



Just Group plc

(incorporated with limited liability in England and Wales with company no. 08568957)

£300,000,000

Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes

Issue price: 100 per cent.

The £300,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the “Notes”) will be issued by Just Group plc (the “Issuer”) on 21 March 2019 (the “Issue Date”). The Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer. The terms and conditions of the Notes are set out more fully in “Terms and Conditions of the Notes” (the “Conditions”).

The Notes will (subject to cancellation as provided below) bear interest on their principal amount from (and including) the Issue Date to (but excluding) 26 April 2024 (the “First Call Date”) at the rate of 9.375 per cent. per annum and thereafter at a fixed rate of interest which will be reset on the First Call Date and on each fifth anniversary of the First Call Date thereafter (each, a “Reset Date” as provided in the Conditions). Interest will be payable on the Notes semi-annually in arrear on 26 April and 26 October each year (each, an “Interest Payment Date”) commencing on 26 April 2019 (with a short first interest period), subject to cancellation as provided below and as described in the Conditions.

**The Issuer may elect at any time to cancel (in whole or in part) any payment of interest otherwise scheduled to be paid on an Interest Payment Date and shall, save as otherwise permitted pursuant to the Conditions, cancel in full an interest payment upon the occurrence of a Mandatory Interest Cancellation Event (as defined in the Conditions) with respect to that interest payment. Any interest accrued in respect of an Interest Payment Date which falls on or after the date on which the Trigger Event (as defined in the Conditions) occurs shall also be cancelled. The cancellation of any interest payment shall not constitute a default for any purpose on the part of the Issuer. Any interest payment (or part thereof) which is cancelled in accordance with the Conditions shall not become due and payable in any circumstances. Subject as provided in the Conditions, all payments in respect of or arising from the Notes will be conditional upon the Issuer being solvent (as defined in the Conditions) at the time of payment and immediately thereafter.**

Payments in respect of the Notes will be made without withholding or deduction for, or on account of, taxes of the Relevant Jurisdiction (as defined in the Conditions, currently being the United Kingdom), unless such withholding or deduction is required by law. If any such withholding or deduction is made in respect of payments of interest (but not in respect of any payments of principal), additional amounts may be payable by the Issuer, subject to certain exceptions as are more fully described in the Conditions.

**The Notes will be perpetual securities with no fixed redemption date. The Issuer shall only have the right to redeem or purchase the Notes in accordance with the Conditions. Holders of the Notes (“Noteholders”) will have no right to require the Issuer to redeem or purchase the Notes at any time.**

**UPON THE OCCURRENCE OF A TRIGGER EVENT THE NOTES WILL BE IRREVOCABLY CONVERTED INTO ORDINARY SHARES OF THE ISSUER AT THE PREVAILING CONVERSION PRICE.**

**With effect from the Conversion Date, no Noteholder will have any rights against the Issuer with respect to the repayment of principal or interest in respect of the Notes. The Notes are not convertible at the option of the Noteholders at any time.**

**MiFID II professionals/ECPs-only/No PRIIPs KID/FCA CoCo restriction** – Manufacturer target market (Directive 2014/65/EU (“MiFID II”) product governance) is eligible counterparties and professional clients only (each as defined in MiFID II) (all distribution channels). No Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) key information document (“KID”) has been prepared as the Notes are not available to retail investors in the EEA, as defined in MiFID II, as amended. See pages 2 and 3 of the Offering Memorandum on “Prohibition on sales to retail investors” for further information.

Application has been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF. The Euro MTF is not a regulated market within the meaning of MiFID II. This Offering Memorandum constitutes a prospectus for the purpose of the Luxembourg law on prospectus securities dated 10 July 2005, as amended and may only be used for the purpose for which it is published.

**Potential investors should read the whole of this Offering Memorandum, in particular the “Risk Factors” set out on pages 25 to 72.**

The Notes are expected to be assigned a rating of “BBB-” by Fitch Ratings Limited (“Fitch”). 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. Fitch is established in the European Union (the “EU”) and registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended).

**Global Co-ordinator and Sole Bookrunner**

**Barclays**

**Joint Lead Managers**

**Barclays**

**NatWest Markets**

The date of this Offering Memorandum is 19 March 2019

## PROHIBITION ON SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities with features similar to the Notes to retail investors. In particular, in June 2015, the Financial Conduct Authority (the “**FCA**”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the “**PI Instrument**”). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the “**PRIIPs Regulation**”) became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the “**Regulations**”.

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein) including the Regulations.

Each of Barclays Bank PLC and NatWest Markets Plc (together, the “**Managers**”) is required to comply with some or all of the Regulations.

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest therein) from the Issuer and/or a Manager, each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Managers that:

1. it is not a retail client (as defined in MiFID II);
2. whether or not it is subject to the Regulations, it will not:
  - (i) sell or offer the Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or
  - (ii) communicate (including the distribution of this Offering Memorandum, in preliminary or final form) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (as defined in MiFID II);
3. in selling or offering the Notes or making or approving communications relating to the Notes, each prospective investor may not rely on the limited exceptions set out in the PI Instrument; and
4. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (and any beneficial interest therein), including (without limitation) the Regulations (as applicable) and any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interest therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

- (i) the identified target market for the Notes (for the purpose of the product governance obligations in MiFID II) is eligible counterparties and professional clients;
- (ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and
- (iii) no key information document (“**KID**”) under the PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor may be unlawful under the PRIIPs Regulation.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interest therein) from the Issuer and/or any of the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of each manufacturer’s (as defined in Directive 2014/65/EU (as amended, “**MiFID II**”)) product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market of the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for the 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 manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**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 retail investor in the European Economic Area (“**EEA**”). For these purposes, a 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, 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 retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) 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 the classification of the Notes as 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, any of the Managers (as defined in "*Subscription and Sale*" below) 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 since the date hereof or that there has been no adverse change in the financial position of the Issuer 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 Managers and the Trustee have not separately verified the information contained in this Offering Memorandum. Neither the Managers nor the Trustee makes any representation, express or implied, or accepts any responsibility, 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. None of the Managers or the Trustee accepts any liability in relation to the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Notes or their distribution. No Manager shall be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in 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 Managers 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 the 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. None of the Managers or the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In the ordinary course of business, each of the Managers has engaged and may in the future engage in normal banking or investment banking transactions with the Issuer or its affiliates.

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 or the Managers or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see “*Subscription and Sale*” below). 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 Managers 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 Managers or any of them 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. 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 US and the UK. Persons in receipt of this Offering Memorandum are required by the Issuer, the Trustee and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Memorandum, see “*Subscription and Sale*” below.

The Notes and any Ordinary Shares which may be delivered upon conversion of the Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, Notes and any Ordinary Shares which may be delivered upon conversion of the Notes may not be offered, sold or delivered within the US or to US persons, as defined in Regulation S under the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Memorandum, 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.

In this Offering Memorandum, unless otherwise specified, all references to “**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” are to the lawful currency of the UK.

### 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 “**Just 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 Just 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 Just 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 Just Group and the environment in which the Issuer and the Just Group will operate in the future. These forward-looking statements speak only as at the date of this Offering Memorandum.

Except as required by the Luxembourg Stock Exchange or 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.

In connection with the offering of the Notes, one or more of the Managers (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.

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### Documents Incorporated by Reference

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

- (i) the consolidated financial statements of the Just Group for the financial year ended 31 December 2018 (the “**Just Group Financials 2018**”) as set out in the Issuer’s announcement of the same published on 14 March 2019 and which is derived from the audited consolidated financial statements of the Just Group for the financial year ended 31 December 2018;
- (ii) the annual report and audited consolidated financial statements of the Just Group for the financial year ended 31 December 2017 together with the audit report thereon (the “**Just Group Financials 2017**”);
- (iii) pages 57 to 78 (*Valuation for Solvency Purposes*), pages 79 to 89 (*Capital Management*) and pages 119 to 123 (*Audit Opinion*) of the solvency and financial condition report for the Just Group as at 31 December 2017 (the “**SFCR**”); and
- (iv) the announcement dated 14 March 2019 and titled “Just Group plc – Proposed placing of 9.99% of existing issued share capital”, excluding the appendices thereto, released by the Issuer on the London Stock Exchange’s Regulatory News Service (the “**Placing RNS Announcement**”),

((i) and (ii) collectively, the “**Just Group Financial Information**”) which, in each case together with the SFCR and the Placing RNS Announcement, have been previously published and which have been filed with the Luxembourg Stock Exchange.

The documents 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.

The below cross-reference table sets out where certain items of financial information may be found in the Just Group Financials 2017:

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<b>Just Group Financials 2017</b>
Consolidated statement of financial position: page 87
Consolidated statement of comprehensive income: page 85
Notes to the consolidated financial statements: pages 89 to 125
Independent Auditor's Report: pages 79 to 84

Copies of documents incorporated by reference in this Offering Memorandum can be obtained from the specified offices of Deutsche Bank AG, London Branch for the time being in London, and are also available on the Issuer's website at [www.justgroupplc.co.uk](http://www.justgroupplc.co.uk). Copies of documents incorporated by reference in this Offering Memorandum are also available for viewing and can be accessed on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu).

For so long as the Notes are admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF and the rules and regulations of that exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the office of the Luxembourg listing agent, Deutsche Bank Luxembourg SA (the "**Luxembourg Listing Agent**") during normal business hours on any weekday: the articles of association of the Issuer, this Offering Memorandum, the Trust Deed, the Agency Agreement, the Just Group Financial Information, the SFCR and the Placing RNS Announcement.

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 in this overview, and references herein to a numbered “Condition” shall refer to the relevant Condition in “Terms and Conditions of the Notes”.*

<b>Issue</b>	£300,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes.
<b>Issuer</b>	Just Group plc (LEI: 5493006456YEZEELRR90).
<b>Perpetual Securities</b>	The Notes will be perpetual securities with no fixed redemption date, and the holders of the Notes (the “ <b>Noteholders</b> ”) will have no right to require the Issuer to redeem or purchase the Notes at any time.
<b>Status and Subordination</b>	<p>The Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves.</p> <p>The rights and claims of the Noteholders against the Issuer will be subordinated as described in Condition 3 (<i>Status of the Notes and rights on a winding-up</i>).</p> <p>For the avoidance of doubt, nothing in Condition 3 (<i>Status of the Notes and rights on a winding-up</i>) 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>
<b>No set-off</b>	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.
<b>Interest</b>	<p>The Notes will bear interest on their principal amount:</p> <ul style="list-style-type: none"> <li>(a) from (and including) the Issue Date to (but excluding) 26 April 2024 (“<b>First Call Date</b>”) at a fixed rate of 9.375 per cent. per annum; and</li> <li>(b) thereafter at a fixed rate of interest which will be reset on the First Call Date and on each fifth anniversary of the First Call Date thereafter (each such date, a “<b>Reset Date</b>”) as the sum of the gross redemption yield on a semi-annual compounding basis of the relevant Benchmark Gilt, plus</li> </ul>

the Margin.

**Interest Payment Dates** Interest will, save as described below in “*Cancellation of Interest Payments*”, “*Mandatory Cancellation of Interest Payments*”, “*Distributable Items*” and “*Interest Payments Discretionary*”, be payable on the Notes semi-annually in arrear on 26 April and 26 October (each, an “**Interest Payment Date**”) in each year commencing on 26 April 2019, save that the first payment of interest on 26 April 2019 shall be in respect of the period from (and including) the Issue Date to (but excluding) 26 April 2019.

**Cancellation of Interest Payments** Interest Payments shall not be made by the Issuer in the following circumstances (in each case as more fully described in the Conditions):

- (a) the cancellation of such Interest Payment, or such Interest Payment not becoming due and payable, in accordance with the provisions described under “*Mandatory Cancellation of Interest Payments*” below;
- (b) the Issuer’s exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) as described under “*Interest Payments Discretionary*” below; or
- (c) the cancellation of such Interest Payment (or relevant part thereof) on the occurrence of a Trigger Event as described under “*Conversion*” below.

Any Interest Payment (or relevant part thereof) which is cancelled or does not become due and payable in accordance with the Conditions shall not accumulate or be payable at any time thereafter and such cancellation or non-payment shall not constitute a default or event of default for any purpose.

**Mandatory Cancellation of Interest Payments** Subject to certain limited exceptions as further described hereunder, the Issuer shall be required to cancel in full any Interest Payment if:

- (a) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (b) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard

also to any Additional Amounts payable with respect thereto);

- (c) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (d) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or
- (e) the Issuer is otherwise required by the Relevant Regulator or under the Relevant Rules to cancel the relevant Interest Payment.

The Issuer shall not be required to cancel an Interest Payment where such an event or circumstance has occurred and is continuing, or would occur if payment of interest on the Notes were to be made, to the extent permitted by the Relevant Rules, where:

- (a) it is of the type described in sub-paragraph (b) above only;
- (b) the Relevant Regulator has exceptionally waived the cancellation of the Interest Payment;
- (c) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (d) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

**Issuer's Distributable Items**

With respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

- (a) the Distributable Profits of the Issuer, calculated on an

unconsolidated basis, as at the last day of the then most recently ended financial year of the Issuer; plus

- (b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date; less
- (c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer's then latest financial year end to (but excluding) such Interest Payment Date.

**Interest Payments  
Discretionary**

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out in this Overview and in the Conditions. Accordingly, the Issuer may at any time elect to cancel any Interest Payment (in whole or in part) which would otherwise be due and payable on any Interest Payment Date, and any such cancellation shall not constitute a default for any purpose.

**Solvency Condition**

Other than in a winding-up or administration of the Issuer, or where a Trigger Event has occurred, all payments under or arising from the Notes or the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due and payable by the Issuer under or arising from the Notes or the Trust Deed (including any damages for breach of any obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The Issuer will be solvent for these purposes if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. Any payment of interest that would have been due and payable but for the Solvency Condition not being satisfied shall be cancelled. For this purpose:

**"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.

**"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.

**"Senior Creditors"** means:

- (a) (if applicable at the relevant time) any policyholders of the Issuer or beneficiaries under contracts of insurance 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;
- (c) all creditors of the Issuer whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Issuer in respect of any obligation of any other person which constitutes) or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital (including, for so long as any of the same remain outstanding, the Issuer's £250,000,000 9.000 per cent. Guaranteed Subordinated Notes due 2026, ISIN: XS1504958817) or Tier 3 Capital (including, for so long as any of the same remain outstanding, the Issuer's £230,000,000 3.500 per cent. Subordinated Tier 3 Notes due 2025, ISIN: XS1766956921); and
- (d) all other subordinated creditors of the Issuer, other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Issuer in respect of any obligation of any other person which constitutes), or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital 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 in a winding-up or administration of the Issuer occurring prior to the date on which a Trigger Event occurs.

### **Conversion**

If the Trigger Event occurs, each Note shall be irrevocably discharged and satisfied by its Conversion into Ordinary Shares, credited as fully paid, and the issuance of such Ordinary Shares to the Conversion Shares Depositary to be held on trust for the Noteholders (subject to any Conversion Shares Offer).

### **Trigger Event**

A Trigger Event shall occur if at any time:

- (a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;
- (b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the

Minimum Capital Requirement; or

- (c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Whether the Trigger Event has occurred at any time shall be determined by the Issuer, and such determination shall (in the absence of manifest error) be binding on the Trustee and the Noteholders.

**Conversion Price**

The Conversion Price per Ordinary Share in respect of the Notes is £0.80 subject to certain anti-dilution adjustments set out in Condition 6(h) (*Adjustment of Conversion Price*).

**Conversion Shares Offer**

Not later than the tenth (10th) Business Day following the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election that the Conversion Shares Depositary (or any agent(s) on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Conversion Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a price (the "**Conversion Shares Offer Price**") not lower than the Conversion Shares Offer Floor Price. For the avoidance of doubt, the Conversion Shares Offer Price may be lower than the Conversion Price. The Issuer may, on behalf of the Conversion Shares Depositary, appoint one or more Conversion Shares Offer Agents to act as a placement or other agent to facilitate the Conversion Shares Offer.

The Conversion Shares Offer Period shall end no later than 40 Business Days after the giving of the Conversion Shares Offer Notice by the Issuer.

Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Noteholders of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount and the amount (if any) of any Excess Amount (as defined in "*Conversion Shares Offer Consideration*" below). The Conversion Shares Offer Consideration shall be held on trust by the Conversion Shares Depositary for the Noteholders, and any Excess Amount shall be held on trust by the Conversion Shares Depositary for the Issuer until paid to or to the order of the Issuer. The cash component of any Conversion Shares Offer Consideration shall be payable by the Conversion Shares Depositary to the Noteholders in Sterling irrespective of whether or

not the Solvency Condition is satisfied.

**"Conversion Shares Offer Floor Price"** means the price per Conversion Share specified as such in the Conversion Shares Offer Notice. The Conversion Shares Offer Floor Price to be so specified shall be:

- (a) if the Ordinary Shares are then admitted to trading on a Relevant Stock Exchange, the Current Market Price as at the Conversion Date; or
- (b) if the Ordinary Shares are not then admitted to trading on a Relevant Stock Exchange, the Fair Market Value of a Conversion Share as at the Conversion Date.

**Conversion Shares  
Offer Consideration**

In respect of each Note and as determined by the Conversion Calculation Agent:

- (a) if all of the Conversion Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Conversion Shares attributable to such Note translated, if necessary, into Sterling at the Prevailing Rate on the last day of the Conversion Shares Offer Period (less any foreign exchange transaction costs);
- (b) if some but not all of such Conversion Shares are sold in the Conversion Shares Offer:
  - (i) the *pro rata* share of the cash proceeds from the sale of such Conversion Shares attributable to such Notes translated, if necessary, into Sterling at the Prevailing Rate on the last day of the Conversion Shares Offer Period (less any foreign exchange transaction costs); and
  - (ii) the *pro rata* share of such Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Notes rounded down to the nearest whole number of Ordinary Shares; and
- (c) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Notes rounded down to the nearest whole number of Ordinary Shares,

subject, in the case of paragraphs (a) and (b)(i), to deduction from any such cash proceeds of an amount equal to the *pro rata* share

of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of (or any agreement to transfer) any interest in such Conversion Shares to the Conversion Shares Depository (or Conversion Shares Offer Agent(s) (if any)) as a consequence of the Conversion Shares Offer;

provided that if the cash component (if any) of the Conversion Shares Offer Consideration in respect of a Note determined in accordance with the foregoing (after the deductions referred to in the immediately preceding paragraph) would exceed the product of (i) the principal amount of such Note and (ii) the proportion (expressed as a percentage) of the Conversion Shares sold in the Conversion Shares Offer (such excess, the "**Excess Amount**"), the Excess Amount shall not form part of the Conversion Shares Offer Consideration, and shall instead be payable to the Issuer as provided in Condition 6(e)(v).

**Ordinary Shares**

The Conversion Shares issued and delivered on the Share Delivery Date will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Share Delivery Date, save as provided in the Conditions.

**Redemption at the option of the Issuer**

Subject to certain conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes on the First Call Date or on any Reset Date thereafter at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

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

Subject to certain conditions, if a Tax Event has occurred and is continuing, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (a) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any 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 at any time the terms of the Notes so that they become or remain, Qualifying Securities.

**Redemption, substitution or variation at the option of the Issuer due to a Capital**

Subject to certain conditions, 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, the Relevant Rules (or other official publication), a Capital Disqualification Event will occur within the forthcoming

**Disqualification Event**

period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), either:

- (a) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any 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 at any time the terms of the Notes so that they become or remain, Qualifying Securities, provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

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 1 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 1 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 1 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).

**Redemption,  
substitution or variation  
at the option of the  
Issuer upon a Ratings  
Methodology Event**

Subject to certain conditions, if a Ratings Methodology Event has occurred and is continuing, or, as a result of any change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders, either:

- (a) redeem all (but not some only) of the Notes at any time at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any 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 at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Ratings Methodology Event.

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) 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 the ‘equity content’ which (in the case of Fitch) was assigned by Fitch to the Notes on or around the Issue Date or (in the case of S&P or Moody’s) was first assigned by such Rating Agency to the Notes (following solicitation by, or with the cooperation of, the Issuer).

**Clean-up redemption at the option of the Issuer**

Subject to certain conditions, if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the Notes 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 Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

**Purchases**

Subject to certain limited exceptions as more fully described in the Conditions, the Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price.

**Conditions to redemption and purchase**

Subject to certain conditions, the Issuer may not redeem or purchase any Notes unless each of the following conditions, to the extent required pursuant to the Relevant Rules at the relevant time, is satisfied:

- (a) the relevant date of any redemption or purchase of the Notes is on or after the fifth anniversary of the Issue Date unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (b) in respect of any redemption or purchase of the Notes occurring on or after the fifth anniversary of the Issue Date and before the tenth anniversary of the Issue Date, the

Relevant Regulator has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer including the Issuer's medium-term capital management plan) unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;

- (c) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;
- (d) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (e) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (f) no Insolvent Insurer Winding-up has occurred and is continuing;
- (g) the Regulatory Clearance Condition is satisfied; and/or
- (h) any other additional or alternative requirements or pre-conditions to which the Issuer is otherwise subject and which may be imposed by the Relevant Regulator or the Relevant Rules have (in addition or in the alternative to the foregoing subparagraphs, as the case may be) been complied with (and shall continue to be complied with following the proposed redemption or purchase).

**Preconditions to redemption, variation, substitution and purchases**

Prior to the publication of any notice of redemption, variation or substitution, the Issuer shall deliver to the Trustee a certificate signed by two of its directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing or, as the case may be, that 80 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased and cancelled, in any such case as at the date of the certificate or, as the case may be, (in the case of a Capital Disqualification Event or a Ratings Methodology Event) will occur within a period of six months and, in the case of a Tax Event, Capital Disqualification Event or Ratings Methodology Event, that it would have been

reasonable for the Issuer to conclude, judged at the Issue Date, such Tax Event, Capital Disqualification Event or Ratings Methodology Event was unlikely to occur.

In the case of a notice of redemption, variation or substitution on the grounds of a Tax Event, the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser (as further described in the Conditions).

The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless:

- (a) it has notified the Relevant Regulator in writing of its intention to do so not less than one month (or such other period of notice as may be required or accepted by the Relevant Regulator or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective; and
- (b) the Regulatory Clearance Condition has been satisfied.

**Withholding tax and additional amounts**

Payments on the Notes by or on behalf of the Issuer 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, subject to certain exceptions set out in Condition 9 (*Taxation*), pay such additional amounts in respect of Interest Payments, but not in respect of any payments of principal, 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.

"**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 in respect of payments made by it of principal and/or interest on the Notes.

**Enforcement Events**

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them, 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 pre-funded to its satisfaction) institute proceedings

for an Issuer Winding-Up in England and Wales (but not elsewhere).

In the event of a winding-up or administration of the Issuer (whether or not instituted by the Trustee and whether in England and Wales or elsewhere), 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 pre-funded to its satisfaction) prove in the winding-up or administration of the Issuer and/or (as the case may be) claim in the liquidation or administration of the Issuer, such claim being as provided in, and subordinated in the manner described in, Condition 3(b) (*Issuer Winding-Up prior to a Trigger Event*) or Condition 3(c) (*Issuer Winding-Up on or after a Trigger Event*), as applicable, but 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 Condition 11(a) (*Proceedings for an Issuer Winding-Up*), 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 the Relevant Regulator and the Relevant Regulator has indicated that it has no objection, which the Issuer shall confirm in writing to the Trustee and upon which the Trustee may rely conclusively without liability to any person.

**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 without the consent of Noteholders, subject to certain conditions.

**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 depository (the “**Common Depository**”) 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 £200,000 each and integral multiples of £1,000 in excess thereof.

**Meetings and resolutions of**

The Conditions and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests

<b>Noteholders</b>	<p>generally and to pass resolutions, including Extraordinary Resolutions, which will bind all Noteholders.</p> <p>The Trust Deed also provides that a written resolution or a resolution by way of electronic consents in the clearing systems, in each case passed by 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, shall take effect as if it were an Extraordinary Resolution duly passed at such a meeting.</p> <p>These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting, or otherwise sign a written resolution or give electronic consents, and Noteholders who voted in a manner contrary to the majority.</p>
<b>Listing</b>	Application has been made for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF.
<b>Ratings</b>	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 Fitch.
<b>Governing Law</b>	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.
<b>Managers</b>	Barclays Bank PLC and NatWest Markets Plc.
<b>Trustee</b>	Deutsche Trustee Company Limited.
<b>Principal Paying and Conversion Agent</b>	Deutsche Bank AG, London Branch.
<b>Registrar and Transfer Agent</b>	Deutsche Bank Luxembourg S.A.
<b>Conversion Calculation Agent</b>	Conv-Ex Advisors Limited
<b>Selling Restrictions</b>	<p>Customary selling restrictions in the US, EU, UK, Hong Kong, Japan and Singapore.</p> <p>Regulation S Category 2.</p> <p>TEFRA not applicable.</p>

**MiFID II Product  
Governance/PRIIPs  
Regulation/FCA CoCo  
restriction**

Solely for the purposes of each manufacturer's product approval processes, the manufacturers have 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. No PRIIPs Regulation key information document ("**KID**") has been prepared as the Notes are not available to retail investors in the EEA. No sales to retail investors.

**Use of Proceeds**

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes.

## 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.*

### 1. RISKS RELATING TO THE JUST GROUP'S BUSINESS AND INDUSTRY

#### 1.1 Risks associated with the Just Group's insurance products

***The assumptions used by the Just Group in pricing products and establishing provisions and determining regulatory capital may not be consistent with actual experience***

The Just Group operates in the retirement income sector providing products and services to both retail and corporate clients. In particular, it sells and underwrites products including defined benefit ("DB") de-risking solutions to corporate clients and guaranteed income for life solutions ("GifL") (previously known as individual annuities) and lifetime mortgages ("LTMs") to retail clients. The Just Group also provides care products through Partnership Life Assurance Company Limited ("PLACL"), though these are not provided in material quantities as compared to the rest of the Just Group's business. These products create assets and liabilities for the Just Group that are dependent on future mortality, longevity, morbidity and withdrawal rates. For example, the Just Group is subject to the risk that annuity holders or pension scheme members (as applicable) live longer (or, equivalently, mortality rates decrease), compared to what was projected at the time their policies were issued, with the result that the Just Group must continue paying out to the annuitants or pension scheme members (as applicable) for longer than anticipated and, therefore, longer than was reflected in the price paid by the customer for the annuity or bulk purchase agreement. Conversely, increased mortality rates, compared with those projected at the time of pricing, may result in earlier redemptions of LTMs than anticipated and lead to lower returns for the Just Group.

