- A classification system as regards “sustainable” financial products (e.g. insurance-based investment products, pension insurance products or undertakings for collective investment in transferable securities (“**UCITS**”) funds) is introduced. Such products must either promote environmental or social characteristics (Article 8 products) or have

sustainable investment as its objective (Article 9 products). Additional information requirements apply to “Article 8-9” products.

- A draft Regulatory Technical Standard is planned to become applicable from 1 January 2023, specifying the content, methodologies and presentation of the sustainability information regarding Article 8-9 products.

The above-mentioned regulations affect both Movestic and Movestic K AB and the requirements are continuously being implemented by the respective companies. In addition, there are proposed amendments in the delegated acts under the Solvency II Directive, under the Insurance Distribution Directive and also regarding the SUA.

Regulation (EU) 2020/852 (Taxonomy) (the “**Taxonomy Regulation**”) (applicable to Movestic K AB) establishes a classification system (or taxonomy) which provides businesses with a common language to identify whether or not a given economic activity should be considered “environmentally sustainable”. It is applicable from 1 January 2022 for provisions in respect of climate change mitigation and climate change adaptation.

Fund companies providing “sustainable” financial products according to Article 8 or 9 of Regulation (EU) 2019/2088 (the “**Disclosure Regulation**”) shall, according to the Taxonomy Regulation, describe how and to what extent the investments underlying the financial products are investments in economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. The European Fund and Asset Management Association has drawn the EU's attention to the problem with lack of data from the underlying portfolio companies. Movestic K AB intends to provide two “sustainable” financial products (UCITS funds) according to Article 8 of the Disclosure Regulation. This regulation will then be applicable to Movestic K AB.

Taxation

The comments below, which are of a general nature and are based on the Issuer's understanding of current UK law and HM Revenue & Customs' published practice, describe the UK withholding tax treatment of payments of interest in respect of the Notes. They are not exhaustive. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. Some aspects may not apply to certain classes of person (such as persons connected with the Issuer) to whom special rules may apply. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their own professional advisers.

United Kingdom tax considerations

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of Section 1005 Income Tax Act 2007 (the "Act")) or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or EEA regulated recognised stock exchange (within the meaning of section 987 of the Act). The GEM of Euronext Dublin is a multilateral trading facility operated by an EEA regulated recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of UK income tax.

In other cases, absent any other relief or exemption (such as a direction by HM Revenue & Customs that interest may be paid without withholding or deduction for or on account of UK income tax to a specified Noteholder following an application by that Noteholder under an applicable double tax treaty), an amount must generally be withheld on account of UK income tax at the basic rate (currently 20 per cent.) from payments of interest on the Notes.

FATCA withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provided that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under Condition 16 (*Further Issues*)) that are not distinguishable from previously issued Notes

are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect of payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Subscription and Sale

Pursuant to a subscription agreement dated 3 February 2022 (the “**Subscription Agreement**”), Morgan Stanley & Co. International plc (the “**Sole Lead Manager**”) has agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at the issue price of 99.477 per cent. of their principal amount, less commissions. In addition, the Issuer has agreed to reimburse the Sole Lead Manager for certain of its expenses in connection with the issue of the Notes. The Sole Lead Manager is entitled to terminate and to be released and discharged from its obligations under the Subscription Agreement in certain circumstances prior to payment being made to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered, sold or delivered within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Sole Lead Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the UK.

Prohibition of Sales to UK Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prohibition of Sales to EEA Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor

in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Switzerland

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

The Sole Lead Manager has represented, warranted and undertaken that:

- (a) it will not make a public offer of the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the FinSA except to professional clients as such term is defined or interpreted under the FinSA (“**Professional Investors**”);
- (b) the Notes will not be admitted by it to trading on a trading venue (exchange or multilateral trading facility) in Switzerland; and
- (c) it will not offer, sell, advertise or distribute the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the FinSA, except to Professional Investors.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering, nor the Notes, have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to supervision by any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

Hong Kong

The Sole Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the

contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act 129 of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and the Sole Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

The Sole Lead Manager has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Lead Manager has represented, warranted, agreed and undertaken that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(c) of the SFA - In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

No action has been or will be taken by the Issuer or the Sole Lead Manager that would permit a public offering of the Notes or possession or distribution of this document or other offering material relating to the Notes in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Neither the Issuer nor the Sole Lead Manager represents that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

General Information

Corporate approvals

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 8 December 2021 and by resolutions of a sub-committee of the Board of Directors of the Issuer passed on 10 January 2022.

Listing and admission to trading

It is expected that listing of the Notes on the Official List of Euronext Dublin and admission of the Notes to trading on the GEM will be granted on or around 4 February 2022, subject only to the issue of the Global Certificate. Prior to official listing and admission to trading however, dealings will be permitted by Euronext Dublin in accordance with its rules. Transactions will normally be effected for delivery on the second working day after the day of the transaction.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the GEM.

Clearing

The Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg with ISIN XS2434439548 and Common Code 243443954. The CFI and FISN codes may be obtained from the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant / material adverse change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2021 (being the last day of the period in respect of which the Issuer published its latest financial statements).

There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2020 (being the last day of the period in respect of which the Issuer published its latest annual audited financial statements).

Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the period of 12 months prior to the date of this Offering Memorandum, a significant effect on the financial position or profitability of the Issuer or the Group.

Material contracts outside ordinary course of business

There are no material contracts entered into other than in the ordinary course of the Group's business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders under the Notes.

Documents available

For so long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the GEM, electronic copies of the following documents will be available for inspection at the specified offices of the Principal Paying Agent at all reasonable times during normal business hours on any weekday (Saturdays and public holidays excepted):

- (i) the 2020 Financial Statements, the 2019 Financial Statements, the H1 2021 Financial Statements and the 2020 SFCR;
- (ii) this Offering Memorandum, the Trust Deed and the Agency Agreement; and
- (iii) the constitutional documents of the Issuer.

The Offering Memorandum will also be available on the website of Euronext Dublin at: <https://live.euronext.com/>.

For so long as the Notes are admitted to listing on the Official List of Euronext Dublin and to trading on the GEM, any notices to Noteholders will be published on the website of Euronext Dublin at: <https://direct.euronext.com/#/rispublication>.

Yield

The yield to (but excluding) the Maturity Date of the Notes is 4.814 per cent., on a semi-annual basis (assuming, solely for this purpose, that no payments of interest are deferred and on the assumption that the Notes were to be redeemed on the Maturity Date). The yield is calculated as at the Issue Date on the basis of the Issue Price and the interest rate of 4.750 per cent. per annum. It is not an indication of future yield.

Rights of Trustee

The Trust Deed provides that the Trustee may rely conclusively without liability to any person on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party. However, the Trustee will have no recourse to the auditors in respect of such certificates or reports unless the auditors have agreed to address such certificates or reports to the Trustee.

Auditors

Deloitte LLP ("**Deloitte**"), registered auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council, the consolidated financial statements of the Issuer, for the years ended 31 December 2019 and 31 December 2020.

Deloitte has no material interest in the Issuer.

Sole Lead Manager transacting with the Issuer and the Group

The Sole Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including, in some cases, credit agreements, credit lines, derivatives and other financing arrangements) with, and may perform services for the Issuer and its affiliates in the ordinary course of business. The Sole Lead Manager and its affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Sole Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Sole Lead Manager or certain of its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Sole Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes.

Any such positions could adversely affect future trading prices of Notes. The Sole Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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