To deal with the uncertainties arising out of the products it sells, the Just Group uses assumptions when pricing, underwriting and reserving for business. These assumptions are based on a variety of factors including market data and historical experience (including customer longevity, corporate bond yields, interest rates, property values and expenses), estimates and individual expert judgements in respect of known or potential future changes as well as statistical projections of what the Just Group believes will be the costs and cash flows of its assets and liabilities.

Based on the assumptions made, the Just Group makes decisions aimed at ensuring that cash inflows from investments (including LTMs) at least match expected cash outflows in respect of liabilities to customers (including its DB de-risking and GfL customers). These decisions include the allocation of investments among fixed-income, lifetime mortgages and other asset classes and the setting of terms under which products may be cancelled or surrendered. However, the risks inherent in using assumptions and the nature of the risks underlying its business, as detailed in the following paragraphs, mean that it is not possible to determine precisely: (i) the amounts that the Just Group will ultimately be required to pay to meet its liabilities attaching to DB de-risking solutions, its GfL solutions and other insurance products; or (ii) the return on, or the repayment of, its LTMs and other investments. Amounts actually payable to customers of the Just Group's products may vary from estimates, particularly as the liabilities under DB de-risking solutions, GfL solutions and other insurance products may extend further into the future than expected, and the income and timing of cash flows from investments, including LTMs, may be different from that assumed.

As a consequence of the foregoing, the Just Group's results depend significantly on whether the actual timing of deaths and investment income experience are consistent with the pricing models and assumptions it has used in underwriting and setting prices for these products and also on the returns made by the Just Group on its investments. If actual experience is less favourable than the assumptions used by the Just Group or the assumptions used by the Just Group are wrong or need to be changed, this could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects. In addition, this could also lead to a need to increase reserves for policyholder liabilities and/or the level of regulatory capital that the Just Group is required to maintain which, if significant, may reduce the amount of cash or other assets available for other business purposes or to meet the Just Group's financing commitments (including the ability of the Issuer to make interest payments on the Notes).

The following paragraphs summarise the risks relating to the writing of DB de-risking solutions, GfL solutions and LTMs. These risks largely arise from a divergence between actual experience and assumptions used when pricing the products. Should any of these risks materialise, they could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

(A) DB de-risking solutions, GfL (excluding capped drawdown contracts ("CDCs")) solutions

The accurate pricing of the Just Group's products is dependent on a detailed understanding of the impact of relevant lifestyle and medical factors on the longevity of prospective customers. There are two elements to longevity assumptions for each product line: a base level of mortality derived from an analysis of historic experience (whether the Just Group's own experience data or market data); and assumed future mortality improvements. The assumed level of base mortality may be inaccurate to the extent that the available observed experience is not fully credible or completely relevant for pricing new business. This could lead to the application of inaccurate assumptions at the time of pricing. Assumed future mortality improvements for each product line should reflect the extent to which improvements in national, population-level longevity are likely to occur in the future, but also the degree to which the pace of improvement is likely to differ for the Just Group's customers given their socio-economic class profile and relevant lifestyle and medical factors. A failure to anticipate changes in future longevity relevant to the Just Group's specific customer base could lead to the application of inaccurate

assumptions at the time of pricing the products. Inaccurate reporting of medical conditions by pricing or underwriting applications could also result in the mispricing of the Just Group's products.

Further, Just Retirement Limited ("**JRL**") entered the DB de-risking solutions market with the assistance of RGA International Reinsurance Company Limited (UK Branch) and RGA Global Reinsurance Company, Ltd. (together the "**Reinsurance Group of America**"), and until 2018 based its pricing and underwriting on their reinsurance terms. There is a risk that such reinsurance terms were not appropriate for the business underwritten.

These risks, by resulting in higher than anticipated payouts for a given premium, to the extent such payouts are in excess of the amounts reinsured, could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

(B) LTMs

The Just Group uses its LTM assets to match some of its liabilities arising under its DB de-risking solutions, GifL solutions and other insurance products. This matching partially hedges the general population longevity risk inherent in DB de-risking and GifL solutions with LTMs where increasing population longevity tends to increase the potential value of mortgage assets. However, the two populations are not identical, hence the hedge is expected to be partial and there is no assurance that general population longevity risk inherent in the insurance products sold by the Just Group can be wholly mitigated by LTMs. This is the case because of certain assumptions used by the Just Group when pricing and valuing the LTM assets: the key assumptions relating to pricing and the subsequent valuation of the LTM assets are the expected tenure of the mortgage, house price inflation and the timing of repayment (typically triggered by the death of the mortgagor or his or her move into a long-term care home). In the event that repayments under the LTMs occur earlier than anticipated, less interest will have accrued and the amount repayable to the Just Group under such mortgages will be less than had been assumed at the time of sale. In the event that repayments occur later, although more interest will have accrued and the amount repayable by the customers will be greater than had been assumed at the time of their sale, the cash inflows associated with the repayment of such mortgages will be received later than had originally been anticipated.

While a general increase in longevity would have the effect of increasing the total amount repayable under the relevant LTMs, it will also, all other things being equal, increase the average loan to value ("**LTV**") ratio of the Just Group's LTMs and could increase the risk of the Just Group not being repaid in full as a consequence of the no-negative-equity guarantees ("**NNEG**") that the Just Group provides to customers in connection with all of its LTMs. The NNEG is a contractual guarantee from the relevant Just Group entity that if the LTM becomes repayable due to the borrower dying or going into long-term care, the borrower will not owe more than the net sales proceeds from the property securing his or her LTM and no debt will therefore be left to his or her estate as a consequence of such mortgage. The NNEG does not limit the repayment required if the borrower voluntarily chooses to repay the LTM in circumstances other than death or going into long-term care.

***The Just Group is exposed to lapse (or withdrawal) risk through early redemption of LTMs***

LTM customers can withdraw by repaying all or part of their total outstanding mortgage early, subject (typically) to the payment of an early redemption charge. LTM lapses occur for a number of reasons including as a function of the movement in mortgage interest rates since the product was taken out, the desire and ability of the mortgagor to repay or switch provider, the level of the early repayment charge, movements in house prices, the competitiveness of other mortgage providers (also with respect to LTV) and other product alternatives in the retirement income market. If the monies repaid by customers cannot be reinvested by the Just Group in similarly yielding assets, a significant increase in lapses by LTM customers could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The amounts the Just Group reserves for current and future administrative and other expenses when it sells its products could prove to be inadequate***

The Just Group allocates reserves when it sells products not only for expected payments to annuitants under the Just Group's retirement income products, but also for current and future administrative and other expenses (including an appropriate allowance for inflation) in connection with those retirement income products. In the event that the Just Group fails to establish sufficient reserves to cover current and future administrative and other expenses in connection with its products, it could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

***The Just Group's LTMs must comply with prescriptive rules and regulations and a failure to comply with such rules and regulations, including inadvertently, could adversely affect the Just Group***

Certain mortgage contracts, including the Just Group's LTMs, are regulated under the Financial Services and Markets Act 2000 ("FSMA"). Entering into and administering these agreements are regulated activities, to conduct which a person must be authorised by the FCA. The Mortgages and Home Finance Conduct of Business Sourcebook ("MCOB"), and related rules and regulations, sets out detailed content and conduct requirements for these activities.

MCOB can be difficult to interpret and implement with absolute certainty, which means that inadvertent non-compliance with its requirements can occur. If the regulated agreements or conduct of the Just Group were found to be materially defective, such failure would amount to a breach of regulation and, possibly, lead to customer remediation if the breach were considered to have caused customer detriment.

In particular, early repayment charges payable under a regulated mortgage contract are subject to MCOB and consumer fairness requirements regarding their reasonableness and transparency. If a clause seeking to impose an early repayment charge breaches these requirements, a lender may be unable to rely on that clause, and may also be required to remediate customers who have been required to pay such charges in accordance with that clause in the past.

The issues described above could reduce the Just Group's income from operations, impact its reputation in the market and could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

## **1.2 Regulatory risks**

***The Just Group operates in a highly regulated sector and its operations and practices may be affected by changes in law and regulation, changes in interpretation or emphasis with respect to existing law and regulation and/or industry wide changes in approach to law and regulation and/or potential interventions by the FCA, Prudential Regulation Authority (the "PRA") and other regulators***

The Just Group operates in the UK financial services industry which is a highly regulated sector and one which has witnessed an increase in regulatory activity, more intense regulatory supervision and significant change to the legal and regulatory framework in recent years. Changes in relevant legislation and regulation are continually being introduced, which may have a considerable effect on the Just Group's strategy and day-to-day operations which could, in turn, have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects. For example, Solvency II (as defined in the Conditions, and which became effective on 1 January 2016) increased the regulatory requirements on PLACL, JRL and other members of the Just Group, and is described more fully in the risk factor titled "*The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group*". Alternatively, a relevant regulator may reinterpret or place new emphasis on an existing piece of law or legislation.

Changes in government policy, to legislation and regulation or to the interpretation of, or approach to, enforcement of legislation and regulation (at a national and/or international level) applicable to companies operating in the pensions or financial services sectors in any of the markets in which the Just Group operates may occur in the future and could be applied retrospectively. Such changes may adversely affect the Just Group's underlying profitability, its product range, distribution channels, capital requirements and, consequently, results and financing requirements.

In particular, in order to conduct their regulated activities in the UK, JRL, PLACL and other entities within the Just Group must hold and maintain licences, permissions and authorisations from the PRA and the FCA. The PRA and FCA each have significant statutory powers in respect of the regulation of PLACL, JRL and the other regulated entities in the Just Group. While regulating these entities in the Just Group, the PRA and the FCA may use these statutory powers to make regulatory interventions, including through investigations, requests for data and analysis, interviews or reviews and requiring the production of skilled persons reports under section 166 of the FSMA.

In recent years, the PRA and the FCA have each adopted an approach of intensive supervision in respect of the firms operating in the life and pensions sector, including JRL and PLACL. Going forwards, the Issuer does not believe the incidence of regulatory intervention is likely to decrease in any material way.

The PRA and the FCA also carry out formal "thematic reviews" which are sector wide reviews or other informal sector wide inquiries in respect of a particular issue or a particular type of product. The Just Group has participated in, and expects to continue to participate in, such reviews from time to time. Regulatory intervention, including of the sort described above (including "thematic reviews"), may lead to the FCA and/or the PRA requiring (among other things):

- (a) specific remediation in respect of historic practices (which could include compensating customers, fines or other financial penalties);
- (b) changes to the Just Group's practice; and/or
- (c) public censure; and/or
- (d) the loss or restriction of regulatory permissions necessary to carry the Just Group's business in the same manner as before.

Regulatory interventions against a member of the Just Group or a determination that the Just Group has failed to comply with applicable law or regulation could give rise to any of the matters described arising. Further, the Just Group may face increased compliance or compensation costs due to changes to financial services legislation or regulation or the need to set up additional compliance controls. If any such matters were to occur they could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects, or otherwise divert management's attention from the day-to-day operation of the business, potentially affecting its ongoing or future performance.

Just Retirement Life (South Africa) Limited also holds a licence from South Africa's Financial Services Board to provide retirement income solutions in South Africa. As a consequence, Just Retirement Life (South Africa) Limited is subject to regulation in South Africa resulting in potential policyholder claims and regulatory intervention in that jurisdiction.

The terms on which products are sold or contracts are entered into with customers by the Just Group must comply with various 'fairness' and 'reasonableness' requirements under UK law and guidance provided by regulatory and trade bodies (including, without limitation, the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015), some of which currently implement EU law. These requirements apply to both express terms of a contract and to terms that have not been agreed by the parties but are implied into the contract by a court. The application and interpretation of these requirements involves an important element of judgement and there can be no assurance that governments or regulators will not determine at some point in the future that certain terms presently in use do not meet the relevant standards. Where products of the Just Group contain such terms, the effect could be to prevent reliance on those terms by the Just Group, including retrospectively in respect of existing products held by the Just Group's customers, which may adversely affect the Just Group's underlying profitability, its product range, distribution channels, investment strategy, capital requirements and, consequently, its results of operation and financial condition.

The Just Group is also subject to competition and consumer protection laws enforced by the Competition and Markets Authority ("**CMA**") and the European Commission's Directorate-General for Competition, such as laws relating to price fixing, collusion and other anti-competitive behaviour in the UK. This regime is supported by formal cooperation between the CMA and the FCA, along with the FCA's furtherance of its operational objective to promote effective competition in the interests of consumers, and its duty to promote effective competition when addressing its other operational objectives. This is further supported by the FCA's concurrent powers with the CMA to enforce competition laws in the UK insofar as they relate to the provision of financial services.

***The Just Group is subject to risks arising from the UK referendum vote to withdraw from the EU ("Brexit") and any resulting changes in law and regulation***

The regulatory environment that entities like the Just Group operate in within the UK is largely derived from EU financial services legislation. For so long as the UK remains part of the EU, it is required to implement and apply such legislation. However, it is anticipated that Brexit may result in changes to the UK and EU's regulatory system. Following Brexit, the PRA is also likely to have greater flexibility to create additional rules which would impact the Just Group (positively or negatively). This is because currently a significant portion of the relevant regulatory regime is derived from EU sources and subject to oversight by EU bodies – such as the European Insurance and Occupational Pensions Authority (“**EIOPA**”) and the EU Commission. While the business of the Just Group is primarily situated in the UK, some of the changes to the regulatory system of the UK and the EU arising as a consequence of Brexit may affect the business of the Just Group (positively or negatively). Members of the Just Group make use of their passporting rights to service a small number of existing customers based in member states of the EU. These rights may be limited or cancelled following Brexit. Changes may also affect the regulation of UK business if the UK and EU regulatory systems diverge. As a result, it is possible that Brexit may require the Just Group to take mitigating action or to change parts of its business, which may have a material effect on the Just Group's business, results of operations, financial condition and prospects.

***The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group***

The Solvency II regime, which is the regulatory capital regime applicable to the EU insurance sector is a prudential framework which is designed to ensure the financial stability of the insurance industry across the EU and is intended to protect policyholders through establishing solvency requirements better matched to the true risks of the business. Firms which are authorised to underwrite insurance in the UK, including certain members of the Just Group, are required to comply with Solvency II.

Solvency II includes a requirement for firms to maintain a minimum margin of capital in excess of the value of their liabilities, in order to comply with a number of regulatory requirements relating to their solvency and reporting bases. The Just Group's capital position can be adversely affected by a number of factors, in particular, factors that erode the Just Group's capital resources and/or which affect the quantum of risk to which the Just Group is exposed. In addition, any event that erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could affect the Just Group's capital position, which in turn could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

There are four aspects of the Solvency II regime in particular that have the potential to create risks for the Just Group, although there are other aspects of the regime that could also be applied in an adverse way depending on how circumstances develop over time. These four aspects are:

- (a) the Solvency Capital Requirement (“**SCR**”);
- (b) the risk margin;
- (c) the matching adjustment (“**MA**”); and
- (d) transitional measures on technical provisions (“**TMTTP deduction**”).

The use of an internal model to calculate the SCR, the use of MA and the availability of TMTP deduction are all matters which require PRA approval. JRL (but not PLACL) currently benefits from PRA approval to use a full internal model to calculate its SCR and the Just Group has approval to calculate its group SCR using a partial internal model. Each of JRL and PLACL currently benefit from approval from the PRA to apply MA and TMTP deductions, while PLACL currently benefits from approval from the PRA to apply a volatility adjustment.

The risk margin is a component of an insurer's technical provisions that is calculated by reference to the present value of the future cost of capital associated with the in-force business. Under Solvency II rules, this present value is required to be calculated using risk-free interest rates. This method of calculation makes the risk margin very sensitive to changes in interest rates, particularly where an insurer has a portfolio of business that is expected to remain in force for many decades, as is the case for JRL and PLACL. This exposes insurers to risks of significant fluctuations in their technical provisions which are unrelated to the riskiness of the underlying business.

It is possible that the interpretation or implementation of the rules, or the withdrawal of or failure to obtain any approvals from the relevant regulator (for example, to use an internal model to calculate SCR or to apply MA in relation to certain types of assets, liabilities or reinsurance of such liabilities) may give rise to greater capital requirements than is currently the case or may require changes to the structures and/or businesses or result in price increases for products of the Just Group, which, in each case, could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

Further, an increase in the regulatory capital and/or reserving requirements of an entity or a restriction on the use of capital within the Just Group may reduce the profits of the Just Group or trap cash or assets in certain companies within the Just Group. There are also circumstances where the Just Group may choose to move cash or assets from another part of the Just Group to meet an increased regulatory capital requirement. Consequently, a change in the regulatory capital and/or reserving requirements and, in particular, the loss of certain discretionary reductions in those requirements, could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

In addition, if the Just Group is unable to meet applicable regulatory capital requirements in any of its regulated subsidiaries, it would have to take other measures to protect its capital and solvency position, such as increasing the prices of its products, reducing the volume of or types of business underwritten, increasing reinsurance coverage, altering its investment and/or hedging strategy or divesting parts of its business, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures are required to be undertaken quickly. If the Just Group is required to take any of these measures, such measures could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

Following the introduction of the Solvency II regime, the PRA has published and continues to publish consultations and supervisory statements that set out its expectations relating to elements of the Solvency II regime. As a result of these consultations, a number of Supervisory Statements have been issued or updated. These include, amongst others, consultations and supervisory statements relating to illiquid assets, the MA and the TMTP deduction.

In particular, Supervisory Statement 3/17 (“**SS3/17**”) sets out the PRA’s expectations in respect of firms that are subject to the Solvency II regime, and that invest in illiquid, unrated assets within their MA portfolios. Amongst other matters, SS3/17 states that firms will have to explain how they will group assets in their Solvency II MA portfolios with respect to credit quality steps (“**CQS**”), asset class and duration for the purposes of determining the fundamental spread, and that where assessing internally-rated assets, greater judgement is involved and firms need to “have confidence that the risk management of these more complex credit exposures, in particular the CQS mapping process and the size of the MA benefit claimed on them, is fit for purpose.”

In December 2018, following a consultation initiated by Consultation Paper 13/18, the PRA published amendments to SS3/17. These amendments have parameterised various tests that restrict the total effective value of LTMs that can be reflected on insurers’ balance sheets through the combination of asset value and discounting of liabilities (these tests are referred to together as the “effective value test”). The parameters set out in the amendments are within the ranges for which the Just Group had been planning while awaiting the publication of the amendments. The PRA has announced that these tests will not be required to be applied retrospectively to the pre-Solvency II valuation, so a TMTP deduction remains available to offset the impact of SS3/17 on the MA benefit, to the extent that the impact would otherwise affect pre-2016 business. (See the section entitled “*Regulation – Capital requirements – The Solvency Capital Requirement – Pro forma Solvency II capital coverage ratio*” for a further discussion of the impact of these amendments to SS3/17.)

When publishing the amendments to SS3/17, the PRA announced that it will consult on a number of matters, including how to deal with the interest rate volatility that will arise from the parameters that form part of the effective value test, and what changes might be needed to reflect the impact of the application of the effective value test in future stress scenarios.

There is a risk that a future change in the regulatory treatment of LTMs will result in a material increase in technical provisions, which could have a negative effect on the business, results of operations, financial condition and prospects of the Just Group, JRL, and PLACL. In particular, it could affect the ability of JRL and PLACL to pay dividends to their shareholder, the Issuer, and this could affect the ability of the Issuer to make interest payments on the Notes.

There is a risk that the implementation of one or more of the PRA consultation papers or supervisory statements may give rise to greater capital requirements than are currently the case (for example, based upon the proposed consultation on the application of the effective value test in future stress scenarios, there is a risk that more regulatory capital will need to be held in respect of illiquid assets) or may require changes to the structures and/or businesses, or result in price increases for products of the Just Group, all of which could have a material adverse effect on the business, results of operations and financial condition of the Just Group.

***Changes to financial reporting requirements generally or specifically for insurance companies may materially adversely affect the reporting of the Just Group’s financial results***

International Financial Reporting Standards (as adapted by the EU) (“**IFRS**”) 17 which has been issued by the International Accounting Standards Board will come into effect on 1 January 2022 and replace IFRS 4 (though companies have the option to implement it before that date, subject to certain conditions). IFRS 17 sets out the reporting requirements that insurance companies

are required to adopt in relation to insurance and reinsurance contracts that they enter into, including reinsurance contracts under which they lay off the risk of their insurance contracts. The International Accounting Standards Board has also issued IFRS 9 on the classification and measurement of financial assets, financial liabilities and hedging. The implementation of IFRS 9 for insurance companies has been deferred to 2022 to coincide with the introduction of IFRS 17 and the two will be implemented in tandem.

IFRS 17 and IFRS 9 are intended to increase transparency, consistency and comparability in the reporting of new and existing business by insurers, with clearer reporting on sources of profits and quality of earnings. The new standards also change the effect of reinsurance on the reported value of insurance contracts, and the relevant periods for presentation of revenue. In particular, the profit earned on long-term insurance contracts such as those which are regularly issued by members of the Just Group, will be required to be recognised gradually over the life of the contracts, rather than the expected profit being recognised at the date of entering into the contract, as is currently permitted by accounting rules. This change will have the effect of deferring the recognition of distributable profits by the Just Group, and may therefore impact the tax profile of the Just Group and the ability of the Issuer to make interest payments on the Notes.

Any changes to IFRS or the statutory reporting of insurance entities referred to above, and any other changes to accounting standards that may be proposed in the future, whether or not specifically targeted at insurance companies, could materially adversely affect the reporting of the Just Group's business, results of operations, financial condition and prospects.

***Individual and groups of customers may refer their disputes with the Just Group to the Financial Ombudsman Service***

Disputes relating to the sale of financial services products by the Just Group in the UK are subject to the Financial Ombudsman Service (“FOS”) regime. The FOS exists to resolve disputes involving individual or small business policyholder disputes. Applicants may pursue customary legal remedies if decisions are considered unacceptable.

There is a risk that decisions taken by the FOS may, if extended to a particular class or grouping of policyholders, have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group may in future become 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 what the consequences could be for the Just 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 EEA now provide regulators with the power, as part of resolution authority, to write down indebtedness or to convert that indebtedness to capital (known as “bail-in”), as well as other resolution powers.

It remains unclear whether and in what form the recovery and resolution regimes currently applicable to banks could be extended to other financial institutions such as insurance

companies. It therefore remains unclear what recovery and resolution regime could apply to the Just Group in the future and, consequently, what the implications could be for the Just Group and its creditors, including the Noteholders.

***Regulatory focus on climate risk could have an impact on the Just Group's business and assets in its investment portfolios***

Regulators are increasingly seeking to develop regulations that are directly and indirectly focused on sustainable finance and climate change. In October 2018, the PRA launched a consultation on a draft supervisory statement setting out the PRA's expectations regarding insurers' and banks' approaches to managing financial risks from climate change. Such regulatory focus on the issue of sustainable finance and particularly the risks that climate change could have on the safety and soundness of firms and stability of the financial system may accelerate actions of market participants that then have an impact on the availability and attractiveness of certain securities.

**1.3 Market risks**

***The economic environment and financial market conditions may have a significant influence on the value of the Just Group's income, assets, and liabilities***

Any actual or perceived changes in monetary policies globally may have severe consequences for the UK economy. With a large deficit, the UK still faces considerable structural and economic challenges. The impact of any changes in monetary policies could be exacerbated by the marked reduction in asset liquidity resulting in magnified market movements and the inability to buy and sell assets in affected markets. The Bank of England has also responded to recent economic conditions in the UK by modestly tightening its monetary policy, and is of the view that if the economy follows the path currently expected, further increases in the UK bank rate would be warranted over the next few years to return inflation sustainably to its target. Further, the current US administration has various trade, tax and immigration policies that, if enacted, could have a material impact on the global economy and on the performance of capital markets globally.

The Issuer believes that there is a risk that the economic outlook may reduce the availability of attractive investments to offset its liabilities to customers, which could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

Additionally, declines in the financial markets, including equity markets, can reduce the value of a customer's pension funds available to purchase an annuity, which could influence the decision to look for alternative products rather than purchase an annuity.

The premiums paid by the Just Group's customers are invested by the Just Group to enable future benefits to be paid. Although the Just Group generally holds its financial assets to maturity, the value of the Just Group's financial assets and liabilities is determined at the end of each financial period, with the movements in market value and present value in each period being reflected in the Just Group's statement of comprehensive income. The Issuer believes that the market value or present value of the Just Group's financial assets and liabilities may be affected by, among other things, changes in: (i) interest rates; (ii) inflation; (iii) credit ratings of, or the credit spreads in respect of, the issuers of fixed income securities; and (iv) liquidity in the bond markets. Any of these factors could affect returns on, and the market values of, UK and

international fixed income investments in the Just Group's financial asset portfolio as well as the present value of its LTMs and financial liabilities. For instance, when the credit rating of a given issuer of fixed income securities falls, or the credit spread with respect to such issuer increases, the market value of such issuer's fixed income securities may also decline, and such decreases in value would be recognised in the Just Group's statement of comprehensive income for such period. Changes in the market value and/or present value of the Just Group's financial assets and liabilities can have a material adverse effect on the Just Group's results of operations, financial condition and/or prospects.

***The value of the Just Group's LTM assets is subject to accurate property valuations at the time of issue of the LTM assets and subsequently to fluctuations in housing market values***

The Just Group's LTMs comprise a significant proportion of its financial assets supporting its liabilities arising on the sale of its pension products including its DB de-risking and GfL products. Inaccurate property valuations at the time of issuing new loans and, to the extent the Just Group purchases previously written LTM books to supplement the LTMs that it originates, insufficient due diligence by the originators of such previously written LTMs or by the Just Group could also expose the Just Group to lower than expected returns on its LTMs which could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

Although the average LTV ratio in respect of the Just Group's LTMs as at 31 December 2017 was 29 per cent., given that the LTMs are secured by a mortgage over a particular property owned by the borrower (typically such borrower's house), a substantial decline in UK housing market values could adversely affect the Just Group's: (i) returns on existing LTMs by increasing the provisions required to be held for the NNEG (which applies under defined circumstances on repayment of a mortgage if the outstanding balance of the LTM loan secured on a property exceeds the net sales proceeds from the property at the time of the redemption – see the risk factor entitled "*The assumptions used by the Just Group in pricing products and establishing provisions and determining regulatory capital may not be consistent with actual experience*" above); (ii) returns on existing LTMs, including actual losses if the prices realised on the sale of the properties securing such loans fall below the amount of outstanding principal and accrued interest at redemption; and/or (iii) cash inflow from LTMs by delaying sales of the properties securing such loans. The Just Group is also exposed to the risk that a fall in residential property prices could reduce the attractiveness of the LTM product to customers and it could reduce the amounts received from mortgage redemptions. Further, the regulatory capital required to be held by the Just Group to support the possible shortfall in the redemption of an LTM increases if there is a fall in residential property prices. If any of these events were to occur, they could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

As explained above (see the risk factor entitled "*The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group*"), the PRA issued guidance in SS3/17 which, through the effective value test, imposes restrictions on the total effective value that insurers can recognise on their balance sheets in respect of LTMs, and it made amendments to SS3/17 in December 2018 in which it has been more specific about what the effective value test requires. The PRA also announced that it will be consulting on some related matters during 2019. Although the amendments made

in December 2018 were within the range for which the Just Group had been planning, there is a risk that future changes in the regulatory requirements and guidance could reduce the overall financial benefit that the Just Group can obtain through investing in LTMs.

Conversely, significant future rises in property values could increase early redemptions on LTMs leading to an earlier receipt of anticipated cash flows and a need to reinvest those cash flows in other assets which yield suitable returns.

***Demand for the Just Group's GfL solutions could be adversely affected by low interest rates or declines in annuity yields***

Prices charged for, and the returns associated with, the Just Group's GfL solutions are, in part, dependent upon the current long-term interest rate environment existing at the time that GfL solutions are sold and the financial assets supporting such liabilities are purchased.

The GfL solutions sold by the Just Group can be adversely affected by periods of consistently low interest rates. In a period of consistently low interest rates, as is currently the case, new GfL business volumes may be affected as alternative retirement income products may become relatively more attractive to customers. Moreover, declines in annuity yields could make the purchase of GfL products unattractive and inhibit market growth. Such challenges could result in reduced demand for GfL products which may have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***Demand for the Just Group's LTMs could be adversely affected by high interest rates***

Prices charged for, and the returns associated with the Just Group's LTMs are, in part, dependent upon the current long-term interest rate environment existing at the time LTMs are sold to customers.

The LTMs sold by the Just Group can be adversely affected by periods of consistently high interest rates. During high interest rate periods, LTMs may become less attractive to customers whilst other retirement income products, such as GfL products, may become relatively more attractive to customers. Reduced demand for LTMs in periods of consistently high interest rates may have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***Changes in interest and/or inflation rates may cause policyholders to surrender their LTMs early, reduce the value of the Just Group's investment portfolios and may have an adverse impact on their asset and liability matching, which could adversely affect the Just Group's results of operations and financial condition***

The sale of retirement investment products, such as annuities, exposes the Just Group to the risk that changes in interest rates will reduce the "spread" or the difference between the amounts that are required to be paid under the annuities and the rate of return the Just Group is able to earn on investments intended to support obligations under the contracts. The Just Group manages this risk through the careful matching of the asset/liability duration.

As interest rates decrease, or if they remain at low levels, the Just Group may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the investment margin. Moreover, in a low interest rate environment, borrowers

may redeem the LTMs with greater frequency in order to borrow at lower market rates, which exacerbates this risk. In a high interest rate environment borrowers are less likely to redeem LTMs, which reduces this risk.

Changes in the interest rate environment affect the returns available on financial assets and thus can affect the prices charged for GifL solutions. A material fall in interest rates may also increase the amount of regulatory capital that the Just Group is required to hold.

In addition, risk-free interest rates (as measured by swap rates) are a component of the discount rate that the Just Group uses to determine the present value of its DB de-risking solutions and retirement income products such as GifL and LTMs when calculating the margins on such products. In an environment where swap rates decrease, they positively affect LTM margins and adversely affect the margins on GifL products. The overall impact on the Just Group will therefore depend on the mix of new retirement income product sales, but could be negative. As a result, periods of consistently low interest rates could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

The Just Group's exposure to inflation risk increases as a result of increases in volumes of DB de-risking solutions sold by the Just Group. Most defined benefit pension schemes link member benefits to either inflation indexation and/or limited price indexation. As the Just Group's exposure to inflation risk increases, it expects to increase its usage of inflation hedging mechanisms which may result in the Just Group needing to hold more liquid assets or longer-term gilts to offset potential increases in collateral requirements when the future inflation curve is low. Inflation risk increases and a tightening of the Just Group's liquidity position could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

The Just Group's mitigation efforts with respect to interest rate and inflation risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration approximately equal to the duration of the Just Group's estimated liability cash flow profile. However, it is not possible for the Just Group to hold assets that will provide cash flows to exactly match those relating to policyholder liabilities. This is due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of suitable duration. This results in a residual asset/liability mismatch risk that can be managed but not eliminated. In addition, the Just Group's estimate of the liability cash flow profile may be inaccurate for other reasons, such as varying mortality or morbidity rates, and the Just Group may be forced to liquidate investments prior to maturity at a loss in order to cover the liability. Such matters could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

As explained above, in December 2018 the PRA finalised the parameters that it expects insurers to use when applying the effective value test under SS3/17. One of these parameters relates to the deferment rate, which the PRA has said should be assumed to be 1 per cent. The PRA has acknowledged that fixing this percentage may lead to volatility in insurers' technical provisions in the event that risk-free interest rates change. It is proposing to consult on how this volatility may be avoided, which may involve a mechanism by which the parameter that insurers are expected to use (currently 1 per cent.) can be updated whenever there is a material change in interest rates. Until a mechanism is introduced to address the potential volatility, the Just Group will be exposed to this risk of volatility in its technical provisions.

***The Just Group uses hedging to manage currency exposures and there is a risk that early redemption or default by an issuer may materially affect the Just Group***

The Just Group acquires a proportion of its fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolios. Although the Just Group hedges these currency exposures, there is a risk that as a result of an early redemption or default by an issuer, the derivative becomes mismatched. If the Just Group fails to close the hedge quickly, a currency loss could occur and/or break costs could be incurred which could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

***The UK Government's pension reforms implemented in April 2015 have had, and will continue to have, a fundamental impact on the expected shape and future of the retirement income market in the UK and there can be no certainty that the response of the Just Group to both these pension reforms and to the Taxation of Pensions Act 2014 (together with the pension reforms implemented in April 2015 referred to as "Pension Freedom Reforms") will fully mitigate any adverse effects the Just Group may suffer as a consequence of the Pension Freedom Reforms***

In the UK, a number of significant changes to law and regulation are currently being proposed or have been implemented over the last four years. In the pensions sector, the effect of the legal and regulatory changes may drive changes in customer behaviours which may take a while to identify.

Of particular note are the series of legal, tax and regulatory changes known as the Pension Freedom Reforms. Historically, the UK's tax regime provided favourable tax treatment for individuals who saved using their pension policies but limited the manner in which that tax treatment could be preserved through the purchase of an annuity. The Pensions Freedom Reforms changed how people are able to access their pension savings including the cessation of the effective requirement for pension benefits to be taken in the form of an annuity (consumers approaching retirement age may now opt to take their entire pension pot as cash, with the first 25 per cent. remaining tax-free and the balance taxed at the individual consumer's marginal rate) and a requirement for customers to receive guidance on their options at the time of retirement.

The Pension Freedom Reforms also introduced a free, impartial guidance service for individuals approaching retirement on their choices at the point of retirement ("**Pension Wise**"). As a result of all these changes, customers are more likely to seek advice, decide to "self select" their retirement solutions or indeed move from their existing provider. Given the increased choice and flexibility that customers now have, it is important that customers receive appropriate guidance or advice. If only a small proportion take up the offer of guidance and/or the guidance is ineffective, then there is a risk that customers fail to move from their existing pension providers which could result in less appetite for the Just Group's retirement income products. The medium term extent of behavioural changes by the Just Group's potential customers as a result of the Pension Freedom Reforms remains difficult to predict, though at present, it appears that customers have generally reacted by looking in the market for more flexible retirement solutions, and in some cases, deferring their retirement decisions.

Of the products in the retirement income market which the Just Group provides, the Pension Freedom Reforms only pose a risk to the sales of GfL solutions, as *inter alia*, retirees have

greater flexibility in deciding the extent to which they convert their pensions savings to GfL solutions, if at all. To date, the Pension Freedom Reforms have reduced the number of people purchasing an annuity within the UK retirement income market, thus reducing the total sales of UK annuities and reducing the revenue which the Just Group derives from sales of GfL products. The Just Group's ability to grow its GfL business is dependent in part on improving customer awareness of the benefits of purchasing a GfL product when considered alongside alternative at-retirement propositions, including cash withdrawals. If lower volumes of annuity sales persist or volumes of sales decrease further and cannot be successfully replaced through other retirement income product revenue streams (especially if coupled with a reduction in demand for the DB de-risking solutions of the Just Group), it could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

The considerable uncertainty in the UK created by the Pension Freedom Reforms is likely to persist given that it will take time for market participants' and consumers' behaviour to adjust to the Pension Freedom Reforms as well as to the innovative and more flexible retirement income products which are likely to continue to emerge as a result of such reforms.

There is also the possibility that the UK Government may further liberalise or remove restrictions on customers accessing their pension funds on retirement. For example, the UK Government has announced a "pensions dashboard" proposal, which is expected to apply from 2019. This will enable customers to view all of their pension policies (across multiple providers). The Just Group is monitoring and projecting the impact of these reforms on its business, but the true impact will only become clear once all relevant laws and regulations are implemented and, following that, a stable pattern of customer experience has emerged.

There is no certainty as to: (i) the full impact of the Pension Freedom Reforms on the UK retirement income market; and (ii) the effectiveness of the Just Group's revised strategy in respect of the UK retirement income market. Any response of the Just Group to changes in the UK retirement income market may be costly, may expose the Just Group to other risks not mentioned in this document, and may not ultimately be successful in preventing the occurrence of material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

#### **1.4 Liquidity risks**

***The Just Group may experience a tightening in liquidity and require significantly larger cash balances than anticipated and/or experience a shortfall in the availability of suitable assets in the markets in the amounts required***

Whilst the Just Group is not expecting any liquidity shortfalls in the short term irrespective of SS3/17 (as amended in December 2018), under extreme and unforeseen circumstances a tightening of the Just Group's liquidity position could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects in the medium to longer term.

Premiums received from the Just Group's customers in connection with the sale of retirement income products are invested in financial assets, such as fixed income securities and LTMs, so as to attempt to match cash inflows from such investments against expected future cash outflows associated with liabilities to customers. This matching depends on the accuracy of its projections of cash inflows (premiums received, the repayment of fixed income securities and

LTMs, coupon payments made on fixed income securities and early redemptions of LTMs) and outflows (the purchase of fixed income securities, payments to annuitants and defined benefit pension schemes, mortgage advances, commissions, expenses and tax), which are subject to a number of assumptions, which are necessarily less certain the further into the future such projections are made. Accordingly, the Just Group is subject to the risk of cash flow mismatches in the longer term between its financial liabilities to customers and the assets held to support those liabilities, as a result of, among other things, inaccurate assumptions regarding the timing and duration of future cash inflows and/or cash outflows. In the event of such a mismatch, the Just Group may be unable to pay its financial liabilities to customers as they fall due on account of insufficient cash inflows, which could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

If it were necessary to sell assets in order to generate liquidity, there is no guarantee that the price achieved would reflect the valuations at which such assets are recorded in the financial statements of the Just Group, especially for illiquid classes of assets. In particular, it may not be possible to readily sell LTMs due to the lack of a market in which to trade them.

From time to time liquidity is needed to be able to collateralise derivative positions that are used to hedge against interest rates, inflation rates and foreign currencies. Liquidity is also required to ensure the continued funding of LTMs and, under Solvency II, to support the restructuring of LTMs required by regulatory rules. In extreme circumstances, collateral calls could require more liquid assets to be posted than are readily available. In this case, one of the actions that the Just Group could take to reduce the liquidity strain is to close out derivative positions. This would increase the exposure of the Just Group to those risks that were being hedged by the relevant derivative position, and were the risk to materialise, it could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

Further, the Just Group may also choose to invest in particular assets in order to benefit from specific regulatory approvals which give rise to discretionary reductions in regulatory capital and/or reserving requirements. If suitable assets are not available to purchase in the market in the amounts required (for example, because competition for such assets is high as a consequence of other insurers wishing to hold them to benefit from regulatory approvals), it may be difficult to find suitable alternative assets in the market in the amounts required which could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***Any determination to restrict further drawdowns of the undrawn portion of drawdown LTMs in order to manage liquidity could adversely affect the reputation and brand of the Just Group***

The Just Group's drawdown LTMs enable borrowers to drawdown further advances subsequent to the initial drawdown of the loan, subject to certain terms and conditions. If there were to be a sharp increase in customers' propensity to drawdown the undrawn portion of drawdown LTMs, the Just Group may not be able to facilitate these drawdowns. Although under the terms of its drawdown LTMs the Just Group may restrict drawdowns as a result of certain events (including to meet the liquidity needs of the Just Group), such an eventuality could adversely affect the Just Group's reputation, sales and brand, which could in turn have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

## 1.5 Third party and other counterparty risks

### ***The Just Group is exposed to counterparty risk in relation to reinsurers***

Under the reinsurance agreements, members of the Just Group retain primary liability as the direct insurer on all risks reinsured. Consequently, reinsurance arrangements do not eliminate their obligation to pay claims although under the reinsurance agreements the relevant Just Group company can recover amounts paid from the reinsurer. As a consequence, the members of the Just Group entering into reinsurance agreements are subject to the credit risk of the reinsurer with respect to their ability to recover amounts due from them. Even where the reinsurer has an obligation to provide collateral in support of its operations, there can be no certainty that such collateral will satisfy the full amount of the reinsurer's liability and, as a result, those members of the Just Group entering into reinsurance agreements could be left with a shortfall to the extent that the amounts paid by the members of the Just Group on claims made are not recovered from the reinsurer.

In addition, some circumstances could lead to reinsurers exercising a right to terminate the existing reinsurance agreements for cause, either in relation to new business only or in relation to new and existing business. The termination could have a material adverse effect on the Just Group both by increasing the amount of capital required to be set aside for regulatory purposes and by exposing the Just Group to increased risk in respect of which it would have no ongoing protection.

### ***The Just Group is exposed to counterparty risk in relation to other entities***

In addition to the matters described in the risk factor entitled "*The Just Group is exposed to counterparty risk in relation to reinsurers*", the Just Group is also exposed to counterparty default risk in relation to third parties including derivative counterparties, investment managers, brokers, distribution partners and other supplier contracts, as well as financial institutions holding its cash and collateral deposits. The Just Group's business could suffer if any of the Just Group's counterparties fail to honour their obligations. The potential consequences resulting from counterparties' failure to honour obligations and payments could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

### ***The Just Group places substantial reliance on intermediaries, in particular financial intermediaries, employee benefit consultants ("EBCs"), retirement specialists and key corporate partners in the UK, to sell and distribute its products***

The Just Group sells its retirement income products through intermediary distribution channels, such as financial intermediaries, EBCs, retirement specialists and key corporate partners. The Just Group's relationships with its intermediaries and certain key corporate partners could be damaged or terminated as a result of a variety of events. Partners are subject to change from time to time, the Just Group may be unable to renew its agreements with such partners on similar terms, or at all, and could subsequently be unable to secure agreements with new distribution partners. Termination or non-renewal of, or any other material changes to, the Just Group's relationships with its distribution partners could adversely affect the sale of the Just Group's retirement income products and its growth opportunities in the UK. Termination of distribution relationships can also result in disputes over the dissolution or final settlement of distribution agreements, which can potentially lead to litigation. In addition, the Just Group could be required to fulfil the obligations of its agreements with distribution partners in the event of the

termination of a relationship. The distribution agreements include various requirements on the Just Group, and the Just Group may have to pay damages under the arrangements if it fails to fulfil these obligations. Any of the foregoing events could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

Sales of GifL solutions are dependent, in part, on the availability of advice to consumers through their financial intermediary or via Pension Wise. The Just Group's ability to grow sales of its GifL products is dependent in part on raising consumer awareness and on customers taking advantage of the open market option ("OMO"), and, if they qualify, by purchasing an annuity underwritten on medical and lifestyle factors. The OMO allows an individual to use pension savings from any defined contribution pension fund to purchase an annuity from any annuity provider and effectively enables an individual to choose the best available retirement product from all providers. Should financial intermediaries fail to advise customers to take advantage of the OMO or fail to advise customers who so qualify to purchase an annuity, this could adversely affect the sales of annuities and, accordingly, have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

In addition, the Just Group considers that the number of financial intermediaries who have demonstrated a proactive approach to advising on LTMs has, to date, been limited. The Just Group believes this is a result of the relative complexity of the issues required to be considered when advising on LTMs and the perceived reputational risks to financial intermediaries, such as claims of potential mis-selling or provision of investment advice. Continuing reluctance in the financial intermediary community to sell LTMs could constrain the future growth in sales of LTMs by the Just Group, which could in turn have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

Distribution channels may also be adversely affected should the FCA, in any future review of the distribution model of the Just Group or the activities of any relevant distributors, consider that any of the distribution agreements the Just Group has for payments made and services provided to the Just Group, are or are at risk of non-compliance with its interpretation of its rules or the spirit thereof. Further, in the event of any mis-selling of products by financial intermediaries or other distribution partners, the Just Group could face the risk of regulatory censure from the FCA, fines and related compensation costs and reputational damage. Any of these developments could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

Legal and regulatory change in the form of the Insurance Distribution Directive (the "IDD") may lead to a decline in the number and/or size of distribution firms. *Inter alia*, this is because financial advisers may decide to consolidate or to leave the sector in response to anticipated increased compliance costs that may be realised and the higher professional standards required. If a reduction in the capacity of the intermediary distribution sector does occur, this may result in fewer opportunities for the Just Group's products to be distributed by intermediary firms. The impact of these changes could adversely affect the strategic importance of these financial intermediaries as a distribution channel for the Just Group.

***The Just Group is subject to the risk that reinsurance may not be available, affordable or adequate to protect it against losses and/or its existing longevity risk transfer arrangements may be terminated, may not be renewed, or may be renewed on terms less favourable than those under the existing treaties***

As part of its overall risk mitigation and capital management strategy, the Just Group purchases reinsurance from a number of reinsurance providers (including Reinsurance Group of America, Gen Re and SCOR Global Life SE – UK Branch) to cover a significant proportion of its longevity risk (i.e. the risk of annuitants living longer than expected). Market conditions beyond the Just Group's control determine the future availability and cost of appropriate reinsurance and the receipt of future reinsurance recoveries as well as the financial strength of reinsurers. Risk appetite among reinsurers may change, resulting in changes in price or their willingness to reinsure certain risks in the future. Any significant changes in reinsurance pricing may result in the Just Group being forced to incur additional expenses for reinsurance, writing less business, having to obtain reinsurance on less favourable terms or not being able to or choosing not to obtain reinsurance. The availability of reinsurance to UK insurers may also depend on the precise terms of the UK's Brexit arrangements. Any of these could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

The Just Group could face difficulties in entering into an agreement on similar terms with benefits equivalent to those described above or at all, with other reinsurers, particularly as there are only a limited number of reinsurers with credit ratings satisfactory to the Just Group who are able to provide equivalent protection for risks of the type written by the Just Group.

Third party reinsurers' unwillingness or inability to meet their obligations under reinsurance agreements, or potential termination of any of the reinsurance treaties or failure of these treaties to continue on terms similar to those presently in force, could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***Failure of a sufficiently large and important institution or other major counterparty may materially disrupt the markets and could adversely affect the Just Group***

In the global financial system, financial institutions, including reinsurers, are interdependent. The interdependence of financial institutions means that the failure of a sufficiently large and influential financial institution or other major counterparty, for whatever reason, could materially disrupt markets. This risk, known as "systemic risk", could adversely affect the Just Group in several ways, some of which may be unpredictable, including increased default or counterparty risk. It may also adversely affect future sales as a result of reduced confidence in the insurance industry or difficulties encountered in clearing premiums and payments through the banking system. The Issuer believes that, despite increased focus by regulators with respect to systemic risk, this risk remains part of the financial system, and dislocations caused by the interdependence of financial market participants could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

***The Just Group is subject to the risk of defaults by the issuers of fixed income securities in its financial asset portfolio***

Premiums received by the Just Group from customers are invested in financial assets, such as fixed income securities and LTMs, so as to match cash inflows from such investments against the Just Group's expected future cash outflows in respect of its retirement income products.

One of the principles of the Just Group's investment strategy is that the investment portfolio comprises high quality, low risk assets.

The Just Group actively monitors the quality of its overall investment portfolio, which is not intended to have a particular concentration by sub-sector or instrument. Nevertheless, the Just Group is exposed to default risk with respect to these securities in the event of adverse market conditions or other factors affecting the bond market as a whole.

If the issuers of securities held (directly or indirectly) by the Just Group default on their obligations, the Just Group could suffer significant losses on account of such defaults, which could materially adversely affect the Just Group's business, results of operations, financial condition and prospects.

***The Just Group is dependent on the use of third-party suppliers, including investment managers, IT software and internet (including cloud) service providers***

The Just Group is dependent on the use of certain third party suppliers in order to conduct its business. The Just Group is reliant in part on the continued performance, accuracy, compliance and security of such services. If the contractual arrangements with any third party providers are terminated, the Just Group may not find an alternative outsource provider or supplier for the services, on a timely basis, on equivalent terms or without significant expense or at all, in which case the Just Group would need to handle such services in-house, which could involve potential additional costs and delays.

Any reduction in third party product quality or any failure by a third party utilised by the Just Group to comply with internal, contractual, regulatory or other requirements, including requirements with respect to the handling of customer data, could cause a material disruption to or adverse financial and/or reputational impact on the Just Group's business which could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group may not be able to refinance its borrowings in the longer term and/or the cost of finance could increase***

In the longer term, the Just Group expects to access debt funding to refinance its existing indebtedness, comprising the £250,000,000 9.00 per cent. guaranteed subordinated notes issued by the Issuer on 26 October 2016 (the "**2026 Notes**"), the £230,000,000 3.5 per cent. subordinated notes issued by the Issuer on 7 February 2018 (the "**2025 Notes**") and the £100,000,000 9.5 per cent. guaranteed subordinated notes issued by Partnership Assurance Group plc (which was subsequently replaced and substituted as principal obligor by Partnership Life Assurance Company Limited with effect from 4 April 2016) on 24 March 2015 (the "**2025 PAG T2 Notes**"), at or prior to the time when they reach the end of their respective terms. The Just Group may not be successful in identifying lenders and/or investors who are willing to lend on similar terms to those which apply to the Just Group's existing indebtedness, or at all. No assurance can be given that the Just Group's existing indebtedness will, in the longer term, be able to be refinanced on similar terms, or at all, upon maturity. A reduction in the availability of finance or an increase in the future cost of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets, or reasons specific to the Just Group) could adversely affect the Just Group's business. If, in the longer term, the Just Group is not able to refinance borrowings as they mature and/or the terms of such refinancing are less favourable than the existing terms of borrowing, this could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Just Group.

## 1.6 External environment risks

***Following Brexit, uncertainty surrounding the UK's future relationship with the EU may have a materially adverse effect on global economic conditions, financial markets and the Just Group's business***

The potential outcome of the negotiations on UK withdrawal from the EU and any subsequent negotiations on trade and access to the country's major trading markets, including the single EU market, is currently unknown. The terms of the UK's exit are also unclear and remain to be determined by the negotiations currently taking place. Under the terms of the current withdrawal agreement that has yet to be approved by the UK Parliament, a transition period to 31 December 2020 will commence after the UK's exit, during which the relationship between the UK and the EU on trade and other matters will be negotiated. However, if the withdrawal agreement is not approved by the UK Parliament, the UK could leave the EU without a formal agreement and transition period. In the alternative, the UK could, subject to agreement by the European Council, extend the Article 50 deadline for the UK's exit from the EU, or ultimately revoke its notification of its intent to leave the EU. There is therefore considerable uncertainty over the arrangements to be put in place between the UK and the EU after 29 March 2019 or, if applicable, after the end of any transitional period agreed under the withdrawal agreement. The potential impact of exiting the EU on the Just Group's business operations and assets remains uncertain and adverse outcomes from the UK's negotiations with the EU may have a material adverse effect on the Just Group's business, results of operations, financial conditions and prospects. See also the risk factor entitled "*The Just Group is subject to risks arising from the UK referendum vote to withdraw from the EU ("Brexit") and any resulting changes in law and regulation*".

***The intellectual property of the Just Group, in particular its extensive database of mortality data, is crucial to its operations and the Just Group is exposed to the risk of its theft, loss, deterioration or corruption***

The most significant portion of the intellectual property of the Just Group is its data, which comprises 2.8 million person-years of medical and mortality data which is continually updated. The Issuer believes that this mortality data enables the Just Group to price and reserve more accurately than they could without such data and to secure reinsurance agreements on attractive terms.

Any theft of this data by an employee or competitor or another third party, or loss or corruption of such data, for example as a result of systems failure, or the deterioration of the relevance of the dataset over time as a result of medical advances or changes in longevity trends generally, could impair the ability of the Just Group to price its products accurately and obtain reinsurance on attractive terms, which could have a material adverse effect on the business, results of operations, financial position or prospects of the Just Group.

***The Just Group faces competition***

The Just Group operates in the competitive retirement income market in which the most important competitive factors for products include price, which in large measure is determined by the quality and extent of the relevant mortality dataset, the predicted investment return and required returns on capital, together with brand recognition, the utilisation of various distribution

channels, the quality of customer services before and after a contract is entered into, product flexibility, product innovation and policy terms and conditions.

In addition, the LTM segment continues to grow and to benefit from increasing consumer demand. The market is currently dominated by a limited number of specialist lenders but recent drivers such as the maturity of interest only mortgages has led to more providers entering this market. Despite the market growth, the intensity of competition for products similar to LTMs (such as interest only mortgages) has increased which may lead to compression of the Just Group's profit margins. The Just Group expects this trend to continue.

As a consequence, the Just Group faces, or may face, significant competition from domestic insurers, international insurance groups, consolidator funds, non-insurance groups such as investment managers and others (in any such case, whether they are established market participants, new entrants to the market or start-up operations), which offer and/or may in the future offer the same or similar products and services as the Just Group in the retirement income market to individual and corporate clients, and also in the LTM segment. Such competitors may be willing to accept higher risk or lower margins than the Just Group, and those who have assembled their own sets of mortality data may then be able to price across the spectrum of annuities at an increased level of accuracy. Further, the pace of technological change and the introduction of new technology by its competitors could potentially be disruptive to the markets in which the Just Group operates and could lead to increased competition. If any of these were to occur, they could adversely affect the Just Group's ability to obtain new customers, compete with competitors, or its ability to adjust prices, which could constrain the growth or otherwise have a material adverse effect on its business, results of operations, financial condition and prospects.

***Changes in lifestyle, medicine or technology could reduce demand for the products of the Just Group***

The Just Group is exposed to changes in the behaviour of its customers and the markets in which it sells its insurance products. For example, changes in lifestyle or medicine could significantly alter customers' and potential customers' actual or perceived need for GfL products. Changes in technology could also give rise to new types of entrants into the insurance and/or insurance sales sectors, or the development of new distribution channels requiring further adaptation of the Just Group's business and operations.

Such changes could result in reduced demand for the Just Group's products and/or require the Just Group to expend significant energy, resources and capital to change its product offering, build new risk and pricing models, modify and renew its operating and IT systems and/or retrain or hire new people. Such changes could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

***The Just Group's future success may depend on its ability to develop and market new products, or enter new geographical markets successfully***

Further changes to pension legislation and to social attitudes are key factors which may drive a reduction in the UK retirement income market in the future. Political and social commentary may also have a destabilising effect on customer confidence. In addition, further changes to regulation or taxation may make alternative at-retirement propositions more attractive to customers than annuities or LTMs. In these circumstances, the need for the Just Group to

diversify increases, but diversification also entails risks associated with change. Such diversification could include: development of new products and services that better meet the needs of those deferring retirement; further expansion into new markets in the UK or overseas; and/or expanding the advice proposition and/or brand and customer led strategies.

Should the Just Group prove to be unable to diversify successfully in order to meet these challenges, such failure could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***Legal and arbitration proceedings could cause the Just Group to incur significant expenses, which could have an adverse effect on the Just Group***

In the ordinary course of business the Just Group is from time to time party to various claims and complaints, including legal and arbitration proceedings, in respect of which monetary damages and/or compensation are sometimes sought.

The Just Group's management cannot predict with certainty the outcome of any pending legal and arbitration proceedings or potential future legal and arbitration proceedings, and the Just Group may incur substantial expense in pursuing or defending these proceedings. Potential liabilities may not be covered by insurance, the Just Group's insurers may dispute coverage or may be unable to meet their obligations, or the amount of the Just Group's insurance coverage may be inadequate. Moreover, even if claims brought against the Just Group are unsuccessful or without merit, the Just Group would have to defend itself against such claims. The defence of any such actions may be time consuming and costly, may distract the attention of management and potentially result in reputational damage. As a result, the Just Group may incur significant expenses and may be unable to effectively operate its business. Accounting provisions recognised by the Just Group in its financial statements may prove to be insufficient. Any of the above and any adverse outcomes and reputational damage arising out of such litigation could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group is subject to the risk of receiving complaints alleging the provision of unsuitable advice***

The Just Group's distribution arm, HUB Financial Solutions Limited, provides advice to customers in relation to LTMs and, more recently, annuities, in particular immediate needs annuities. HUB Financial Solutions Limited has also launched a simplified advice service for customers who are determining how to disinvest retirement savings. The Just Group has also recently entered the Defined Pensions Transfer Advice market via its acquisition of Corinthian Pension Consulting Limited. The Just Group may be subject to complaints alleging the provision of unsuitable advice through any of its advisory businesses. There is also a risk that the process driven nature of the simplified advice service could contain systematic errors that could result in the same mistake being made repeatedly before it is discovered, giving rise to multiple claims. If any such complaints were sustained, the Just Group may be subject to disciplinary or enforcement action by the FCA, which could, for example, result in private or public censure, fines or sanctions, or the award of compensation to customers. This could in turn result in reputational damage that could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects. See also the risk factor entitled "*Individual and groups of customers may refer their disputes with the Just Group to the Financial Ombudsman Service*".

***Downgrades or the revocation of the Just Group's ratings could affect its standing in the market and result in a loss of business and/or reduced earnings***

JRL has been assigned an insurer financial strength rating of “B+ – very strong” by the actuarial consulting firm AKG Financial Analytics Ltd (“**AKG**”), as last confirmed in March 2018, and PLACL has similarly been assigned an insurer financial strength of “B+ – very strong” by AKG, as last confirmed in March 2018. Each of these insurer financial strength ratings is subject to periodic review by, and may be revised downward or revoked at the sole discretion of AKG (including as a result of regulatory developments). On 7 August 2017, Fitch assigned JRL an insurer financial strength rating of A+ and issuer default rating of A, and assigned the Just Group an issuer default rating of A. Each of these ratings is subject to periodic review by, and may be revised downward or revoked at the sole discretion of Fitch (including as a result of regulatory developments). Fitch have noted that a downgrade could result from a weakening in capitalisation, an increase in financial leverage, a weakening in financial flexibility or a deterioration in business profile. In particular, Fitch note that a downgrade is likely in the event of weakening of the Just Group's capitalisation (as evidenced by a prolonged fall in the Prism Factor-Based Capital Model score to the low end in the “Very Strong’ category, or a decrease in the Just Group's Solvency II ratio to below 130 per cent.) or a weakening of the Just Group's financial leverage ratio to above 30 per cent. on a sustained basis. The ratings could also be downgraded as a result of a sustained weakening in the Just Group's financial flexibility, as evidenced, for example, by the Just Group's fixed charge coverage ratio declining to below 3:1.

Pursuant to the terms of the £200,000,000 revolving credit facility dated 16 June 2017 between the Issuer as original borrower and original guarantor and its subsidiaries Just Retirement Group Holdings Limited, Just Retirement (Holdings) Limited, Partnership Assurance Group Limited (“**PAG**”), Partnership Holdings Limited and Partnership Group Holdings Limited as original guarantors (the “**2017 Revolving Credit Facility**”), a downgrade in the rating of the Issuer to below BBB-/Baa3 (or equivalent) from a recognised rating agency would result in an increase to the margin payable by the Issuer in respect of amounts it has borrowed under the 2017 Revolving Credit Facility, thereby increasing its borrowing costs. A downgrade in the rating of the Issuer to below BBB-/Baa3 (or equivalent) would also result in the application of a more restrictive covenant package under the 2017 Revolving Credit Facility. This could impair the Just Group's ability to implement its strategy if consent from the majority lenders were not provided.

A downgrade or revocation of any of these ratings could have a material adverse effect on the Just Group's public reputation, ability to secure reinsurance, and competitive position in the market, especially in relation to its distribution arrangements and commercial business, where partners, EBCs or customers may not be willing or permitted to place their business with a lower rated insurer, which could result in reduced business volumes and income. Further, interest rates paid on borrowings by the entities within the Just Group are influenced by the existence and strength of the ratings above, and so a downgrade or revocation could affect the borrowing costs and/or future financial flexibility of the Just Group. The occurrence of any of the above could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The political, regulatory, economic and business conditions in new geographical markets could impair the ability of the Just Group to succeed in new territories***

Any expansion into new geographies will expose the Just Group to different local political, regulatory, business and financial risks and challenges which may affect its ability to implement the intended strategy and business plans for those geographic markets. These risks could include political, social or economic instability, credit and counterparty risks in new geographies, lack of local business experience and risks of cultural incompatibility with foreign parties. The occurrence of any of these events could have a material adverse effect on the business, results of operations, financial condition and prospects of the Just Group.

***The Just Group is exposed to the risk of damage to its brand, the brands of its distribution partners, its reputation, or a decline in customer confidence in the Just Group or its products***

The Just Group's success and results are influenced by its financial strength, reputation and its brand. The Just Group and its brand are vulnerable to adverse market perception as the Just Group operates in an industry where integrity, customer trust and confidence are paramount.

Negative publicity or damage to the brand or the Just Group's reputation could result from, *inter alia*, litigation (including mis-selling claims), employee misconduct, operational failures, the outcome of regulatory or other investigations or actions, allegation or determination that the Just Group has failed to comply with regulatory or legislative requirements, failure in business continuity or performance of the Just Group's IT systems, loss of customer data or confidential information, fraudulent activities, malign influences, unsatisfactory service and support levels or insufficient transparency or disclosure of information. Negative publicity adversely affecting the Just Group's brand or its reputation could also result from misconduct or malpractice by intermediaries, business promoters or other third parties linked to the Just Group (such as strategic partners, distributors and suppliers).

The Just Group's brand and reputation could also face threats from external risks such as regulatory intervention or enforcement action, whether directly or as part of a larger and more general action against other companies that operate in the same sectors as the Just Group's operating entities. See *"The UK Government's pension reforms implemented in April 2015 have had, and will continue to have, a fundamental impact on the expected shape and future of the retirement income market in the UK and there can be no certainty that the response of the Just Group to both these pension reforms and to the Taxation of Pensions Act 2014 (together with the pension reforms implemented in April 2015 referred to as "Pension Freedom Reforms") will fully mitigate any adverse effects the Just Group may suffer as a consequence of the Pension Freedom Reforms"*. In particular, the Pension Freedom Reforms have affected customer confidence in annuities and reduced the number of people purchasing an annuity within the UK retirement income market, resulting in a reduction in the total sales of UK annuities and a reduction in the revenue which the Just Group derives from sales of GifL products.

Damage to the Just Group's brands or reputation could cause existing customers, partners or intermediaries to withdraw their business from the Just Group and potential customers, partners or intermediaries to be reluctant, or elect not, to do business with the Just Group. Such damage to the Just Group's brand or reputation could cause disproportionate damage to the Just Group's business, even if the negative publicity is factually inaccurate or unfounded. Furthermore, negative publicity could result in greater regulatory scrutiny and influence market

or rating agencies' perception of the Just Group, restricting the Just Group's access to distribution channels or the ability to access funding in the capital markets. The occurrence of any of these events could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

## **1.7 Internal operations and management**

### ***The Just Group's operations support complex transactions and are highly dependent on the proper functioning of IT and communication systems***

The Just Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing claims, assessing acceptable levels of risk exposure, setting required levels of provisions and capital, producing financial and management reports on a timely basis and maintaining customer service and accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by increases in usage, human error, unauthorised access, power failures, natural hazards or disasters, blackouts, computer viruses, terrorist attacks or war or similarly disruptive events. Any failure of the Just Group's IT and communications systems and/or third party infrastructure on which the Just Group relies could lead to costs and disruptions that could materially adversely affect the Just Group's business, results of operations, financial condition and prospects as well as harm the Just Group's reputation and/or attract increased regulatory scrutiny.

If the Just Group were to introduce new consumer products beyond its current offering, it may be required to develop new operational processes and information systems or to ensure current systems are adequate to support these products. Development of new systems or the expansion of current systems may require experience and resources beyond those the Just Group currently possesses. Failure to support new products with necessary resources could lead to costs or the failure of new product offerings. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data, or the cessation of the availability of systems, could, to the extent not mitigated by the Just Group's disaster recovery and business contingency plans, have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

### ***If the Just Group is unable to maintain the availability of its systems and safeguard the security of its data, including customer and employee data, due to accidental loss, cyber-crime, the occurrence of disasters or other unanticipated events affecting the Just Group or its service providers, its ability to conduct business may be compromised which may have an adverse effect on the Just Group***

The Just Group collects and processes personal data (including name, address, age, medical details, bank details and other personal data) from its customers, business contacts and employees as part of the operation of its business, and therefore it must comply with data protection and privacy laws and industry standards in the UK and the countries of residence of the Just Group's policyholders. Those laws and standards impose certain requirements on the Just Group in respect of the collection, use, processing and storage of such personal information. This includes compliance with the General Data Protection Regulation (EU 2016/679) which came into force on 25 May 2018 (the "GDPR") and introduced substantial changes to the EU data protection regime. The GDPR places a large compliance burden on companies who retain customer data and may impair the ability to use data.

There is a risk that data collected by the Just Group and its third party service providers is not processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators, or other counterparties or applicable law. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims. In particular, fines under the GDPR are based on a two-tier system, and fines up to a maximum of €10 million or 2 per cent. of annual global turnover, or, for more severe infringements, a maximum of €20 million or 4 per cent. of annual global turnover, may be imposed.

Business organisations, such as the Just Group, are increasingly becoming targets for cyber-crime, particularly if those organisations retain personal information about many people. The Just Group is exposed to the risk that the personal data it controls could be wrongfully accessed, copied, used and/or destroyed whether by employees or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Just Group or any of the third party service providers on which it relies fails to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Just Group could face liability under data protection laws. This could also result in damage to the Just Group's brand and reputation, the loss of new or repeat business and/or the Just Group incurring a large fine, any of which could, to the extent not mitigated by the Just Group's disaster recovery and business continuity contingency plans, have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group's risk management policies and procedures may not be effective and may leave the Just Group exposed to unidentified or unexpected risks***

The Just Group's policies, procedures and practices used to identify, measure, monitor and manage a variety of risks may fail to be effective. As a result, the Just Group faces the risk of losses, including losses resulting from human error, the payment of incorrect amounts to policyholders due to incorrect administration, market movements and fraud. The Just Group's risk management methods rely on a combination of technical and human controls and supervision that can be subject to error and failure. Some of the Just Group's methods of managing risk are based on internally developed controls and observed historical market behaviour, and also involve reliance on industry standard practices. Whilst the Just Group is continually updating its risk management policies and procedures to manage new risks which emerge (for example, those arising in relation to its IT systems and cyber-crime), these methods may not adequately prevent future losses, particularly if such losses relate to extreme or prolonged market movements, which may be significantly greater than the historical measures indicate. These methods also may not adequately prevent losses due to technical errors if the Just Group's testing and quality control practices are not effective in preventing technical software or hardware failures.

Ineffective risk management policies and procedures could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group is exposed to the risk of financial crime (including bribery, money laundering and corruption)***

The Just Group is exposed to the risk of internal and external fraud from a variety of sources such as employees, suppliers, intermediaries, customers and other third parties. This includes

both policy (i.e. application-related) fraud and claims fraud. Although the Just Group employs fraud detection processes to help monitor and combat fraud, the Just Group is at risk from customers, financial intermediaries or other distribution partners or employees who misrepresent or fail to provide full disclosure of the risks or over-disclose medical or lifestyle risk factors before policies are purchased and from a range of other fraud-related exposures, such as the fraudulent use of Just Group-related confidential information. These risks are potentially higher in periods of widespread financial stress.

Additionally, the Just Group is exposed to risk from employees and staff members who fail to follow, or who circumvent, procedures designed to prevent fraudulent activities.

The occurrence or persistence of fraud in any aspect of the Just Group's business could damage its reputation and brands as well as its financial standing, and could have a material adverse effect on its business, results of operations, financial condition and prospects.

***The Just Group is exposed to operational risk in the course of its business and it relies on its employees, operational processes and IT systems to conduct its business in line with its values, governance standards, policies and procedures***

The Just Group relies on its people to deliver the quality of products and services for which it is known and/or the productivity of its people for the cost efficiencies it is able to deliver. In an organisation that is dependent on its talent, their continued commitment, engagement and development is crucial in seeking to address many operational risk factors. The importance of people to the success of the Just Group's business model means that risks relating to talent attraction, development and retention are considerable.

The employees of the Just Group underpin all that it does, and how they undertake their duties is influenced by the Just Group's corporate culture. The Just Group believes that a positive culture brings positive attitudes and enthusiasm to embrace and adopt change. The Just Group also acknowledges the destructive consequences of an inappropriate culture. The development of an inappropriate culture could result in employees of the Just Group failing to adhere to, or follow the recommendations of, the Just Group's governance standards, policies and procedures and could in turn increase the likelihood of operational risks materialising. Should such risks materialise, this could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group is exposed to conduct risk***

The Just Group is also exposed to the risk that decisions and behaviours of its Directors or employees do not support the integrity of financial markets, leading to unfair treatment of customers or clients, or otherwise detrimental customer or client outcomes. This might arise where, *inter alia*, the Just Group fails to maintain appropriate policies and procedures, to communicate appropriately with customers or clients, to deal with complaints efficiently or to provide appropriate investment or financial advice planning to customers or clients (such as the advice services provided by HUB Financial Solutions Limited). The Just Group might also be exposed to conduct risk by the conduct or misconduct of employees, over which the Just Group only has limited control by way of employee policies and procedures.

Conduct risk is an area of close regulatory scrutiny and a failure by the Just Group (or its employees) to protect the interests of customers or clients could lead to legal proceedings or

enforcement action by regulators. This could in turn lead to financial penalties, reputational damage and/or suspension or revocation of regulatory permissions, licenses or approvals, which could in turn have a material adverse effect on the Just Group's business and prospects.

***If the Just Group experiences difficulties arising from outsourcing relationships, its ability to conduct business may be compromised***

The Just Group outsources some of its key customer service, policy administration and other administrative functions under formal outsourcing arrangements (including Capita in respect of administration and Insight, Robeco, BlackRock and other specialists in relation to the management of the Just Group's fixed income portfolio). The Just Group only enters into outsourcing relationships with firms which the Issuer believes have the know-how, expertise and business models that meet the Just Group's required standards. The Just Group aims to maintain effective systems and controls for outsource providers in compliance with the Just Group's ongoing obligations. However, there can be no assurance that such systems and controls will be completely successful in seeking to avoid, or reduce the potential effects of, underperformance. In particular, while the outsourcing relationships are carefully monitored, underperformance may also result in breaches of applicable law and regulation, which could result in regulatory intervention. There is also a risk that the providers will not be able to keep up with the pace of legal and/or regulatory change (including as a result of Brexit), in which case the Just Group's operations may become non-compliant.

If the Just Group does not effectively develop, implement and monitor its outsourcing strategy, or outsourcing relationships do not perform as anticipated or the Just Group experiences problems with a transition of outsourcing arrangements, the Just Group may experience poor investment returns, operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects. In addition, the failure or insolvency of, or inability to provide the relevant services by, one or more of the Just Group's third party service providers could have a material adverse effect on the Just Group's ability to sustain its ongoing operations, which could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

***The Just Group could be materially adversely affected by the loss of key employees, or by an inability to attract and retain, or obtain FCA or PRA approval for, qualified personnel***

The loss of services of key employees could adversely affect the Just Group. It may need to temporarily fill certain key roles with interim employees while recruitment of permanent staff is concluded. The Just Group's continued success also depends on its ability to attract, motivate and retain highly competent specialists, particularly those with financial, IT, underwriting, actuarial and other specialist skills. Competition for senior managers, as well as personnel with these skills and proven ability, is intense among insurance companies.

The Just Group competes with other financial services groups for skilled personnel, primarily based on its reputation, financial position, location, remuneration policies and support services. If the Just Group fails to compete effectively in the labour market, it may incur significant costs to recruit and retain appropriately qualified individuals.

In addition to regulating the financial services firms themselves, the FCA and the PRA also regulate the individual managers performing certain significant roles. The Just Group's inability to attract and retain, or obtain FCA or PRA approval for, directors and highly skilled personnel, and to retain, motivate and train its staff effectively, could adversely affect its competitive position, which could in turn result in a material adverse effect on its business, results of operations, financial condition and prospects.

## **1.8 Taxation risks**

### ***Changes in taxation laws may affect decisions of customers***

There are specific rules governing the taxation of policyholders. The Just Group's management cannot predict accurately the impact of future changes in tax law on the taxation of life and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the decisions of policyholders, and could have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

### ***Changes in taxation law may have a material adverse effect on the Just Group***

Changes in corporate and other tax rules (whether in the UK or in other jurisdictions in which the Just Group operates) could have both a prospective and retrospective impact on the Just Group's business, results of operations, financial condition and prospects. In general, changes to existing tax laws or their interpretation, or amendments to existing tax rates (corporate or personal), or the introduction of new tax legislation may materially adversely affect the Just Group's business, results of operations, financial condition and prospects, either directly or indirectly, for example by effecting changes in the insurance purchasing decisions of customers. Changes to legislation that specifically governs the taxation of insurance companies might adversely affect the Just Group's business. While changes in taxation laws may affect the insurance sector as a whole, changes may be particularly detrimental to certain operators or certain products in the industry. The relative impact on the Just Group will depend on the areas affected by the changes, the mix of business within the Just Group's portfolio and other relevant circumstances at the time of the change.

Further, there is currently uncertainty in the UK around the long-term approach to taxation. Should there be a change in government, or a weakening of the existing government's position, this may create uncertain economic conditions and create further uncertainty over the UK's negotiating position with the EU in relation to Brexit, all of which could have a material adverse effect on economic conditions within the UK including the UK property market and could, among other things, lead to an increase in UK tax rates, which could in turn have a material adverse effect on the Just Group's business, results of operations, financial condition and prospects.

## **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 deeply subordinated***

The Issuer's obligations under the Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves.

If, at any time prior to the date on which a Trigger Event occurs (i) a winding-up or liquidation of the Issuer occurs or (ii) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute, a dividend, (the events in (i) and (ii), each an "**Issuer Winding-Up**"), there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable in respect of that Note if, on the day prior to the commencement of the winding-up or liquidation of the Issuer or the Issuer's entry into administration and thereafter, the holder of that Note was the holder of one of a class of preference shares in the Issuer ("**Notional Preference Shares**"):

- (a) having a preferential right to a return of assets in such winding-up, liquidation or administration to, and so ranking in priority to, the holders of the Ordinary Shares and any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer (other than any shares which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank, *pari passu* with, or in priority to, the Notional Preference Shares in a winding-up or other return of capital); and
- (b) having an equal right to a return of assets in such winding-up, liquidation or administration to, and so rank *pari passu* with, the holders of securities of the Issuer which, by their terms, rank or are expressed to ranking, *pari passu* with the Notes in a winding-up, liquidation or other return of capital (including, without limitation, shares of any class which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank *pari passu* with the Notional Preference Shares in a winding-up, liquidation or other return of capital); and
- (c) ranking junior to the claims of Senior Creditors and the holders of shares of any class which may be issued or deemed to be in issue for the time being in the capital of the Issuer which, by their terms, rank or are expressed to rank senior to the Notional Preference Shares in a winding-up, liquidation or other return of capital.

If, at any time on or after the date on which a Trigger Event occurs, an Issuer Winding-Up occurs but the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depositary have not been so delivered, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable in respect of that Note if, on the day prior to the commencement of the winding-up, liquidation or administration of the Issuer and thereafter, the holder of that Note was the holder of such number of Ordinary Shares as it would have been entitled to receive on Conversion of that Note in accordance with Condition 6 (*Conversion*) (ignoring for these purposes the Issuer's right to make an election for a Conversion Shares Offer to be effected in accordance with Condition 6(e) (*Conversion Shares Offer*)).

Although the Notes may potentially pay a higher rate of interest (subject always to the Issuer's right and, in certain circumstances, obligation to cancel any interest payment under the

Conditions) 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.

In addition, investors should be aware that, upon Conversion of the Notes following a Trigger Event, Noteholders will be effectively further subordinated as they will be treated as, and subsequently become, holders of Ordinary Shares, even if other existing subordinated indebtedness and preference shares remain outstanding. There is a risk that Noteholders will lose the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Noteholders or of securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise.

***Payments by the Issuer are conditional upon the Issuer being solvent***

Other than in the circumstances set out in Condition 3(b) (*Issuer Winding-Up prior to a Trigger Event*) or Condition 3(c) (*Issuer Winding-Up on or after a Trigger Event*), or in relation to the cash component of any Conversion Shares Offer Consideration, all payments under or arising from (including any damages for breach of any obligations under) the Notes shall be conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be due and payable by the Issuer in respect of or arising from the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For these purposes, the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. Any payment of interest that would have been due and payable but for the inability to comply with the Solvency Condition shall be cancelled in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*).

***Interest Payments on the Notes are wholly discretionary***

Interest payments on the Notes are wholly discretionary and the Issuer may at any time elect to cancel any interest payment, in whole or in part, which would otherwise be due and payable on any Interest Payment Date. Accordingly, interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer. Furthermore, interest payments are subject to mandatory cancellation as provided in Condition 3(e) (*Solvency Condition*), Condition 5(b) (*Mandatory Cancellation of Interest*) and Condition 6(g) (*Accrued Interest on Conversion*), as further described below. At the time of publication of this Offering Memorandum, it is the intention of the Directors to take into account the relative ranking in the Issuer's capital structure of its Ordinary Shares and its outstanding restricted Tier 1 securities (including, but not limited to, the Notes) whenever exercising its discretion to declare dividends on the former or to cancel interest on the latter. However, the Directors may depart from this policy at any time in their sole discretion.

Any interest payment (or relevant part thereof) which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the interest payment (or relevant part thereof) which is cancelled. In addition, cancellation or non-payment of interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

Any actual or perceived increased likelihood of cancellation of any interest payment may adversely affect the market value of the Notes and could result in increased volatility and/or reduced liquidity in the market (if any) for the Notes.

***In addition to the Issuer's right to cancel interest payments, in whole or in part, at any time, the Conditions require that interest payments must be cancelled under certain circumstances. Cancelled interest payments shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto***

The Issuer must cancel any interest payment on the Notes in full pursuant to Condition 5(b) (*Mandatory Cancellation of Interest*) in the event that, *inter alia*, the Issuer cannot make the payment (including, if applicable, any Additional Amounts) in compliance with the Solvency Condition, the Solvency Capital Requirement or the Minimum Capital Requirement, or where the interest payment would, together with any Additional Amounts payable with respect thereto, exceed the amount of the Issuer's Distributable Items (as defined in the Conditions) as at the time for payment, or if required to cancel any interest payment by the Relevant Regulator or under the Relevant Rules (as defined in the Conditions). Any interest payments due on or after the date of a Trigger Event must also be cancelled under Condition 6(g) (*Accrued Interest on Conversion*).

Any interest payment which is cancelled shall not accumulate and shall not become due and payable at any time thereafter. In the event of such cancellation, Noteholders will have no rights in respect of the interest payment which is cancelled. In addition, cancellation or non-payment of interest in accordance with the Conditions shall not constitute a default or event of default on the part of the Issuer for any purpose.

Any actual or perceived increased likelihood of cancellation of any interest payment may adversely affect the market value of the Notes and could result in increased volatility and/or reduced liquidity in the market (if any) for the Notes.

***The Issuer's interests may not be aligned with those of investors in the Notes***

The Issuer's satisfaction of the Solvency Condition and the availability of Distributable Items as well as there being no occurrence of a Trigger Event will depend in part on decisions made by the Issuer and other entities in the Just Group relating to their businesses and operations, as well as the management of their capital positions.

While the Directors of the Issuer are under an obligation to consider the interests of all stakeholders of the Issuer, including the Noteholders, the interests of other stakeholders of the Issuer could be adverse to and outweigh the interests of the Noteholders, including in the context of capital management and the relationship among the various entities in the Just Group and the Just Group's structure. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. It may decide not to propose to its shareholders to reallocate share premium to a distributable reserve account or to take other actions necessary in order for share premium or other reserves or earnings to be included in Distributable Items. Moreover, in order to avoid the use of public resources, the PRA may decide that the Issuer should allow a Trigger Event to occur or should cancel an interest payment at a time when it is feasible to avoid this. Noteholders will not have any claim against the Issuer or any other entity of the Just Group relating to decisions that affect the capital position of the Just Group, regardless of whether they result in the occurrence of a Trigger Event or a lack of Distributable Items or breach of the Solvency Condition. Such decisions could cause Noteholders to lose the full amount of their investment in the Notes.

***Other capital instruments issued by the Issuer may not absorb losses at the same time, or to the same extent as the Notes***

The terms and conditions of other regulatory capital instruments issued from time to time by the Issuer or any of its subsidiaries may vary and accordingly such instruments may not convert into equity or be written-down at the same time, or to the same extent, as the Notes, or at all. Further, regulatory capital instruments issued by a member of the Just Group with terms that require such instruments to be converted into equity and/or written down when a solvency or capital measure falls below a certain threshold may have different capital or solvency measures for triggering a conversion or write-down to those set out in the definition of Trigger Event or may be determined with respect to a group or sub-group of entities that is different from the Just Group, with the effect that they may not be converted into equity and/or written down on the occurrence of a Trigger Event. Therefore, the Notes may be subject to a greater degree of loss absorption than would otherwise have been the case had such other instruments been written down or converted at the same time as or prior to the Notes.

***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 failed to proceed against, or prove in the winding-up or administration or claim in the liquidation of, the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for an Issuer Winding-Up in England and Wales (but not elsewhere) and/or proving in any winding-up or in any administration of the Issuer and/or claiming in the liquidation of the Issuer. Any cancellation or non-payment of interest shall not constitute a default or event of default on the part of the Issuer for any purpose.

***Notes may be traded with accrued interest which may subsequently be subject to cancellation***

The Notes may trade, and/or the prices for the Notes may appear, in trading systems with accrued interest. Purchasers of Notes in the secondary market may pay a price which reflects such accrued interest on purchase of the Notes. If an interest payment is cancelled (in whole or in part) as described above, a purchaser of Notes in the secondary market will not be entitled to the accrued interest (or part thereof) reflected in the purchase price of the Notes.

***The Notes have no scheduled maturity and Noteholders only have a limited ability to exit their investment in the Notes***

The Notes are perpetual securities and have no fixed maturity date or fixed redemption date. Although the Issuer may, under certain circumstances described in Condition 8 (*Redemption, Substitution, Variation and Purchase*), redeem or purchase the Notes, the Issuer is under no obligation to do so and Noteholders have no right to call for the Issuer to exercise any right it may have to redeem or purchase the Notes.

Therefore, Noteholders do not have the ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem or purchase the Notes in accordance with the Conditions, (ii) by selling to other market participants their Notes (if any such market participant agrees to purchase the Notes) or, following the occurrence of the Trigger Event and the issue and delivery of Ordinary Shares, their Ordinary Shares (provided the Ordinary Shares issued

upon Conversion are not all sold to the Issuer's Shareholders pursuant to a Conversion Shares Offer), (iii) through the cash component of any Conversion Shares Offer Consideration, (iv) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer has exercised its right to redeem the Notes but fails to make payment in respect of such redemption when due (in which limited circumstances the claim of Noteholders is deeply subordinated, and there may or may not be any resulting liquidation proceeds available to Noteholders following payment being made in full to all senior and more senior-ranking subordinated creditors) or (v) upon a winding-up, liquidation or administration of the Issuer (in which limited circumstances the claim of Noteholders is deeply subordinated, and there may or may not be any resulting liquidation proceeds available to Noteholders following payment being made in full to all senior and more senior-ranking subordinated creditors). The proceeds, if any, realised by the actions described in (iv) and (v) above may be substantially less than the principal amount of the Notes or amount of the investor's investment in the Notes. See also "*Risks related to the market generally - The secondary market generally*".

In addition, the Conditions set out certain Redemption and Purchase Conditions, including in relation to the Solvency Capital Requirement and the Minimum Capital Requirement being met immediately prior to the redemption or purchase of the Notes. If the Redemption and Purchase Conditions are not met, the Issuer may not redeem or purchase any Notes and the redemption or purchase of the Notes shall instead be suspended, as provided in the Conditions.

***Subject to certain conditions, the Issuer may redeem the Notes at the Issuer's option on certain dates***

Subject, *inter alia*, to the solvency of the Issuer, to compliance with the Solvency Capital Requirement and Minimum Capital Requirement and to satisfaction of the Regulatory Clearance Condition, the Issuer in its sole discretion may, in the circumstances described below, elect to redeem all (but not some only) of the Notes at their principal amount outstanding together with (to the extent that such interest has not been cancelled in accordance with the Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

Such redemption may occur (i) at the option of the Issuer on the First Call Date or any Reset Date thereafter, (ii) at any time in the event of the occurrence of a Tax Event; (iii) at any time following the occurrence of (or if there will occur within the forthcoming period of 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 any Further Notes, if any) have been purchased and cancelled.

The Issuer shall only be entitled to redeem the Notes upon the occurrence of a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event, if (amongst other conditions) it was reasonable for the Issuer to conclude, judged at the Issue Date, that such event was unlikely to occur.

The right of the Issuer to redeem the Notes in certain circumstances may limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, or in the case of an actual or perceived increased likelihood that the Issuer may so elect, the market value of the Notes generally will not rise above the price at which they can be redeemed.

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 8 (*Redemption, Substitution, Variation and Purchase*), the Issuer may, at its option and without the consent or approval of Noteholders, elect to substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain, Qualifying Securities (i) in the event of the occurrence of a Tax Event or (ii) following the occurrence of (or where there will occur within six months) a Capital Disqualification Event. Following the occurrence of (or where there will occur within six months) a Ratings Methodology Event, the Issuer may elect to 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 Securities.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Securities and/or Rating Agency Compliant Securities will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Securities and/or Rating Agency Compliant Securities are not materially less favourable to investors than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such variation or substitution (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

***Notes may be mandatorily converted into Ordinary Shares***

Following the occurrence of a Trigger Event, the Notes will be mandatorily converted into Ordinary Shares on the Conversion Date. Once the Conversion Shares have been issued and delivered to the Conversion Shares Depositary, all of the Issuer's obligations under the Notes (including any payment obligation in respect of principal and/or accrued interest) shall be irrevocably discharged and satisfied. As a result, Noteholders may lose all or part of the value of their investment in the Notes as, following Conversion, they will receive only (i) the Conversion Shares and/or (ii) (if the Issuer elects that a Conversion Shares Offer be made) the Conversion Shares Offer Consideration.

Although the market value of any Conversion Shares received by Noteholders may increase (or decrease) in value over time, the Conversion Price at the time the Conversion Shares are issued may not reflect (and may be considerably higher than) the market value of the Ordinary Shares. A Conversion Price that is higher than the market price of an Ordinary Share will represent a loss for Noteholders, since (through Conversion) they will obtain Ordinary Shares (subject to a Conversion Shares Offer) at a higher price than they will be able to sell such Ordinary Shares at in the market.

Any Conversion of the Notes shall be irrevocable and Noteholders shall not be entitled to any compensation in the event that the value of Ordinary Shares or Conversion Shares Offer Consideration received by them is less than the principal amount of their Notes, or if the solvency position of the Issuer subsequently improves following Conversion (including if the Trigger Event has ceased to continue). Furthermore, the sole remedy available to Noteholders in the event that the Issuer fails to delivery Conversion Shares to the Conversion Shares Depositary on or after the Trigger Event will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depositary or,

where applicable, participate in the liquidation proceeds of the Issuer as if the Conversion Shares had been issued. Once the Conversion Shares to be delivered on Conversion have been issued and delivered to the Conversion Shares Depositary, the only claims Noteholders will have will be against the Conversion Shares Depositary for delivery of Conversion Shares and/or Conversion Shares Offer Consideration, as applicable.

For the avoidance of doubt, the Noteholders will have no right to convert their Notes into Ordinary Shares at their election. Conversion of the Notes will occur only following the occurrence of a Trigger Event.

***The occurrence of the Trigger Event may depend on factors outside of the Issuer's control***

A Trigger Event shall occur if the Issuer determines at any time (acting reasonably and after consultation with the Relevant Regulator) that (i) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement, (ii) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement, or (iii) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

The occurrence of a Trigger Event and, therefore, Conversion is to some extent unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control, including actions that the Issuer is required to take at the direction of the Relevant Regulator and regulatory changes. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Any indication that the Issuer or the Just Group may be at risk of failing to meet its Solvency Capital Requirement or Minimum Capital Requirement may have an adverse effect on the market price and liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily (if at all) or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities. In addition, the risk of Conversion could drive down the price of the Ordinary Shares and have a material adverse effect on the market value of any Conversion Shares received upon Conversion.

***Noteholders must submit a Conversion Shares Settlement Notice to receive delivery of Conversion Shares or Conversion Shares Offer Consideration following Conversion***

In order to obtain delivery of the relevant Conversion Shares or the Conversion Shares Offer Consideration, as applicable, following a Conversion of the Notes, the relevant Noteholder must deliver, *inter alia*, a duly completed Conversion Shares Settlement Notice to the Conversion Shares Depositary, which must contain specified information. Any Noteholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Conversion Shares or such Conversion Shares Offer Consideration, as applicable. The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof,

in each case as a result of such Noteholder failing to submit, *inter alia*, a valid Conversion Shares Settlement Notice, on a timely basis or at all.

***The Notes will remain in existence following Conversion for a period with Noteholders having limited rights***

Following Conversion, the Notes will remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing each Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository. All obligations of the Issuer under the Notes shall be irrevocably released in consideration of the Issuer's issuance and delivery of the Conversion Shares to the Conversion Shares Depository on the Conversion Date, and under no circumstances shall such released obligations be reinstated. The Notes shall be cancelled on the applicable Settlement Date (or, if earlier, the Final Cancellation Date). Notwithstanding the foregoing, there can be no assurance that Noteholders will be able to sell any Notes following the occurrence of a Trigger Event.

Receipt by the Conversion Shares Depository of the Conversion Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Notes and a Noteholder shall, with effect on and from the Conversion Date, only have recourse to the Conversion Shares Depository for the delivery to it of the relevant Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which such Noteholder is entitled. The Issuer shall not have any liability for the performance of the obligations of the Conversion Shares Depository. There may, therefore, be a period following Conversion during which the Noteholders remain in possession of their Notes but are owed no obligations thereunder by the Issuer.

***There may be a delay in Noteholders being able to transfer any Conversion Shares following Conversion***

Although the Noteholders will (subject to a Conversion Shares Offer) become beneficial owners of the Conversion Shares upon the issuance of such Conversion Shares to the Conversion Shares Depository and the Conversion Shares will be registered in the name of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Notes), no Noteholder will be able to sell or otherwise transfer any Conversion Shares until such time as they are finally delivered to such Noteholder and registered in its name. In the event of a Conversion Shares Offer, only some – or none – of the Conversion Shares may be delivered to the Noteholders.

***Noteholders are subject to all changes made with respect to Conversion Shares prior to their registration as a holder of such Conversion Shares***

Noteholders will be unable to exercise voting rights and other rights related to any Conversion Shares until such Conversion Shares have been issued and delivered to the Conversion Shares Depository following the Conversion Date and subsequently delivered to the Noteholders, and such Noteholder has been registered in the Issuer's share register as a shareholder in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer. Prior to such registration, Noteholders will be subject to all changes made with respect to the Conversion Shares but will not be entitled to any of the rights of a shareholder.

***Noteholders are particularly exposed to changes in the market price of Ordinary Shares***

Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or through similar transactions. Prospective investors in the Notes may look to sell Ordinary Shares in anticipation of taking a position in, or during the term of, the Notes. This could drive down the price of the Ordinary Shares. Since the Notes will (subject to election by the Issuer that a Conversion Shares Offer be made) mandatorily convert into Conversion Shares upon a Trigger Event, the price of the Ordinary Shares may be more volatile if a Trigger Event appears likely to occur.

***Noteholders may be subject to taxes following Conversion***

Neither the Issuer nor any member of the Insurance Group will pay any taxes (including any capital, stamp, issue, registration, financial transaction, documentary or transfer taxes or duties) arising on, or as a result of, Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares on Conversion or their transfer in any Conversion Shares Offer. Noteholders must pay any such taxes arising on Conversion in connection with the issue and delivery of the Conversion Shares whether to the Conversion Shares Depository on behalf of the relevant Noteholder or otherwise to or for the benefit of such Noteholder, and Noteholders must pay all, if any, such taxes arising by reference to any disposal or deemed disposal of its Notes or interest therein, save that the Issuer intends to make it a condition of any Conversion Shares Offer that any capital, stamp, issue, registration, financial transaction, documentary or transfer taxes or duties arising on delivery or transfer of Conversion Shares to a purchaser in any Conversion Shares Offer are borne by the relevant purchaser.

***Noteholders may be obliged to make a takeover bid following the Conversion Trigger***

Upon the occurrence of the Trigger Event, Noteholders receiving Conversion Shares from the Conversion Shares Depository may have to make a takeover bid addressed to the shareholders of the Issuer pursuant to the rules of The City Code on Takeovers and Mergers implementing the Takeovers Directive (2004/25/EC) by means of Part 28 of the UK Companies Act 2006 (the "**Companies Act**") if any Noteholder's aggregate holding in the Issuer exceed 30 per cent. of the voting rights in the Issuer as a result of the Conversion of the Notes into Conversion Shares.

***Changes to Solvency II may increase the risk of the occurrence of a Trigger Event, cancellation of Interest Payments or the occurrence of a Capital Disqualification Event***

Solvency II requirements adopted in the UK, whether as a result of further changes to Solvency II or changes to the way in which the PRA interprets and applies these requirements to the UK insurance industry, may change. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Issuer's or the Just Group's Solvency Capital Requirement, and such changes may make the Issuer's or the Just Group's regulatory capital requirements more onerous. Such changes that may occur in the application of Solvency II in the UK subsequent to the date of this Offering Memorandum and/or any subsequent changes to such rules and other variables may individually and/or in aggregate negatively affect the calculation of the Issuer's or the Just Group's Solvency Capital Requirement and thus increase the risk of cancellation of Interest Payments, the occurrence of a Capital Disqualification Event and subsequent redemption of the Notes by the Issuer, or a Trigger Event occurring, which will lead to a Conversion, as a result of which a Noteholder could

lose all or part of the value of its investment in the Notes. See also the risk factor entitled “*The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group*”.

***Noteholders may be subject to disclosure obligations and/or may need approval by the Relevant Regulator***

As the Notes are mandatorily convertible into Conversion Shares following a Trigger Event, an investment in the Notes may result in Noteholders, following such Conversion, having to comply with certain disclosure and/or approval requirements pursuant to laws and regulations applicable in the UK. For example, pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the FCA) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches or crosses 3 per cent. and every percentage point thereafter.

Furthermore, as the Conversion Shares are of an ultimate parent undertaking of a number of regulated entities, under the laws of the UK and other jurisdictions, ownership of an interest in the Conversion Shares to be delivered following Conversion above a certain level may require the Noteholder to obtain regulatory approval or subject the Noteholder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance by Noteholders of substantial fines and/or suspension of voting rights associated with the Ordinary Shares. Any potential investor should consult its financial, legal and other professional advisers as to the terms of the Notes and the potential consequences for such potential investor if a Trigger Event were to occur and such potential investor received Conversion Shares. In particular, each potential investor should satisfy themselves, both at the time of investing in the Notes and for so long as such investor remains a Noteholder, that the maximum number of Conversion Shares that it could receive following Conversion, when aggregated with its other relevant holdings of Ordinary Shares, would not give rise to any of the consequences described above, or any other legal or regulatory implications.

***Noteholders may receive Conversion Shares Offer Consideration instead of Ordinary Shares upon Conversion***

The Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary (or any agent(s) on its behalf) upon the occurrence of the Trigger Event. If the Issuer elects that a Conversion Shares Offer be conducted, the Conversion Shares Depositary (or any agent(s) on its behalf) will make an offer of all or some of the Conversion Shares to all or some of the Issuer's Shareholders.

The Conversion Shares Offer Price relating to any such Conversion Shares Offer shall be at a price (the “**Conversion Shares Offer Price**”) not lower than the Conversion Shares Offer Floor Price. The Conversion Shares Offer Floor Price shall be (i) if the Ordinary Shares are then admitted to trading on a Relevant Stock Exchange, the Current Market Price as at the Conversion Date; or (ii) if the Ordinary Shares are not then admitted to trading on a Relevant Stock Exchange, the Fair Market Value of a Conversion Share as at the Conversion Date. Accordingly, the Conversion Shares Offer Price may be more or less than the Conversion Price.

Subject to the provisions of Condition 6 (*Conversion*), if all of the Conversion Shares are sold in the Conversion Shares Offer, Noteholders will be entitled to receive, in respect of each Note and as determined by the Issuer, the *pro rata* share of the cash proceeds of the sale of the Conversion Shares attributable to such Note (less the *pro rata* share of any foreign exchange transaction costs), subject (in applicable circumstances) to the cap described in the following paragraph. If not all of the Conversion Shares are sold in the Conversion Shares Offer, Noteholders shall be entitled to receive, in respect of each Note and as determined by the Issuer, (i) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note (less the *pro rata* share of any foreign exchange transaction costs), subject (in applicable circumstances) to the cap described in the following paragraph together with (ii) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Note rounded down to the nearest whole number of Conversion Shares.

If any Conversion Shares are sold in the Conversion Shares Offer and the cash component (if any) of the Conversion Shares Offer Consideration in respect of a Note would otherwise exceed the product of (i) the principal amount of such Note and (ii) the proportion (expressed as a percentage) of the Conversion Shares sold in the Conversion Shares Offer (such excess, the "**Excess Amount**"), the Excess Amount shall not form part of the Conversion Shares Offer Consideration. The holders of the Notes will be deemed, by virtue of their holding, to have waived any and all entitlement to any such Excess Amount, and such Excess Amount shall instead be payable to the Issuer for its own account. In such circumstances, the value of the Conversion Shares Offer Consideration received by a Noteholder may be less than the market value of the Conversion Shares which it would have been entitled to receive if the Issuer had not elected that a Conversion Shares Offer be made.

Accordingly, if the Issuer elects that a Conversion Shares Offer be made, Noteholders may not ultimately receive Conversion Shares, or may receive only some Conversion Shares as part of the Conversion Shares Offer Consideration.

No interest or other compensation is payable in respect of the period from the Conversion Date to the date of delivery of the Conversion Shares or the cash proceeds from the sale of the Conversion Shares in the circumstances described above. Furthermore, neither the occurrence of a Trigger Event nor, following the occurrence of a Trigger Event, the election (if any) by the Issuer that a Conversion Shares Offer be made, will preclude the Issuer from undertaking a rights issue or other equity issue at any time on such terms as the Issuer deems appropriate in its sole discretion, including, for the avoidance of doubt, but without limitation, the offer of Ordinary Shares at or below the Conversion Shares Offer Price.

Notice of the results of any Conversion Shares Offer will be provided to Noteholders only at the end of the Conversion Shares Offer Period. Accordingly, Noteholders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

***Notes may be convertible into shares in an entity other than the Issuer where a Qualifying Change of Control occurs, or may be written-down to zero where a Non-Qualifying Change of Control occurs***

If a Qualifying Change of Control occurs, the Notes will, following Conversion, become convertible into Relevant Shares of the Acquiror, as described in Condition 6(m) (*Change in*

*Terms on Change of Control*). The Issuer can provide no assurances as to the nature of any such Acquiror or the risks associated with becoming an actual or potential shareholder therein. A Qualifying Change of Control may, therefore, have an adverse effect on the value of the Notes.

If a Non-Qualifying Change of Control occurs then the Notes shall not be subject to Conversion at any time but, instead, upon the occurrence of a Trigger Event the full principal amount outstanding of each Note will automatically be written down to zero, each Note will be cancelled and each Note will be de-listed from the official list of the Luxembourg Stock Exchange and will no longer be traded on the Euro MTF. In such circumstances, the Noteholders would not be entitled to receive any Ordinary Shares or other compensation and would lose their entire investment in the Notes. Therefore, if a Non-Qualifying Change of Control occurs, or if the market anticipates that such an event may occur, this may have an adverse effect on the value of the Notes.

***Conversion Price is fixed at the time of issue of the Notes***

Subject to certain limited anti-dilution provisions set out in Condition 6(h) (*Adjustment of Conversion Price*), the Conversion Price is fixed at the time of issue of the Notes. The Trigger Event is linked to a deterioration in the regulatory solvency position of the Issuer and, therefore, its occurrence will likely be accompanied and preceded by a deterioration in the market price of the Ordinary Shares. Therefore, if a Trigger Event were to occur, investors would receive Conversion Shares or, as the case may be, Conversion Shares Offer Consideration at a time when the market price of the Ordinary Shares is diminished. In addition, there may be a delay in a Noteholder receiving its Conversion Shares (if any) following the Trigger Event, during which time the market price of the Ordinary Shares may further decline. As a result, the realisable value of the Conversion Shares may be below the Conversion Price.

At the time at which the Conversion Shares are issued following Conversion, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price. Although the market value of such Conversion Shares may increase over time, they may never be equal to the principal amount of the Notes converted.

***Noteholders have limited anti-dilution protection***

The number of Conversion Shares to be delivered in respect of the Notes will be determined by dividing the principal amount outstanding of the Notes by the Conversion Price prevailing at the relevant time. Fractions of Conversion Shares will not be delivered to the Conversion Shares Depository or to Noteholders upon a Conversion and no cash payment will be made in lieu thereof.

The Conversion Price will be adjusted in accordance with Condition 6(h) (*Adjustment of Conversion Price*) in the event that there is a (i) consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares which alters the number of Ordinary Shares in issue, (ii) an issuance of Ordinary Shares in certain circumstances by way of capitalisation of profits or reserves, (iii) payment of an Extraordinary Dividend or (iv) an issue of Ordinary Shares to Shareholders as a class by way of rights in certain circumstances, all as further described in the Conditions.

Any New Conversion Price following a Qualifying Change of Control will be similarly adjusted.

There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of other convertible securities. As a result, events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Notes.

***Meetings, resolutions modification and waivers***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who do not attend and vote at the relevant meeting and Noteholders who vote in a manner contrary to the majority. Such binding resolutions may also be passed by way of written resolution signed, or electronic consents given through the clearing systems, by holders representing not less than three-quarters of the aggregate principal amount of the Notes outstanding.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree (subject to the Issuer having first satisfied the Regulatory Clearance Condition) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes in the circumstances described in the Conditions.

***Substitution of obligors and transfer of business***

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 14 (*Substitution of Issuer*).

***The terms of the Notes contain very limited covenants***

There is no negative pledge in respect of the Notes. The Issuer is generally permitted to sell or otherwise dispose of any or substantially all of its assets to another corporation or other entity under the terms of the Notes. If the Issuer decides to dispose of a large amount of its assets, investors in the Notes will not be entitled to declare an acceleration of the maturity of the Notes, and those assets will no longer be available to support the Notes. In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those of the Notes.

***No limitation on issuing senior or pari passu securities***

There is no restriction on the amount of securities which the Issuer may issue, which securities rank senior to, or *pari passu* with, the Notes. The issue of any such securities may reduce the amount recoverable by Noteholders on a winding-up of the Issuer. Accordingly, in the winding-up of the Issuer and after payment of the claims of its senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders.

***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.

***The Issuer may not be liable to pay certain taxes***

All payments 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 the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders in respect of payments of interest after the withholding or deduction shall equal the respective amounts which would have been received in respect of interest on the Notes in the absence of such withholding or deduction.

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the Noteholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, or which arise on, or as a result of Conversion, except as provided for in the Conditions. In addition, potential investors should be aware that neither the Issuer nor any member of the Insurance Group will pay any taxes arising on, or as a result of Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares on Conversion or their transfer in any Conversion Shares Offer. See also the risk factor entitled “*Noteholders may be subject to taxes following Conversion*”.

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. 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. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

***The Issuer is a holding company and is dependent upon cash flows from other entities in the Just Group to meet its obligations on the Notes***

The Issuer is a holding company that conducts no business operations of its own and has no significant assets other than its investment in its subsidiary companies. Payment of interest and repayment of indebtedness by the Issuer under the Notes will be wholly dependent on the ability of other entities within the Just Group to make such cash available to the Issuer. Further, in certain instances subsidiaries may be subject to regulatory restrictions that limit the payment of dividends to the Issuer as shareholder.

In addition to being deeply subordinated obligations of the Issuer, the Notes will also be structurally subordinated to any liabilities of any of the Issuer’s subsidiaries. The Issuer is the

parent company of the Just Group. The operations of the Just Group are conducted by the operating subsidiaries of the Issuer. Accordingly, creditors of a subsidiary of the Issuer would (absent any agreement to the contrary) have to be paid in full before sums would be available to the shareholders of that subsidiary and thereafter (by the payment of dividends, ultimately to the Issuer) to Noteholders in respect of any payment obligations of the Issuer under the Notes. The Issuer's right to receive assets upon the liquidation or reorganisation of its subsidiaries will therefore be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Issuer is recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any of their debt or other obligations that are senior to the Issuer's claims, and with respect to the proceeds of enforcement of any security interest in, or other lien on, the assets of such subsidiaries.

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.

***The interest rate on the Notes will be reset on each Reset Date, which may affect the market value of the Notes***

The Notes will initially accrue interest at the Initial Fixed Interest Rate to, but excluding, the first Reset Date. From, and including, the first Reset Date, however, the interest rate will be reset on each Reset Date to the Reset Rate of Interest (as described in Condition 4(e) (*Determination of Reset Rate of Interest*)). This Reset Rate of Interest could be less than the Initial Fixed Interest Rate, which could affect the amount of any interest payments under the Notes and the market value of an investment in the Notes. As the Notes bear interest at a fixed rate (reset from time to time), an investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

***Integral multiples of less than £200,000***

The Notes will be issued in amounts of £200,000 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 £200,000 that are not integral multiples of £200,000. Should definitive Notes be required to be issued, they will be issued in principal amounts of £200,000 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 £200,000.

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of £200,000 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 a Trigger Event may occur in respect of the Notes or that the Issuer may be wound up or enter into administration, or if at any time there is any actual or anticipated cancellation of interest, redemption, or Conversion (or, following a Non-Qualifying Change of Control, write-off) of the Notes following the occurrence of a Trigger Event in accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes, and could increase volatility and/or reduce liquidity in the market (if any) for the Notes, especially if the Issuer elects or is required to cancel any interest payment (or if the market anticipates such a cancellation) or if the Issuer's solvency position deteriorates such that there is an increased likelihood of a Trigger Event occurring. 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***

Payments of principal and interest on the Notes will be made in sterling, as will any Conversion Shares Offer Consideration paid following a Trigger Event. 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***

Investment in the Notes, which bear a fixed rate of interest, involves the risk that subsequent increases in market interest rates 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 and any Ordinary Shares which may be delivered upon conversion of the Notes are legal investments for it, (2) the Notes and any Ordinary Shares which may be delivered upon conversion of 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 and any Ordinary Shares which may be delivered upon

conversion of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes and any Ordinary Shares which may be delivered upon conversion 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. This rating may 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 Fitch at any time.

Rating agencies other than Fitch could seek to rate the Issuer or the Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch, those unsolicited ratings could have an adverse effect on the market value of the Notes.

## Terms and Conditions of the Notes

*The following is the text of the terms and conditions of the Notes (as defined below) that, save for paragraphs in italics, shall be applicable to the Certificates (as defined below) in definitive form (if any) issued in exchange for the Global Certificate representing the Notes. The full text of these terms and conditions shall be endorsed on the Certificates relating to such Notes. Provisions in italics do not form part of the Conditions (as defined below).*

The issue of the £300,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any Further Notes issued pursuant to Condition 17) was (save in respect of any such Further Notes) authorised by resolutions of the board of directors of Just Group plc (the “**Issuer**”, which term shall include any substitute therefor from time to time pursuant to the terms of Condition 14) passed on 14 December 2018 and the committee of the Issuer passed on 16 January 2019 and 13 March 2019.

The Notes are constituted by a trust deed dated 21 March 2019 (the “**Trust Deed**”) between the Issuer and Deutsche Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being and from time to time appointed as the trustee or trustees under the Trust Deed) as trustee in respect of the Notes. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Notes have the benefit of a paying and conversion agency agreement dated 21 March 2019 (the “**Agency Agreement**”) relating to the Notes between the Issuer, the Trustee, Deutsche Bank Luxembourg S.A. as registrar (the “**Registrar**”, which expression shall include any successor thereto) and as transfer agent (the “**Transfer Agent**”, which expression shall include any successor thereto and any additional transfer agents appointed thereunder), and Deutsche Bank AG, London Branch as initial agent bank (the “**Agent Bank**”, which expression shall include any successor thereto) and as initial principal paying and conversion agent (the “**Principal Paying and Conversion Agent**”, which expression shall include any successor thereto, and, together with any further paying and conversion agents appointed thereunder, the “**Paying and Conversion Agents**”, which expression shall include any successors thereto). A conversion calculation agency agreement dated 21 March 2019 (as modified from time to time, the “**Conversion Calculation Agency Agreement**”) has been entered into in relation to the Notes between the Issuer and Conv-Ex Advisors Limited as conversion calculation agent (the “**Conversion Calculation Agent**” which expression shall include any successor as conversion calculation agent).

Copies of the Trust Deed, the Agency Agreement and the Conversion Calculation Agency Agreement are available for inspection during usual business hours at the specified offices of the Principal Paying and Conversion Agent, the Registrar and any Transfer Agent. 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 are deemed to have notice of those applicable to them of the Agency Agreement and the Conversion Calculation Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

### 1. Form, Denomination and Title

#### (a) Form and Denomination

The Notes are issued in registered form in principal amounts of £200,000 and integral multiples of £1,000 in excess thereof (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) without coupons attached. A 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 procure to be kept by the Registrar (the “**Register**”) on which shall be entered the names, addresses and account details of Noteholders and the particulars of the Notes held by them and of all transfers and repayments of Notes.

(b) *Title*

Title to the Notes passes only by transfer and registration in the Register. The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) 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 against whose name a Note is registered in the Register (or, in the case of joint holders, the first named thereof). Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

**2. Transfers of Notes and Issue of Certificates**

(a) *Transfers*

Subject to Conditions 2(d) and (e), each Note may be transferred (in whole or in part, subject to such transfer being in a minimum denomination of £200,000 and integral multiples of £1,000 in excess thereof) by depositing the Certificate issued in respect of that Note, together with the form of transfer in respect thereof duly completed and executed at the specified office of the Registrar or a Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons not exceeding four in number) or a nominee.

(b) *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, executed and (where applicable) stamped form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note (but free of charge to the Noteholder) to the address specified in the form of transfer. The form of transfer shall be available at the specified offices of the Transfer Agents.

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 (but free of charge to the Noteholder) to the address of such holder appearing on the Register or as specified in the form of transfer.

(c) *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 (i) 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 and (ii) the Registrar or the relevant Transfer Agent being satisfied with the documents of title and/or the identity of the person making the application.

(d) *Closed periods*

No Noteholder may require the transfer of a Note (or part thereof) to be registered:

- (i) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8(f);
- (ii) after the Notes have been called for redemption pursuant to Condition 8;
- (iii) during the period of seven days ending on (and including) any Record Date; or
- (iv) at any time after the second Business Day following the giving of a Trigger Event Notice by the Issuer.

(e) *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 Trust Deed. 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 (free of charge) by the Registrar to any Noteholder who requests one and will be available at the specified offices of the Transfer Agents.

**3. Status of the Notes and rights on a winding-up**

(a) *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 in any Issuer Winding-Up are as described in the Trust Deed, this Condition 3 and Condition 11.

(b) *Issuer Winding-Up prior to a Trigger Event*

The rights and claims of the Noteholders (and the Trustee on their behalf) are subordinated to the claims of Senior Creditors in that if at any time prior to the date on which a Trigger Event occurs an Issuer Winding-Up occurs, there shall be payable by

the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to the holder of such Note if, throughout such winding-up or administration, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer (“**Notional Preference Shares**”) having an equal right to a return of assets in the winding-up or administration to, and so ranking *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up or administration over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Noteholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or administration were an amount equal to the principal amount of the relevant Note and any accrued but unpaid interest thereon (other than any interest which has been cancelled pursuant to these Conditions) together with any damages awarded for breach of any obligations in respect of such Note, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(c) *Issuer Winding-Up on or after a Trigger Event*

If, at any time on or after the date on which a Trigger Event occurs, an Issuer Winding-Up occurs but the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depository on Conversion in accordance with Condition 6 have not been so delivered, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) such amount, if any, that would have been payable if, on the day prior to the commencement of the winding-up or liquidation of the Issuer or the Issuer's entry into administration and thereafter, the holder of that Note was the holder of such number of Ordinary Shares as it would have been entitled to receive following Conversion of that Note in accordance with Condition 6 (ignoring for these purposes the Issuer's right to make an election for a Conversion Shares Offer to be effected in accordance with Condition 6(e)), whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(d) *Trustee's fees*

Nothing in the Trust Deed or these Conditions shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

(e) *Solvency Condition*

Other than in circumstances where an Issuer Winding-Up has occurred or is occurring or where a Trigger Event has occurred, all payments under or arising from the Notes or (subject as provided in Condition 3(d)) 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 or the Trust Deed (including any damages awarded for breach of obligations thereunder) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

Any payment of interest that would have been due and payable but for the operation of this Condition 3(e) shall be cancelled.

For the purposes of this Condition 3(e), the Issuer will be “**solvent**” if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency or lack thereof of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, 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 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.

(f) *Set off, etc.*

By acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived and to have directed and authorised the Trustee on its behalf 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 whether prior to or in liquidation, 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 or the Trust Deed are discharged by set-off, such Noteholder will 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 relevant liquidation, winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

**4. Interest**

(a) *Interest Rate and Interest Payment Dates*

Subject to Conditions 3(e), 5 and 6(g), the Notes bear interest on their principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Conditions 3(e), 5 and 6(g), interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date in equal instalments (in respect of each Interest Period ending prior to the First Call Date, of £46.88 per Calculation Amount if paid in full), in each case as provided in this Condition 4; save that the first payment of interest to be made (subject to Conditions 3(e), 5 and 6(g)) on 26 April 2019

shall be in respect of the period from (and including) the Issue Date to (but excluding) 26 April 2019 (and shall, if paid in full, be £9.25 per Calculation Amount).

Where it is necessary to compute an amount of interest in respect of any Note for any period (other than any full Interest Period), the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the product of (a) two and (b) the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

(b) *Interest Accrual*

Subject to Conditions 3(e), 5 and 6(g), the Notes will accrue interest in respect of each Interest Period and cease to bear interest from (and including) the due date for redemption or substitution thereof pursuant to Condition 8, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the principal amount of such Note, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 4(a) in relation to equal instalments and subject to Conditions 3(e), 5 and 6(g), be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(a) for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). Where the denomination of a Note is more than the Calculation Amount, the amount of interest payable in respect of each such Note, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

(c) *Initial Fixed Interest Rate*

For the Initial Fixed Rate Interest Period, the Notes bear interest, subject to Conditions 3(e), 5 and 6(g), at the rate of 9.375 per cent. per annum (the “**Initial Fixed Interest Rate**”).

(d) *Reset Rate of Interest*

The Interest Rate will be reset (each a “**Reset Rate of Interest**”) in accordance with this Condition 4 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the Margin.

(e) *Determination of Reset Rate of Interest*

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Reset Determination Date, subject to receipt from the Issuer of the bid and offered price of the Benchmark Gilt as provided by the Reset Reference Banks (if any), determine the Reset Rate of Interest in respect of the relevant Reset Period. The determination of the

Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

*(f) Publication of Reset Rate of Interest*

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of each Reset Period to be given to the Trustee, the Principal Paying and Conversion Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable pursuant to Condition 11, the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated by the Agent Bank in accordance with this Condition 4 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

*(g) Agent Bank*

The Issuer will maintain an Agent Bank. The name of the initial Agent Bank is set out in the preamble to these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution of international repute. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 4(e), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution of international repute approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

*(h) Determinations of Agent Bank Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying and Conversion Agent, the Registrar, the Conversion Calculation Agent, the Transfer Agents and all Noteholders and (in the absence of wilful default or gross negligence) no liability to the Noteholders, the Trustee or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**5. Cancellation of Interest**

*(a) Interest Payments Discretionary*

Interest on the Notes is due and payable only at the sole and absolute discretion of the Issuer and is subject to the provisions of Conditions 3(e), 5(b) and 6(g). Accordingly, the

Issuer may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be due and payable on any Interest Payment Date.

If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with Condition 3(e), the cancellation of such Interest Payment in accordance with Condition 5(b), the cancellation of interest upon the occurrence of a Trigger Event in accordance with Condition 6(g) or, as appropriate, the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 5(a), and accordingly such interest shall not in any such case be due and payable.

*(b) Mandatory Cancellation of Interest*

To the extent required by the Relevant Rules from time to time and save as otherwise permitted pursuant to Condition 5(c), the Issuer shall cancel in full any Interest Payment on the Notes in accordance with this Condition 5 if:

- (i) the Solvency Condition is not met at the time for payment of such Interest Payment, or would cease to be met immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment (having regard also to any Additional Amounts payable with respect thereto);
- (iv) the amount of such Interest Payment, together with any Additional Amounts payable with respect thereto, when aggregated together with any interest payments or distributions which have been paid or made or which are scheduled simultaneously to be paid or made on all Tier 1 Own Funds (excluding any such payments which do not reduce the Issuer's Distributable Items and any payments already accounted for by way of deduction in determining the Issuer's Distributable Items) since the end of the latest financial year of the Issuer and prior to, or on, such Interest Payment Date, would exceed the amount of the Issuer's Distributable Items as at the Interest Payment Date in respect of such Interest Payment; or
- (v) the Issuer is otherwise required by the Relevant Regulator or under the Relevant Rules to cancel the relevant Interest Payment,

each of the events or circumstances described in sub-paragraphs (i) to (v) (inclusive) above being a “**Mandatory Interest Cancellation Event**”.

A certificate signed by two Directors confirming that (i) a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (ii) a Mandatory Interest Cancellation Event has ceased to occur and/or payment of interest on the Notes would not result in a new or further Mandatory Interest Cancellation 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 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.

(c) *Waiver of Cancellation of Interest Payments by the Relevant Regulator*

Notwithstanding Condition 5(b), the Issuer shall not be required to cancel an Interest Payment where a Mandatory Interest Cancellation Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made (to the extent permitted by the Relevant Rules) where:

- (i) the Mandatory Interest Cancellation Event is of the type described in sub-paragraph (ii) of Condition 5(b) only;
- (ii) the Relevant Regulator has exceptionally waived the cancellation of the Interest Payment;
- (iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Insurance Group; and
- (iv) the Minimum Capital Requirement will be complied with immediately following such Interest Payment, if made.

A certificate signed by two Directors confirming that the conditions set out in this Condition 5(c) 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.

(d) *Effect of Cancellation of Interest Payments*

Any Interest Payment (or relevant part thereof) which is cancelled in accordance with this Condition 5 or which is otherwise not due and payable in accordance with Condition 3(e) or which is cancelled in accordance with Condition 6(g) shall not become due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights in respect thereof (whether in an Issuer Winding-Up or otherwise) and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose 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.

(e) *Notice of Cancellation of Interest*

The Issuer shall provide notice of any cancellation of any Interest Payment (or any part thereof) pursuant to Condition 5(a) or 5(b) to Noteholders in accordance with Condition 13, and to the Trustee in a certificate signed by two Directors, and the Principal Paying and Conversion Agent and the Registrar in writing, at least five Business Days prior to the relevant Interest Payment Date (or, if the determination that such Interest Payment (or any part thereof) is to be cancelled is made after such fifth Business Day, as soon as is practicable following the making of such determination). However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment (or relevant part thereof).

**6. Conversion**

(a) *Notes not convertible at the option of Noteholders or the Trustee*

The Notes are not convertible at the option of Noteholders or the Trustee at any time.

(b) *Conversion upon Trigger Event*

- (i) If a Trigger Event occurs, the Issuer's obligation to repay the principal amount outstanding of each Note shall, subject to and as provided in this Condition 6 and without any further action required on the part of the Issuer or the Trustee, be irrevocably discharged and substituted for an undertaking on the part of the Issuer to issue and deliver Ordinary Shares, credited as fully paid, in the manner and in the circumstances described below to the Conversion Shares Depository, to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 6(e)) for the Noteholders, as provided below.
- (ii) On the Share Delivery Date the Issuer shall issue and deliver to the Conversion Shares Depository a number of Ordinary Shares determined by dividing the aggregate principal amount outstanding of the Notes by the Conversion Price prevailing on the last Dealing Day immediately preceding the Share Delivery Date (subject to Condition 6(n)).

The "**Conversion Price**" per Ordinary Share in respect of the Notes is £0.80, subject to adjustment in the circumstances described in Condition 6(h).

- (iii) Upon the issue and delivery of the Conversion Shares to the Conversion Shares Depository on the Share Delivery Date, the Issuer shall be deemed to have redeemed the Notes on the Conversion Date in an amount equal to their principal amount outstanding and the Noteholders shall be deemed irrevocably to have directed and authorised the Issuer to apply such sum on their behalf in paying up the Conversion Shares issued and delivered to the Conversion Shares Depository on the Share Delivery Date.

- (iv) Once a Note has been converted into Ordinary Shares, there is no provision for the re-conversion of such Ordinary Shares back into Notes.
  - (v) Immediately upon the issue and delivery by the Issuer of the Conversion Shares to the Conversion Shares Depositary in accordance with these Conditions, the Issuer's obligations under the Notes shall irrevocably be discharged in full and no Noteholder will have any rights against the Issuer with respect to such obligations. Provided that the Issuer so issues and delivers the Conversion Shares, from (and including) the Share Delivery Date Noteholders shall have recourse only to the Conversion Shares Depositary for the delivery to them of such Conversion Shares or, subject to and as provided in Condition 6(e), the Conversion Shares Offer Consideration.
  - (vi) Subject to Condition 3(c), if the Issuer fails to issue and deliver the Conversion Shares to the Conversion Shares Depositary on the Share Delivery Date, a Noteholder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares so issued and delivered.
- (c) *Notification of the occurrence of a Trigger Event*
- (i) Whether the Trigger Event has occurred at any time shall be determined by the Issuer, and such determination shall (in the absence of manifest error) be binding on the Trustee and the Noteholders. Following the occurrence of a Trigger Event, the Issuer shall promptly notify the Relevant Regulator and shall deliver to the Trustee a certificate signed by two (2) Directors confirming that a Trigger Event has occurred. The certificate 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. 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.
  - (ii) Following the occurrence of a Trigger Event, but only after delivery to the Trustee of the certificate referred to in Condition 6(c)(i), the Issuer shall promptly (and, in any event, within such period as the Relevant Regulator may require) give notice thereof to the Noteholders (a "**Trigger Event Notice**") in accordance with Condition 13, and to the Trustee and the Principal Paying and Conversion Agent in writing, stating:
    - (A) details of the Trigger Event;
    - (B) the date on which the Trigger Event occurred (the "**Conversion Date**");
    - (C) the Conversion Price prevailing on the Conversion Date (which shall remain subject to any subsequent adjustment pursuant to Condition 6(h) up to the last Dealing Day immediately preceding the Share Delivery Date);
    - (D) the Share Delivery Date or expected Share Delivery Date;

- (E) the Notice Cut-off Date and the Final Cancellation Date;
- (F) details of the Conversion Shares Depositary;
- (G) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 13 within ten (10) Business Days following the Conversion Date notifying Noteholders of its decision as to such election; and
- (H) that the Notes shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing the relevant Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary.

*Whilst, as provided in Condition 2(d)(iv), Noteholders may not require the transfer of a Note to be registered at any time after the second Business Day following the giving of a Trigger Event Notice, interests in the Notes may still be traded in the clearing systems operated by Euroclear Bank SA/NV and Clearstream Banking S.A. up to the Suspension Date – see “Overview of the provisions relating to the Notes whilst in Global Form – Suspension Date following Conversion”.*

- (iii) Failure by the Issuer to deliver a certificate to the Trustee or to give notice to Noteholders and to the Trustee and the Principal Paying and Conversion Agent of the occurrence of a Trigger Event pursuant to this Condition 6(c) shall in no way invalidate or otherwise affect the automatic Conversion of the Notes pursuant to Condition 6(b).

(d) *Conversion Shares Depositary*

- (i) The Issuer shall use all reasonable endeavours to appoint a Conversion Shares Depositary as soon as reasonably practicable following the occurrence of a Trigger Event.
- (ii) If the Issuer is unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and delivery of the Conversion Shares as it shall consider reasonable in the circumstances, which may include issuing and delivering the Conversion Shares to another independent nominee to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 6(e)) for the Noteholders or to the Noteholders directly. The issuance and delivery of the Conversion Shares pursuant to such other arrangements shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes as though the relevant Conversion Shares had been issued and delivered to the Conversion Shares Depositary and, in which case, where the context so admits, references in these Conditions to the issue and delivery of Conversion Shares to the Conversion Shares Depositary, and all references herein regarding matters to be undertaken by, or in respect of, the Conversion Shares Depositary shall be construed as though they were

references to such other arrangements and apply *mutatis mutandis* (including, without limitation, for the purposes of the delivery of Conversion Shares Settlement Notices by Noteholders and the receipt by them of the Conversion Shares or, as the case may be, Conversion Shares Offer Consideration to which they are entitled).

- (iii) The Conversion Shares shall (except where the Issuer has been unable to appoint a Conversion Shares Depositary as contemplated in Condition 6(d)(ii)) initially be registered in the name of the Conversion Shares Depositary, which (subject to the provisions of Condition 6(d)(ii)) shall hold such Conversion Shares on trust for the Noteholders. By virtue of its holding of any Note, each Noteholder shall be deemed to have irrevocably directed the Issuer to issue and deliver such Conversion Shares to the Conversion Shares Depositary.
- (iv) For so long as the Conversion Shares are held by the Conversion Shares Depositary, the Noteholders shall be entitled to direct the Conversion Shares Depositary to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Noteholders shall not be able to sell or otherwise transfer such Conversion Shares unless and until such time as they have been delivered to Noteholders in accordance with Condition 6(f).
- (v) Following the issuance and delivery of the Conversion Shares to the Conversion Shares Depositary on the Share Delivery Date, the Notes shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the purpose only of evidencing the Noteholders' right as aforesaid to receive the Conversion Shares or the Conversion Shares Offer Consideration, as the case may be, to be delivered by the Conversion Shares Depositary.

(e) *Conversion Shares Offer*

- (i) The Issuer shall be entitled to elect, in its sole and absolute discretion, that the Conversion Shares Depositary (or any agent(s) on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Conversion Shares to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a price (the "**Conversion Shares Offer Price**") not lower than the Conversion Shares Offer Floor Price, all in accordance with this Condition 6(e) (the "**Conversion Shares Offer**"). For the avoidance of doubt, the Conversion Shares Offer Price may be lower than the Conversion Price.
- (ii) Not later than the tenth (10th) Business Day following the Conversion Date, the Issuer shall give notice (a "**Conversion Shares Offer Notice**") to the Noteholders in accordance with Condition 13, and to the Trustee and the Principal Paying and Conversion Agent in writing, stating whether or not it has elected that a Conversion Shares Offer be conducted and specifying the other information referred to at Condition 6(e)(iv) below. If the Issuer fails to give such notice on or before such tenth (10th) Business Day, the Issuer shall be treated as having elected not to make a Conversion Shares Offer.

- (iii) The Issuer may, on behalf of the Conversion Shares Depositary, appoint one or more Conversion Shares Offer Agents to act as a placement or other agent to facilitate the Conversion Shares Offer. The Issuer may not purchase any Conversion Shares for its own account pursuant to a Conversion Shares Offer.
- (iv) A Conversion Shares Offer Notice shall specify the Conversion Shares Offer Floor Price and the period of time for which the Conversion Shares Offer will be open (the “**Conversion Shares Offer Period**”). The Conversion Shares Offer Period shall end no later than forty (40) Business Days after the giving of the Conversion Shares Offer Notice by the Issuer. A Conversion Shares Offer Notice may also specify a final or indicative Conversion Shares Offer Price and/or the basis on which the final Conversion Shares Offer Price will be determined (which, for the avoidance of doubt, may be wholly within the Issuer's discretion) and/or communicated to persons who are eligible to participate in the Conversion Shares Offer.
- (v) Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Noteholders in accordance with Condition 13, and to the Trustee and the Principal Paying and Conversion Agent in writing, of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of “Conversion Shares Offer Consideration”)) per Calculation Amount and the amount (if any) of any Excess Amount per Calculation Amount. The Conversion Shares Offer Consideration shall be held on trust by the Conversion Shares Depositary for the Noteholders, and any Excess Amount shall be held on trust by the Conversion Shares Depositary for the Issuer until paid to or to the order of the Issuer. In accordance with Condition 6(f)(vi), the cash component of any Conversion Shares Offer Consideration shall be payable by the Conversion Shares Depositary to the Noteholders in Sterling irrespective of whether or not the Solvency Condition is or would be satisfied upon such payment.
- (vi) The Issuer reserves the right, in its sole and absolute discretion, to elect that the Conversion Shares Depositary terminates the Conversion Shares Offer at any time during the Conversion Shares Offer Period. If the Issuer makes such election, it will promptly provide notice to the Noteholders in accordance with Condition 13, and to the Trustee and the Principal Paying and Conversion Agent in writing, and the Conversion Shares Depositary may then, in its sole and absolute discretion, take steps to deliver to Noteholders the Conversion Shares at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.
- (vii) By virtue of its holding of any Note, each Noteholder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by (or on behalf of) the Conversion Shares Depositary, such Noteholder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and, notwithstanding that such Conversion Shares are held by the Conversion Shares Depositary on trust for the Noteholders, to the Conversion Shares Depositary using the Conversion Shares

to settle any Conversion Shares Offer; (ii) irrevocably consented to the transfer of the interest such Noteholder has in the Conversion Shares to one or more purchasers identified by the Conversion Shares Depositary in connection with the Conversion Shares Offer; (iii) irrevocably agreed that the Issuer and the Conversion Shares Depositary may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Notes; (iv) irrevocably waived any and all entitlement to Excess Amounts (if any) and instructed that any such Excess Amounts be paid to the Issuer; and (v) irrevocably agreed that none of the Issuer, the Trustee or the Conversion Shares Depositary shall, to the extent permitted by applicable law, incur any liability to the Noteholders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depositary in respect of the Noteholders' entitlement to, and the subsequent delivery of, any Conversion Shares Offer Consideration).

- (viii) Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable. The purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes or duties and foreign exchange transaction costs referred to in Condition 6(o) and in the definition of "Conversion Shares Offer Consideration"), including the fees of any Conversion Shares Offer Agent, if any. Neither the occurrence of a Trigger Event nor, following the occurrence of a Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion (including, for the avoidance of doubt but without limitation, the offer of Ordinary Shares at or below the Conversion Shares Offer Price).
- (ix) The Trustee shall not be responsible for monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Conversion Shares Depositary in respect thereof. Following Conversion and delivery of the Conversion Shares to the Conversion Shares Depositary, Noteholders must look to the Conversion Shares Depositary for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

(f) *Settlement Procedure*

- (i) To obtain delivery from the Conversion Shares Depositary of Conversion Shares or, as applicable, the relevant Conversion Shares Offer Consideration, Noteholders will be required to deliver a Conversion Shares Settlement Notice and the relevant Certificate representing the relevant Note to the Conversion Shares Depositary (or an agent designated for the purpose in the Trigger Event Notice) on or before the Notice Cut-off Date.
- (ii) If such Conversion Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the specified office of the Conversion Shares

Depository, such delivery shall be deemed for all purposes to have been made or given on the following Business Day.

- (iii) If a Noteholder fails to deliver a Conversion Shares Settlement Notice or Certificate on or before the Notice Cut-off Date, or the relevant Conversion Shares Settlement Notice is otherwise determined by the Conversion Shares Depository to be null and void, then the Conversion Shares Depository shall continue to hold the relevant Conversion Shares or the relevant Conversion Shares Offer Consideration, as the case may be, on trust for that Noteholder until a valid Conversion Shares Settlement Notice (and the Certificate representing the relevant Notes) is so delivered. If any such Conversion Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Final Cancellation Date as aforesaid, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depository (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares or any Conversion Share component of any Conversion Shares Offer Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer for its own account unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).
- (iv) Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Conditions, or whether any evidence of entitlement to Conversion Shares or Conversion Shares Offer Consideration, as applicable, is satisfactory, shall be made by the Conversion Shares Depository in its sole and absolute discretion and shall be conclusive and binding on the relevant Noteholders.
- (v) Subject as otherwise provided herein, the relevant Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) will be delivered on the applicable Settlement Date by or on behalf of the Conversion Shares Depository in accordance with the instructions given in the relevant Conversion Shares Settlement Notice.
- (vi) Any cash component of any Conversion Shares Offer Consideration shall be paid by or on behalf of the Conversion Shares Depository on the applicable Settlement Date by transfer to a Sterling account with a bank capable of processing payments in Sterling (as may be specified in the relevant Conversion Shares Settlement Notice) in accordance with the instructions contained in the relevant Conversion Shares Settlement Notice.
- (vii) If not previously cancelled on the applicable Settlement Date, the Notes shall be cancelled in full on the Final Cancellation Date and any Noteholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to

provide evidence of its entitlement to the relevant Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Conversion Shares or such Conversion Shares Offer Consideration, as applicable. Neither the Issuer nor the Trustee shall have any liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Noteholder failing to submit a valid Conversion Shares Settlement Notice and the relevant Certificate, on a timely basis or at all.

(g) *Accrued Interest on Conversion*

Any interest in respect of an Interest Payment Date which falls on or after the date of a Trigger Event shall, whether or not the same has become due and without any action required on the part of the Issuer or any other person, be deemed to have been immediately and automatically cancelled in full upon the occurrence of such Trigger Event and shall not thereafter be or become due and payable.

(h) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted by the Conversion Calculation Agent as follows:

- (i) If and whenever there shall be a consolidation, reclassification, re-designation or subdivision in relation to the Ordinary Shares which alters the number of Ordinary Shares in issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date on which such consolidation, reclassification, re-designation or subdivision takes effect by the following fraction:

$$A/B$$

where:

- A** is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, re-designation or subdivision, as the case may be; and
- B** is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, re-designation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification, re-designation or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than: (A) where any such Ordinary Shares are or are to be issued instead of the whole or

part of a Cash Dividend which the Shareholders would or could otherwise have elected to receive; (B) where the Shareholders may elect to receive a Cash Dividend in lieu of such Ordinary Shares; or (C) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date on which such Ordinary Shares are issued by the following fraction:

$$A/B$$

where:

**A** is the aggregate number of Ordinary Shares in issue immediately before such issue; and

**B** is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

In these Conditions, "**Cash Dividend**" means any dividend or distribution in respect of the Ordinary Shares which is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of the share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital.

- (iii) If and whenever the Issuer shall pay any Extraordinary Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$(A-B)/A$$

where:

**A** is the Current Market Price of one (1) Ordinary Share on the Effective Date; and

**B** is the portion of the Fair Market Value (as at the Effective Date) of the aggregate Extraordinary Dividend attributable to one (1) Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Extraordinary Dividend.

Such adjustment shall become effective on the Effective Date.

**“Effective Date”** means, in respect of this Condition 6(h)(iii), the first date on which the Ordinary Shares are traded ex- the Extraordinary Dividend on the Relevant Stock Exchange.

**“Extraordinary Dividend”** means any Cash Dividend (or portion thereof) that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to Shareholders as a class or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend (or, as applicable, such portion).

- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or the Issuer or any of its Subsidiaries or (at the direction or request or pursuant to arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Relevant Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Relevant Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$(A + B)/(A + C)$$

- A** is the number of Ordinary Shares in issue on the Effective Date;
- B** is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Relevant Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and
- C** is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate,

provided that if, on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 6(h)(iv), **C** shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as

at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this Condition 6(h)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(v) Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(h) have already resulted or will result in an adjustment to the Conversion Price, or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result:

(A) such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result; and

(B) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate: (a) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once; (b) to ensure that the economic effect of an Extraordinary Dividend is not taken into account more than once; and (c) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency.

For the avoidance of doubt, the issue of Ordinary Shares upon Conversion of the Notes or upon any conversion or exchange in respect of any other securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

(i) *Determination of Consideration Receivable*

For the purpose of any calculation of the consideration receivable or price pursuant to Condition 6(h)(iv), the following provisions shall apply:

(i) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

(ii) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Relevant Securities shall be deemed to be the consideration or price received or receivable for any such Relevant Securities; and

- (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Relevant Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Relevant Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date,

plus, in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Relevant Securities, or upon the exercise of such rights of subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights; and

- (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Relevant Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (iii) if the consideration or price determined pursuant to Condition 6(i)(i) or 6(i)(ii) (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date;
- (iv) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Relevant Securities or options, warrants or rights, or otherwise in connection therewith; and
- (v) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

*(j) Decision of the Conversion Calculation Agent or an Independent Adviser*

- (i) Adjustments to the Conversion Price shall be calculated by the Conversion Calculation Agent upon request from the Issuer and/or, to the extent so specified in the Conditions, in good faith by an Independent Adviser. Adjustments to the Conversion Price calculated by the Conversion Calculation Agent or, where applicable, an Independent Adviser and any other

determinations made by the Conversion Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be made in good faith and shall be final and binding (in the absence of manifest error) on the Issuer, the Trustee, the Noteholders, the Agent Bank, the Paying and Conversion Agents and (in the case of a determination by an Independent Adviser) the Conversion Calculation Agent. Subject to the provisions of the Conversion Calculation Agency Agreement, the Conversion Calculation Agent may consult on any matter (including, but not limited to, any legal matter), any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Noteholders, the Agent Bank or the Paying and Conversion Agents in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

- (ii) The Conversion Calculation Agent shall act solely upon the request from, and exclusively as agent of, the Issuer. Neither the Conversion Calculation Agent (acting in such capacity) nor any Independent Adviser appointed in connection with the Notes (acting in such capacity) will thereby assume any obligations towards or relationship of agency or trust with, and shall not be liable and shall incur no liability in respect of anything done, or omitted to be done in good faith in connection with their appointment as Conversion Calculation Agent or, as the case may be, Independent Adviser, as against the Trustee, the Noteholders, the Agent Bank or the Paying and Conversion Agents.
- (iii) So long as any Notes remain outstanding, the Issuer will maintain a Conversion Calculation Agent, which may be the Issuer or another person appointed by the Issuer to serve in such capacity.
- (iv) The Issuer may at any time with the prior written approval of the Trustee, but without prior notice to or consent from the Agent Bank, the Paying and Conversion Agents or the Noteholders, replace the Conversion Calculation Agent with itself or an independent financial institution or an independent financial adviser with appropriate expertise.
- (v) If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, the Issuer may at its discretion appoint an Independent Adviser and, following consultation between the Issuer and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall (save in the case of manifest error) be conclusive and binding on the Issuer, the Trustee, the Noteholders and all other interested parties.

(k) *Share Option Schemes*

No adjustment will be made to the Conversion Price where Ordinary Shares or other Relevant Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses

or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

(l) *Rounding Down and Notice of Adjustment to the Conversion Price*

- (i) On any adjustment of the Conversion Price pursuant to these Conditions, if the resultant Conversion Price is not an integral multiple of £0.0001, it shall be rounded down to the nearest integral multiple of £0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one (1) per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.
- (ii) The Conversion Price shall not in any event be reduced to below the nominal value of an Ordinary Share for the time being. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value.
- (iii) In the event the Conversion Price is required to be adjusted pursuant to this Condition 6, the Issuer shall deliver to the Trustee a certificate promptly after the occurrence of the event giving rise to such adjustment, setting forth, *inter alia*, a brief description of such event and (if then known) the adjusted Conversion Price and the date on which the adjustment takes effect (and if not then known, the Issuer shall deliver a further certificate to the Trustee specifying the same promptly following the determination thereof). Such event and adjustment to the Conversion Price shall be notified by the Issuer to the Principal Paying and Conversion Agent and, in accordance with Condition 13, to Noteholders promptly after delivery of the relevant certificate to the Trustee.

(m) *Change in Terms on Change of Control*

- (i) If a Qualifying Change of Control occurs, the Notes shall, where the Share Delivery Date (if any) falls on or after the New Conversion Condition Effective Date, be converted on such Share Delivery Date into Relevant Shares of the Approved Entity (save as provided below in this Condition 6(m)) at a Conversion Price that shall be the New Conversion Price, and the provisions of this Condition 6 shall apply *mutatis mutandis* to such conversion as though references herein to the Ordinary Shares comprising the Conversion Shares were instead to the Relevant Shares of the Approved Entity. Such conversion shall be effected by the delivery by the Issuer of such number of Ordinary Shares as is determined in accordance with Condition 6(b)(ii) to, or to the order of, the Approved Entity. Such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Notes (but shall be without prejudice to the rights of the Trustee and the Noteholders against the Approved Entity in

connection with its undertaking to deliver Relevant Shares as provided in the definition of “New Conversion Condition” in Condition 6(m)(vi) below). Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Noteholders, to deliver the Relevant Shares to the Conversion Shares Depositary as aforesaid. For the avoidance of doubt, the Issuer may elect that a Conversion Shares Offer be made by the Conversion Shares Depositary in respect of the Relevant Shares.

- (ii) The New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 6 (with such modifications and amendments as an Independent Adviser acting in good faith shall determine to be appropriate) and the Issuer shall give notice to Noteholders of the New Conversion Price and of any such modifications and amendments in accordance with Condition 13, and to the Trustee and the Principal Paying and Conversion Agent in writing.
- (iii) In the case of a Qualifying Change of Control:
  - (A) the Issuer shall, on or prior to the New Conversion Condition Effective Date, enter into such agreements and arrangements, which may include deeds supplemental to the Trust Deed, and such amendments and modifications to the Trust Deed shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the Notes shall (following the occurrence of a Trigger Event) be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 6 (as may be so supplemented, amended or modified) at the New Conversion Price; and
  - (B) the Issuer shall, where the Share Delivery Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Condition 6, as may be supplemented, amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed, and to execute any such deeds supplemental to the Trust Deed, provided that the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of: (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction; (ii) changing, increasing or adding to the obligations or duties of the Trustee; or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes.

- (iv) If a Non-Qualifying Change of Control occurs then, with effect from the occurrence of such Non-Qualifying Change of Control and unless the Share Delivery Date shall have occurred prior to such date, the Notes shall not be subject to Conversion at any time notwithstanding the occurrence of a Trigger Event but, instead, upon the occurrence of a Trigger Event in such

circumstances the full principal amount outstanding of each Note will automatically be written down to zero, each Note will be cancelled, the Noteholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Notes written down pursuant to this Condition and all accrued but unpaid interest and any other amounts payable on each Note will be cancelled, irrespective of whether such amounts have become due and payable prior to the occurrence of a Trigger Event. For the avoidance of doubt, once the full principal amount outstanding of each Note has been written down, it will not be restored under any circumstances, including where the relevant Trigger Event has ceased to continue. For the avoidance of doubt, nothing in this Condition 6(m)(iv) 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, and the Trustee shall not be liable to any person for acting in accordance with this Condition 6(m)(iv).

- (v) Within ten (10) days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Noteholders (a "**Change of Control Notice**") in accordance with Condition 13.

The Change of Control Notice shall specify:

- (A) the identity of the Acquiror;
  - (B) whether the Change of Control is a Qualifying Change of Control or a Non-Qualifying Change of Control;
  - (C) in the case of a Qualifying Change of Control, the New Conversion Price;
  - (D) in the case of a Non-Qualifying Change of Control, that, with effect from the occurrence of the Change of Control and unless a Trigger Event has occurred prior to the date of such Change of Control and the Share Delivery Date in respect thereof shall have occurred prior to such date, outstanding Notes shall not be subject to Conversion at any time notwithstanding the occurrence of a Trigger Event but that, instead, upon the occurrence of a Trigger Event in such circumstances, the full principal amount of each Note will automatically and permanently be written down to zero, each Note will be cancelled, the Noteholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Notes written down pursuant to this Condition 6(m) and all accrued but unpaid interest and any other amounts payable on each Note will be cancelled, irrespective of whether such amounts have become due and payable prior to the occurrence of Trigger Event.
- (vi) As used in this Condition 6(m):

“**Acquiror**” means the person which, following a Change of Control, controls the Issuer.

“**Approved Entity**” means a body corporate which, on the occurrence of the Change of Control, has in issue Relevant Shares.

a “**Change of Control**” shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers) acquires control of the Issuer (other than as a result of a Newco Scheme), where “**control**” means: (a) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of the Issuer; or (b) the right to appoint and/or remove all or the majority of the members of the board of directors of the Issuer, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise.

“**Change of Control Notice**” shall have the meaning given to such term in Condition 6(m)(v) above.

“**EEA Regulated Market**” means a market as defined by Article 4.1(21) of Directive 2014/65/EU (as amended, “**MiFID II**”).

The “**New Conversion Condition**” shall be satisfied if by not later than seven (7) days following the occurrence of a Change of Control where the Acquiror is an Approved Entity, the Issuer shall have entered into arrangements to its satisfaction with the Approved Entity pursuant to which the Approved Entity irrevocably undertakes to the Trustee, for the benefit of the Noteholders, to deliver the Relevant Shares to the Conversion Shares Depository upon a Conversion of the Notes, all as contemplated in Condition 6(m)(i) above.

“**New Conversion Condition Effective Date**” means the date with effect from which the New Conversion Condition shall have been satisfied.

“**New Conversion Price**” means the amount (rounded down to the nearest whole multiple of £0.0001) determined by the Conversion Calculation Agent in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

“**NCP**” is the New Conversion Price.

“**ECP**” is the Conversion Price in effect on the Dealing Day immediately prior to the New Conversion Condition Effective Date.

“**VWAPRS**” means the average of the Volume Weighted Average Price of the Relevant Shares (translated, if necessary, into Sterling at the Prevailing Rate on the relevant Dealing Day) on each of the 10 Dealing

Days ending on the Dealing Day prior to the date the Change of Control shall have occurred (and where references in the definition of “Volume Weighted Average Price” to “Ordinary Shares” shall be construed as a reference to the Relevant Shares and in the definition of “Dealing Day”, references to the “Relevant Stock Exchange” shall be to the primary Regulated Market on which the Relevant Shares are then listed, admitted to trading or accepted for dealing).

“**VWAPOS**” is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into Sterling at the Prevailing Rate on the relevant Dealing Day) on each of the 10 Dealing Days ending on the Dealing Day prior to the date the Change of Control shall have occurred.

“**Non-Qualifying Change of Control**” means a Change of Control that is not a Qualifying Change of Control.

“**Qualifying Change of Control**” means a Change of Control where:

- (i) the Acquiror is an Approved Entity; and
- (ii) the New Conversion Condition is satisfied.

“**Relevant Shares**” means ordinary share capital of the Approved Entity that constitutes equity share capital or the equivalent (or depository or other receipts representing the same) which is listed and admitted to trading on a Regulated Market.

(n) *Fractions*

Fractions of Ordinary Shares will not be delivered to the Conversion Shares Depository on the Share Delivery Date or to Noteholders on the applicable Settlement Date and no cash payment will be made in lieu thereof. However, if one or more Conversion Shares Settlement Notices and relevant Certificates are delivered to the Conversion Shares Depository such that any Ordinary Shares (or any Ordinary Share component of any Conversion Shares Offer Consideration, as applicable) to be issued and delivered to a Noteholder on Conversion are to be registered in the same name, the number of Ordinary Shares to be issued and delivered in respect thereof shall be calculated by the Conversion Calculation Agent on the basis of the aggregate principal amount of such Notes to be converted.

(o) *Taxes and Duties*

Neither the Issuer nor any member of the Insurance Group shall be liable for any taxes (including any capital, stamp, issue, registration, financial transaction, documentary or transfer taxes or duties) arising on, or as a result of, Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares on Conversion or their transfer in any Conversion Shares Offer. A Noteholder must pay any such taxes arising on Conversion in connection with the issue and delivery of the Conversion Shares whether to the Conversion Shares Depository on behalf of such Noteholder or

otherwise to or for the benefit of such Noteholder in accordance with Condition 6(d)(ii) and such Noteholder must pay all, if any, such taxes arising by reference to any disposal or deemed disposal of such Noteholder's Notes or interest therein. Any capital, stamp, issue, registration, financial transaction, documentary or transfer taxes or duties arising on delivery or transfer of Conversion Shares to a purchaser in any Conversion Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(p) *Delivery*

- (i) Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) will be delivered to Noteholders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Conversion Shares are not a participating security in CREST, in which case Conversion Shares will be delivered either through the primary electronic trading system (if any) in which the Ordinary Shares are, at such time, traded or in certificated form. Where any Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) are to be delivered to Noteholders by the Conversion Shares Depositary through CREST or any other electronic trading system, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Shares Settlement Notice, on the applicable Settlement Date. Where any Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) are to be delivered to Noteholders in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant Noteholder or as it may direct in the relevant Conversion Shares Settlement Notice (in each case uninsured and at the risk of the relevant recipient) within twenty-eight (28) days following the date of the relevant Conversion Shares Settlement Notice.
- (ii) The Conversion Shares (or the Conversion Shares component of any Conversion Shares Offer Consideration) will not be available for issue or delivery (A) to, or to a nominee for, Euroclear Bank SA/NV or Clearstream Banking S.A. or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or otherwise falling within Section 70 of that Act or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom or otherwise falling within Section 67 of that Act, in any case where relevant prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (C) to the CREST account of such a person described in (A) or (B).

(q) *Ordinary Shares*

The Conversion Shares issued and delivered on the Share Delivery Date will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Share Delivery Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that any Conversion Shares so issued and delivered will not rank for (or, as the case may be,

the relevant Noteholder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the Share Delivery Date.

(r) *Purchase or Redemption of Ordinary Shares*

The Issuer or any Subsidiary of the Issuer may, subject to Condition 6(e)(iii), exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of Noteholders.

(s) *Covenants*

Whilst any Note remains outstanding, the Issuer shall (if and to the extent permitted by the Relevant Rules from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur), save with the approval of an Extraordinary Resolution:

- (i) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the Share Delivery Date, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (ii) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions as are necessary to ensure that the Notes may, following the occurrence of a Trigger Event, be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions.

The Trustee shall be obliged (at the expense of the Issuer) to concur in effecting such amendments, provided that the Trustee shall not be bound so to concur if to do so would, in the opinion of the Trustee, have the effect of: (A) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction; (B) changing, increasing or adding to the obligations or duties of the Trustee; or (C) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes;

- (iii) in the event of a Change of Control where the Acquiror is an Approved Entity, use all reasonable endeavours to ensure that the New Conversion Condition is satisfied such that the Change of Control is a Qualifying Change of Control;
- (iv) use all reasonable endeavours to ensure that the Ordinary Shares delivered on the Share Delivery Date shall be admitted to listing and trading on the Relevant Stock Exchange;
- (v) notwithstanding the provisions of Condition 6(e), at all times keep available for issue or allotment, free from any pre-emptive or other preferential rights, sufficient Ordinary Shares to enable the issue of all Conversion Shares as

would be necessary to satisfy in full the obligation of the Issuer to issue and deliver Conversion Shares following the occurrence of a Trigger Event; and

- (vi) where these Conditions require or provide for a determination by an Independent Adviser, the Issuer shall use all reasonable endeavours promptly to appoint an Independent Adviser for such purpose.

## 7. Payments

### (a) *Payments in respect of Notes*

- (i) Payments of principal and interest shall be made on the date scheduled for payment to the persons shown on the Register at the close of business on the date falling 15 days before the due date in respect of such payment (the “**Record Date**”). Payment of principal and interest will be made by transfer to the registered account of the relevant Noteholder.
- (ii) Payments of principal and 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.
- (iii) For the purposes of this Condition 7, 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 on the date falling two Business Days before the due date for payment.

### (b) *Payments subject to applicable laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the US 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**”).

### (c) *No commissions*

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.

### (d) *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 due date for payment or, in the case of

a payment of principal or 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 any Paying 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).

(e) *Partial payments*

If the amount of principal or interest which is scheduled to be paid 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. With respect to the amount of any Interest Payment or part thereof, the Registrar shall have regard to the provisions of Condition 5(a).

(f) *Agents*

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves its 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:

- (i) at all times maintain a Principal Paying and Conversion Agent, an Agent Bank, a Conversion Calculation Agent, a Registrar and a Transfer Agent; and
- (ii) at all times maintain such other agents as may be required by any stock exchange on which the Notes may be listed.

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 13.

**8. Redemption, Substitution, Variation and Purchase**

(a) *No Redemption Date*

The Notes are perpetual securities in respect of which there is no fixed redemption date and (without prejudice to Conversion of the Notes in accordance with Condition 6) the Issuer shall only have the right to redeem or purchase the Notes in accordance with the following provisions of this Condition 8. The Notes are not redeemable at the option of the Noteholders at any time.

(b) *Conditions to Redemption and Purchase*

To the extent required pursuant to the Relevant Rules at the relevant time, and save as otherwise permitted pursuant to Condition 8(c), the Issuer may not redeem or purchase any Notes unless each of the following conditions is satisfied:

- (i) the relevant date of any redemption or purchase of the Notes pursuant to Condition 8(g), 8(h), 8(i), 8(j) or 8(n) is on or after the fifth anniversary of the Issue Date unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (ii) in respect of any redemption or purchase of the Notes occurring on or after the fifth anniversary of the Issue Date and before the tenth anniversary of the Issue Date, the Relevant Regulator has confirmed to the Issuer that it is satisfied that the Solvency Capital Requirement is exceeded by an appropriate margin (taking into account the solvency position of the Issuer including the Issuer's medium-term capital management plan) unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes;
- (iii) the Solvency Condition is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Condition to be breached;
- (iv) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (v) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (vi) no Insolvent Insurer Winding-up has occurred and is continuing;
- (vii) the Regulatory Clearance Condition is satisfied; and/or
- (viii) any other additional or alternative requirements or pre-conditions to which the Issuer is otherwise subject and which may be imposed by the Relevant Regulator or the Relevant Rules have (in addition or in the alternative to the foregoing subparagraphs, as the case may be) been complied with (and shall continue to be complied with following the proposed redemption or purchase),

the conditions set out in paragraphs (i) to (viii) (inclusive) above (to the extent required pursuant to the Relevant Rules at the relevant time as aforesaid) being the "**Redemption and Purchase Conditions**".

If on the proposed date for redemption of the Notes the Redemption and Purchase Conditions are not met, redemption of the Notes shall instead be suspended and such redemption shall occur only in accordance with Conditions 8(c) and 8(d).

- (c) *Waiver of Redemption and Purchase Condition relating to Solvency Capital Requirement by the Relevant Regulator*

Notwithstanding Condition 8(b), the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:

- (i) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) of Condition 8(b);
- (ii) the Relevant Regulator has exceptionally waived the cancellation or suspension of redemption or, as the case may be, purchase of the Notes;
- (iii) all (but not some only) of the Notes being redeemed or purchased at such time are exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes; and
- (iv) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Directors confirming that the conditions set out in this Condition 8(c) 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.

(d) *Suspension of Redemption*

The Issuer shall notify the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any date set for redemption of the Notes if such redemption is to be suspended in accordance with Condition 8(b), provided that if an event occurs or is determined less than five Business Days prior to the date set for redemption that results in the Redemption and Purchase Conditions ceasing to be met, the Issuer shall notify the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders as soon as reasonably practicable following the occurrence or determination (as the case may be) of such event.

If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Condition 8 as a result of the operation of Condition 8(b), the Issuer shall redeem such Notes at their principal amount outstanding together with any accrued and unpaid interest (in each case, to the extent that such amounts have not been cancelled pursuant to these Conditions), upon the earlier of:

- (i) the date falling 10 Business Days after the date on which the Redemption and Purchase Conditions are met or redemption of the Notes is otherwise permitted pursuant to Condition 8(c) (unless on such tenth Business Day the Redemption and Purchase Conditions are again not met or the redemption of the Notes on such date would result in the Redemption and Purchase Conditions ceasing to be met (in each case save for the Redemption and Purchase Condition at subparagraph (iv) of Condition 8(b) to the extent waived under Condition 8(c)), in which case the provisions of Condition 8(b) and this sub-paragraph (i) of this Condition 8(d) will apply *mutatis mutandis* to determine the rescheduled due date for redemption of the Notes); or

- (ii) the date on which an Issuer Winding-Up occurs (insofar as such Issuer Winding-Up occurs prior to the date on which a Trigger Event occurs).

The Issuer shall notify the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders no later than five Business Days prior to any such date set for redemption pursuant to (i) or (if reasonably practicable in the circumstances) (ii) above.

A certificate signed by two Directors confirming that: (i) the Redemption and Purchase Conditions are not met or would cease to be met if the proposed redemption or purchase were to be made; or (ii) the Redemption and Purchase Conditions are met and would continue to be met if the proposed redemption or purchase were to be made, 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 on such certificate absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(e) *Suspension of Redemption and Cancellation of Purchases Not a Default*

Notwithstanding any other provision in these Conditions or in the Trust Deed, the suspension of redemption of the Notes and any cancellation of any purchases of any Notes in accordance with Condition 8(b) and 8(d) shall not constitute a default or event of default on the part of the Issuer for any purpose 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.

(f) *Redemption at the Option of the Issuer*

Provided that the Redemption and Purchase Conditions are met, the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Notes, on the First Call Date or on any Reset Date thereafter at their principal amount together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption.

(g) *Redemption, substitution or variation at the option of the Issuer due to a Tax Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(l) are met, if a Tax Event has occurred and is continuing, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities, and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(l) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided that:

- (1) no such notice shall be given earlier than 90 days prior to the earliest date on which:
  - (A) with respect to limb (a)(i) of the definition of Tax Event, the Issuer would be obliged to pay such Additional Amounts;
  - (B) with respect to limb (a)(ii)(1) of the definition of Tax Event, the payment of interest would no longer be deductible for Relevant Jurisdiction tax purposes or such deduction would be materially reduced; or
  - (C) with respect to limb (a)(ii)(2) of the definition of Tax Event, the Issuer would not to any material extent be entitled to have the loss or non-trading deficit set against the profits as provided in such limb (a)(ii)(2); and
- (2) the Issuer shall also deliver to the Trustee an opinion from a nationally recognised law firm or other tax adviser in the applicable Relevant Jurisdiction experienced in such matters to the effect that the relevant requirement or circumstance referred to in limb (a) of the definition of Tax Event applies or will apply on the next Interest Payment Date (and, for the avoidance of doubt, such opinion need not provide any confirmation as to whether the Issuer could avoid the occurrence of the relevant Tax Event by taking measures reasonably available to it).

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(h) *Redemption, substitution or variation at the option of the Issuer due to a Capital Disqualification Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(l) are met, 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, the Relevant Rules (or other official publication), a Capital Disqualification Event will occur within the forthcoming period of six months, then the

Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Qualifying Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(l) below and in the definition of "Qualifying Securities") agree to such substitution or variation,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Capital Disqualification Event.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(i) *Redemption, substitution or variation at the option of the Issuer due to a Ratings Methodology Event*

Provided that (in the case of a redemption) the Redemption and Purchase Conditions and (in any case) the relevant preconditions to redemption, variation and substitution in Condition 8(l) are met, if a Ratings Methodology Event has occurred and is continuing or, as a result of a change in (or clarification to) the methodology of the Rating Agency (or in the interpretation of such methodology), a Ratings Methodology Event will occur within the forthcoming period of six months, then the Issuer may, at its option (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify, as applicable, the date fixed for redemption or on which any variation or substitution is to become effective) either:

- (i) redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) substitute at any time all (but not some only) of the Notes for, or vary at any time the terms of the Notes so that they become or remain, Rating Agency Compliant Securities and the Trustee shall (subject to the receipt by it of the certificates of the Directors referred to in Condition 8(l) below and in the definitions of

“Qualifying Securities” and “Rating Agency Compliant Securities”) agree to such substitution or variation,

provided, however, that no such notice of redemption, substitution or variation shall be given more than 12 months following the occurrence of the relevant Ratings Methodology Event.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

(j) *Clean-up redemption at the option of the Issuer*

Provided that the Redemption and Purchase Conditions and the relevant preconditions to redemption in Condition 8(l) are met, 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 17 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), and having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(p) below) be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes at any time at their principal amount, together with (to the extent that such interest has not been cancelled in accordance with these Conditions) any accrued and unpaid interest to (but excluding) the date of redemption (the “**Clean-up Call**”).

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

(k) *Trustee role on redemption, variation or substitution; Trustee not obliged to monitor*

- (i) Subject to Condition 8(b), 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 the substitution or variation of the Notes for or into Qualifying Securities pursuant to Condition 8(g) or 8(h) above or Rating Agency Compliant Securities pursuant to Clause 8(i) above, provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee’s opinion, more onerous obligations upon it or exposes it to liabilities or reduces its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 8.
- (ii) 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 8 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 pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to

which this Condition 8 relates, it shall be entitled to assume that no such event or circumstance exists or has arisen.

(l) *Preconditions to redemption, variation and substitution*

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(g), 8(h), 8(i) or 8(j), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that, as the case may be, the Issuer is entitled to redeem, vary or substitute the Notes on the grounds that a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing or, for the purposes of Condition 8(j), that 80 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased and cancelled, in any such case as at the date of the certificate or, as the case may be (in the case of a Capital Disqualification Event or a Ratings Methodology Event) will occur within a period of six months and, in the case of a redemption pursuant to Condition 8(g), 8(h) or 8(i), that it would have been reasonable for the Issuer to conclude, judged at the Issue Date, that the relevant Tax Event, Capital Disqualification Event or Ratings Methodology Event was unlikely to occur.
- (ii) The Issuer shall not be entitled to amend or otherwise vary the terms of the Notes or substitute the Notes unless it has notified the Relevant Regulator in writing of its intention to do so not less than one month (or such other period of notice as may be required or accepted by the Relevant Regulator or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective and the Regulatory Clearance Condition has been satisfied in respect of such proposed amendment, variation or substitution.

A certificate signed by any two Directors to the Trustee confirming compliance with the relevant requirements set out above shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee, the Noteholders and all other interested parties. The Trustee shall be entitled to accept such certificate as sufficient evidence of such compliance and 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.

(m) *Compliance with stock exchange rules*

In connection with any substitution or variation of the Notes in accordance with Condition 8(g), 8(h) or 8(i), 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.

(n) *Purchases*

Provided that the Redemption and Purchase Conditions are met at the time of such purchase, the Issuer or any of the Issuer's Subsidiaries may 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 relevant purchaser, surrendered for cancellation to the Registrar.

(o) *Cancellations*

All Notes redeemed or substituted by the Issuer pursuant to this Condition 8, and all Notes purchased and surrendered for cancellation pursuant to Condition 8(n), 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.

(p) *Notices Final*

Subject to and without prejudice to the Redemption and Purchase Conditions and to Condition 8(d), any notice of redemption as is referred to in this Condition 8 shall, except in the circumstances described in the following paragraph of this Condition 8(p), be irrevocable and on the redemption, variation or (as the case may be) substitution date specified in 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.

The Issuer may not give a notice of redemption, substitution or variation of the Notes pursuant to this Condition 8 if a Trigger Event resulting in a Conversion of the Notes has occurred. If a Trigger Event occurs after a notice of redemption, substitution or variation has been given by the Issuer but before the relevant redemption, substitution or (as the case may be) variation date, such notice of redemption, substitution or variation (as applicable) shall automatically be revoked and be null and void and the relevant redemption, substitution or variation (as applicable) shall not be made or effected and the Notes shall be Converted in accordance with and subject to Condition 6.

**9. Taxation**

(a) *Payment without withholding*

All payments of principal, 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 ("**Additional Amounts**") in respect of interest payments, but not in respect of any payments of principal or any 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:

- (i) *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

- (ii) *Lawful avoidance of withholding*: the holder of which could lawfully have avoided (but has not so avoided) such deduction or withholding by complying or procuring that any person who is associated or connected with the holder for the purposes of any Taxes complies with any statutory requirements or by making or procuring that any such person makes 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
- (iii) *Payment by another Paying Agent*: surrendered for payment (where surrender is required) by or on behalf of a holder who would have been able to avoid such withholding or deduction by surrendering the relevant Note to another Paying Agent in a Member State of the EU (provided that there is such a Paying Agent appointed at the relevant time); or
- (iv) *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
- (v) *Combination*: where such withholding or deduction arises out of any combination of paragraphs (i) to (iv) 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 on account of any FATCA Withholding Tax.

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-Up, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in an Issuer Winding-Up, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an administration, one day prior to the date on which any dividend is distributed).

(b) *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 9 or under any undertakings given in addition to, or in substitution for, this Condition 9 pursuant to the Trust Deed.

**10. Prescription**

Claims against the Issuer in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

**11. Non-payment of principal when due**

*(a) Proceedings for an Issuer Winding-Up*

The right to institute winding-up proceedings by the Trustee on behalf of the Noteholders in respect of the Issuer is limited to circumstances where a payment of principal in respect of the Notes by the Issuer under the Conditions or any provisions of the Trust Deed has become due and is not duly paid. No amount shall be due from the Issuer in circumstances where payment of principal could not be made in compliance with the Solvency Condition, after a Trigger Event has occurred, where payment cannot be made in compliance with the Redemption and Purchase Conditions or where redemption is suspended pursuant to Condition 8(d).

If default is made by the Issuer for a period of 14 days or more in the payment of principal due in respect of the Notes or any of them, 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 pre-funded to its satisfaction) institute proceedings for an Issuer Winding-Up in England and Wales (but not elsewhere).

Subject to Condition 6, in the event of a winding-up or administration of the Issuer (whether or not instituted by the Trustee, and whether in England and Wales or elsewhere), 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 pre-funded to its satisfaction) prove in the winding-up or administration of the Issuer and/or (as the case may be) claim in the liquidation or administration of the Issuer, such claim being as provided in, and subordinated in the manner described in, Condition 3(b) or Condition 3(c) (as applicable), but 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 11(a), 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 the Relevant Regulator and the Relevant Regulator has indicated that it has no objection, which the Issuer shall confirm in writing to the Trustee and upon which the Trustee may rely conclusively without liability to any person.

*(b) Enforcement*

Without prejudice to Condition 11(a), 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 payment of 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 11(b) shall, however, prevent the Trustee or the Noteholders from pursuing the remedies to which they are entitled pursuant to Condition 11(a).

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) 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 pre-funded to its satisfaction.

(d) *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 to do so within a reasonable period and such failure shall be continuing, in which case the Noteholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) *Extent of Noteholders' remedy*

No remedy against the Issuer, other than as referred to in this Condition 11, 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.

**12. 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 13) 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.

**13. 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 publication or, if so published more than once or on different dates, on the date of the first publication.

#### 14. Substitution of Issuer

Subject to the Issuer giving at least one month's notice to the Relevant Regulator (or such other period of notice as may be required or accepted by the Relevant Regulator or the Relevant Rules at the relevant time, and for so long as there is a requirement to give such notice), and the Relevant Regulator having indicated that it has no objection, the Trustee may agree with the Issuer, without the consent of the Noteholders and subject to the Notes being (other than where the Substitute Obligor (as defined below) is the successor in business to the Issuer) unconditionally and irrevocably guaranteed by the Issuer on a subordinated basis equivalent to Condition 3, to the substitution of a Subsidiary or parent company of the Issuer or the successor in business to the Issuer, in any such case, in place of the Issuer as principal debtor under the Trust Deed and the Notes (each 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 has 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 11 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 without liability to any person 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) the provisions of Condition 6 and the effect thereof, including (without limitation) the rights of Noteholders to receive Ordinary Shares (or, as the case may be, the relevant Conversion Shares Offer Consideration) following the occurrence of a Trigger Event, are preserved in all material respects (but without prejudice to the provisions of Condition 6(m));
- (F) if the Substitute Obligor is, or becomes, subject in respect of payments made by it of principal and/or interest on 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 9 with the substitution in the definition of “Relevant Jurisdiction” (for the purposes of both Condition 9 and Condition 8(g)) of references to the Original Territory with references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly;
- (G) 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
- (H) 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 14.

Any substitution effected in accordance with this Condition 14 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 13.

## 15. Meetings of Noteholders, Modification, Waiver and Authorisation

### (a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders 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 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.

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 provided for and made in compliance with Condition 6(m) or Condition 6(s), made in connection with the substitution or variation of the Notes pursuant to Conditions 8(g), 8(h) or 8(i) 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 14.

*(b) 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.

*(c) 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 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation, determination or substitution made in accordance with this Condition 15 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 13.

(e) *Regulatory Clearance Condition*

Any modification to, or waiver in respect of, these Conditions or any provisions of the Trust Deed will be subject to satisfaction of the Regulatory Clearance Condition.

**16. Indemnification of the Trustee and its Contracting with the Issuer**

(a) *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.

(b) *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.

(c) *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.

**17. 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**”). Any such Further Notes shall be constituted by a deed supplemental to the Trust Deed.

## 18. **Governing Law**

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

## 19. **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.

## 20. **Defined Terms and Interpretation**

### *Defined Terms*

In these Conditions:

“**Additional Amounts**” has the meaning given to it in Condition 9;

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

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

“**Agents**” means the Principal Paying and Conversion Agent, the Agent Bank, the Registrar and the Transfer Agents or any of them and shall include such other agents appointed from time to time under the Agency Agreement;

“**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;

“**Business Day**” means:

- (a) except for the purposes of Conditions 2, 6(f)(ii) and 7(d), 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 Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located;

- (c) for the purposes of Condition 6(f)(ii), 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 Conversion Shares Depository is located; and
- (d) for the purpose of Condition 7(d), 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;

“**Calculation Amount**” means £1,000 in principal amount of the Notes;

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 1 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 1 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 1 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(a);

“**Clean-up Call**” has the meaning given in Condition 8(j);

“**Closing Price**” means, in respect of a Relevant Security, option, warrant or other right on any Dealing Day, the official closing price of such Relevant Security, option, warrant or other right on the Relevant Stock Exchange on such Dealing Day as published by or derived from Bloomberg page “HP” (or any successor page) (using the setting “Last Price”, or any successor setting) in respect of such Relevant Security, option, warrant or other right for the Relevant Stock Exchange in respect thereof on such Dealing Day or, if such price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day, provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Closing Price of a Relevant Security, option, warrant or other right, as the case may be, in respect of such Dealing Day shall be the Closing Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined, or if such price cannot be determined as provided above, the Closing Price shall be determined as an Independent Adviser might otherwise determine in good faith to be appropriate;

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

“**Conversion**” means the conversion of the Notes into Ordinary Shares pursuant to Condition 6, and “**convert**” and “**converted**” shall be construed accordingly;

“**Conversion Calculation Agent**” has the meaning given to such term in the preamble to these Conditions;

“**Conversion Date**” has the meaning given to such term in Condition 6(c)(ii);

“**Conversion Price**” has the meaning given to such term in Condition 6(b)(ii);

“**Conversion Shares**” means the Ordinary Shares to be issued and delivered to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) by the Issuer on the Share Delivery Date on and subject to the terms set out in Condition 6;

“**Conversion Shares Depositary**” means a reputable financial institution, trust company or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed to perform such functions and that will hold the Conversion Shares (and any Conversion Shares Offer Consideration) on trust for the Noteholders of the Notes in one or more segregated accounts, unless otherwise required to be transferred out of such accounts for the purposes of the Conversion Shares Offer, and otherwise on terms consistent with these Conditions;

“**Conversion Shares Offer**” has the meaning given to such term in Condition 6(e)(i);

“**Conversion Shares Offer Agent**” means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depositary by the Issuer, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depositary to facilitate a Conversion Shares Offer;

“**Conversion Shares Offer Consideration**” means, in respect of each Calculation Amount and as determined by the Conversion Calculation Agent:

- (a) if all of the Conversion Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Conversion Shares attributable to each Calculation Amount translated, if necessary, into Sterling at the Prevailing Rate on the last day of the Conversion Shares Offer Period (less any foreign exchange transaction costs), and rounded to the nearest whole multiple of £0.01, with £0.005 rounded upwards;
- (b) if some but not all of such Conversion Shares are sold in the Conversion Shares Offer:
  - (i) the *pro rata* share of the cash proceeds from the sale of such Conversion Shares attributable to each Calculation Amount translated, if necessary, into Sterling at the Prevailing Rate on the last day of the Conversion Shares Offer Period (less any foreign exchange transaction costs), and

rounded to the nearest whole multiple of £0.01, with £0.005 rounded upwards; and

- (ii) the *pro rata* share of such number of Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to each Calculation Amount (for the purposes of this paragraph (b)(ii), without rounding (but without prejudice to subsequent rounding under Condition 6(n))); and
- (c) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant number of Conversion Shares attributable to each Calculation Amount (for the purposes of this paragraph (c), without rounding (but without prejudice to subsequent rounding under Condition 6(n))),

subject, in the case of paragraphs (a) and (b)(i) above, to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax or duty that may arise or be paid as a consequence of the transfer of (or any agreement to transfer) any interest in such Conversion Shares to the Conversion Shares Depositary (or Conversion Shares Offer Agent(s) (if any)) as a consequence of the Conversion Shares Offer (but excluding, for the avoidance of doubt, any costs and expenses borne by the purchasers of the Conversion Shares in the Conversion Shares Offer pursuant to Condition 6(e)(viii));

provided that if the cash component (if any) of the Conversion Shares Offer Consideration in respect of each Calculation Amount determined in accordance with the foregoing (after the deductions referred to in the immediately preceding paragraph) would exceed the product of (a) the Calculation Amount and (b) the proportion (expressed as a percentage) of the Conversion Shares sold in the Conversion Shares Offer (such excess, the “**Excess Amount**”), the Excess Amount shall not form part of the Conversion Shares Offer Consideration, and shall instead be payable to the Issuer as provided in Condition 6(e)(v);

“**Conversion Shares Offer Floor Price**” means the price per Conversion Share specified as such in the Conversion Shares Offer Notice. The Conversion Shares Offer Floor Price to be so specified shall be:

- (a) if the Ordinary Shares are then admitted to trading on a Relevant Stock Exchange, the Current Market Price as at the Conversion Date; or
- (b) if the Ordinary Shares are not then admitted to trading on a Relevant Stock Exchange, the Fair Market Value of a Conversion Share as at the Conversion Date;

“**Conversion Shares Offer Notice**” has the meaning given to such term in Condition 6(e)(ii);

“**Conversion Shares Offer Period**” has the meaning given to such term in Condition 6(e)(iv);

**“Conversion Shares Offer Price”** has the meaning given to such term in Condition 6(e)(i);

**“Conversion Shares Settlement Notice”** means a notice in the form for the time being currently available from the specified office of any Paying and Conversion Agent and which is required to be delivered to the Conversion Shares Depository (or its agent(s) designated for the purpose in the Conversion Event Notice) in connection with a Conversion of the Notes;

**“Current Market Price”** means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Prices of an Ordinary Share on each of the five (5) consecutive Dealing Days (or, for the purposes of Condition 6(h)(iv) ten (10) consecutive Dealing Days) ending on the Dealing Day immediately preceding such date,

provided that, for the purposes of Condition 6(h)(iv), if at any time during the said ten (10) dealing-day period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum- such dividend (or cum- such any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit; or
- (b) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit,

and provided further that, for the purposes of Condition 6(h)(iv), if on each of the said ten (10) Dealing Days the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market

Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement of the terms such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five (5) Dealing Days (or, for the purposes of Condition 6(h)(iv), the said ten (10) Dealing Days) (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five (5) (or, for the purposes of Condition 6(h)(iv), ten (10)) Dealing Day period shall be used (subject to a minimum of two (2) such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Adviser;

**“Dealing Day”** means a day on which the Relevant Stock Exchange or any other relevant stock exchange or securities market is open for business on which Ordinary Shares, Relevant Securities, Relevant Shares, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or such other relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time);

**“Director”** means a director of the Issuer;

**“Distributable Items”** means, subject as otherwise defined from time to time in the Relevant Rules, with respect to and as at any Interest Payment Date, without double-counting, an amount equal to:

- (a) the Distributable Profits of the Issuer, calculated on an unconsolidated basis, as at the last day of the then most recently ended financial year of the Issuer; plus
- (b) the interim retained earnings (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer’s then latest financial year end to (but excluding) such Interest Payment Date; less
- (c) the interim net loss (if any) of the Issuer, calculated on an unconsolidated basis, for the period from the Issuer’s then latest financial year end to (but excluding) such Interest Payment Date;

**“Distributable Profits”** has the meaning given to such term under section 736 of the Companies Act (or, in the case of a Substitute Obligor which is not a United Kingdom company, the relevant provision under the law of the jurisdiction of incorporation of the Substitute Obligor) or (in each case) any equivalent or replacement provision;

**“Excess Amount”** has the meaning given in the definition of “Conversion Shares Offer Consideration”;

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

**“Exempt Newco Scheme”** means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are:

- (a) admitted to trading on the Relevant Stock Exchange on which the Ordinary Shares were admitted to trading immediately prior to the Newco Scheme; or
- (b) admitted to listing or trading on such other Regulated Market as the Issuer or Newco may determine;

**“FATCA Withholding Tax”** has the meaning given in Condition 7(b);

**“Fair Market Value”** means:

- (a) with respect to a Cash Dividend, the amount of such Cash Dividend;
- (b) with respect to a cash amount, the amount of such cash;
- (c) with respect to Relevant Securities, options, warrants or other rights that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined in good faith by an Independent Adviser):
  - (i) with respect to such Relevant Securities (to the extent constituting equity share capital), the arithmetic mean of the daily Volume Weighted Average Prices of such Relevant Securities; and
  - (ii) with respect to such Relevant Securities (other than to the extent constituting equity share capital), options, warrants or other rights, the arithmetic mean of the daily Closing Prices of such Relevant Securities, options, warrants or other rights,

in the case of each of (i) and (ii), during the period of five Dealing Days on the Relevant Stock Exchange commencing on such date (or, if later, the first such Dealing Day such Relevant Securities, options, warrants or other rights are publicly traded) or such shorter period as such Relevant Securities, options, warrants or other rights are publicly traded; and

- (d) with respect to Relevant Securities, options, warrants or other rights that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid), the fair market value of such Relevant Securities, options, warrants or other rights as determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Relevant Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Save for the Fair Market Value determination referred to in the definition of “Conversion Shares Offer Floor Price”, such amounts shall, in the case of (a) and (b) above, be translated (if expressed in a currency other than the Relevant Currency) into the Relevant Currency (if declared, announced, made, paid or payable in a currency other than the Relevant Currency, and if the relevant dividend is payable at the option of the Issuer or a Shareholder in any currency additional to the Relevant Currency, the relevant dividend shall be treated as payable in the Relevant Currency) at the rate of exchange (if any) used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

“**Final Cancellation Date**” means the date on which any Notes in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depository (or its designated agent(s)) on or before the Notice Cut-off Date shall be cancelled, which date is expected to be no more than twelve (12) Business Days following the Notice Cut-off Date and which will be notified to Noteholders in the Trigger Event Notice;

“**First Call Date**” means 26 April 2024;

“**Further Notes**” has the meaning ascribed to it in Condition 17;

“**Group Insurance Undertaking**” means an insurance 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;

“**Independent Adviser**” means an independent financial institution of international repute or independent adviser with appropriate expertise (which may be (without limitation) the Conversion Calculation Agent) appointed by the Issuer at its own expense;

“**Initial Fixed Interest Rate**” has the meaning given to it in Condition 4(c);

“**Initial Fixed Rate Interest Period**” means the period from (and including) the Issue Date to (but excluding) the First Call Date;

“**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 or a European Economic Area regulatory authority 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”** means, in respect of any Interest Payment Date, the amount of interest which is (or would, but for cancellation in accordance with these Conditions, be) due and payable on such Interest Payment Date;

**“Interest Payment Date”** means 26 April and 26 October in each year, commencing on 26 April 2019;

**“Interest Period”** means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

**“Interest Rate”** means the Initial Fixed Interest Rate and/or the applicable Reset Rate of Interest, as the case may be;

**“Issue Date”** means 21 March 2019;

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

**“Issuer Winding-Up”** means:

- (a) 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 14 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;

**“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 Cancellation Event”** has the meaning given to such term in Condition 5(b);

**“Margin”** means 8.434 per cent.;

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

**“Minimum Capital Requirement”** means the Minimum Capital Requirement or the group 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;

**“Newco Scheme”** means a scheme of arrangement or analogous proceeding (**“Scheme of Arrangement”**) which effects the interposition of a limited liability company (**“Newco”**) between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the **“Existing Shareholders”**) and the Issuer, provided that:

- (a) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders;
- (b) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco (except for a nominal holding by initial subscribers, if applicable), are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement;
- (c) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer;
- (d) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer immediately after completion of the Scheme of Arrangement; and

immediately after completion of the Scheme of Arrangement the Issuer holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

**“Noteholder”** has the meaning given in Condition 1(b);

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

**“Notice Cut-off Date”** means the date specified as such in the Trigger Event Notice, which date shall be at least twenty (20) Business Days following the Share Delivery Date;

**“Notional Preference Shares”** has the meaning given to such term in Condition 3(b);

**“Ordinary Shares”** means fully paid voting ordinary shares in the capital of the Issuer;

**“Own Fund Items”** means any own fund item referred to in the Relevant Rules;

**“Paying Agents”** means the Principal Paying and Conversion Agent, the Paying and Conversion Agents and the Registrar (and such term shall include any successor, replacement or additional paying agents appointed under the Agency Agreement);

**“Paying and Conversion Agents”** has the meaning given in the preamble to these Conditions;

**“Prevailing Rate”** means, in respect of any currencies on any day, the spot mid-rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that date as appearing on or derived from Bloomberg page BFIX (or any successor page) in respect of such pair of currencies or, if such a rate cannot be so determined, the rate prevailing as at 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined, the rate determined in such other manner as an Independent Adviser shall in good faith prescribe;

**“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 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, 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 and Conversion Agent”** has the meaning given in the preamble to these Conditions;

**“Qualifying 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 Directors 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 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same Interest Payment Dates; (3) contain terms providing for the deferral, suspension and/or cancellation of payments of interest 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) 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) 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 Notes only if such terms are not materially less favourable to an investor than equivalent terms contained in the terms of the Notes; and (7) preserve in full any existing rights under the Notes to any accrued interest which has accrued to Noteholders but not been cancelled or paid (but without prejudice to any right of the Issuer subsequently to cancel any such rights so preserved in accordance with the terms of the Qualifying Securities); and

- (c) are listed and admitted to trading on the Euro MTF of the Luxembourg Stock Exchange or 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 Europe Limited (**“S&P”**) and Moody’s Investors Service Limited (**“Moody’s”**) or any successor of any of them;

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

- (a) Qualifying Securities; and
- (b) assigned by each 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 (in the case of Fitch) was assigned by Fitch to the Notes on or around the Issue Date or (in the case of S&P or Moody’s) was first assigned by such Rating Agency 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 Directors 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) 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 the ‘equity content’ which (in the case of Fitch) was assigned by Fitch to the Notes on or around the Issue Date or (in the case of S&P or Moody’s) was first assigned by such Rating Agency 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;

**“Record Date”** has the meaning given to such term in Condition 7(a);

**“Redemption and Purchase Conditions”** has the meaning given to such term in Condition 8(b);

**“Register”** has the meaning given in Condition 1(a);

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

**“Regulated Market”** means a regulated, regularly operating United Kingdom stock exchange or securities market, an EEA Regulated Market or another regulated, regularly operating, internationally recognised stock exchange or securities market;

**“Regulatory Clearance Condition”** means, in respect of any proposed act on the part of the Issuer, the Relevant Regulator having approved or consented 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);

**“Relevant Currency”** means Sterling or (if different) the currency in which the Ordinary Shares or the Relevant Shares (as applicable) are quoted or dealt in on the Relevant Stock Exchange at such time;

**“Relevant Date”** has the meaning given in 9(a);

**“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/or 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 applying 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, for the avoidance of doubt 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 relating to such matters; 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 1 Capital and on the basis that the Notes are intended to continue to have the characteristics of Tier 1

Capital under the Relevant Rules (notwithstanding the occurrence of a Capital Disqualification Event);

**“Relevant Securities”** means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer (and each a **“Relevant Security”**);

**“Relevant Shares”** has the meaning given to such term in Condition 6(m)(vi);

**“Relevant Stock Exchange”** means in respect of the Ordinary Shares, any Relevant Security, option, warrant or other right or any other securities, the Main Market of the London Stock Exchange plc or, if at the relevant time the Ordinary Shares, the Relevant Security, option, warrant or other right are not at that time listed and admitted to trading on the Main Market of the London Stock Exchange, the principal stock exchange or securities market (if any) on which the Ordinary Shares, such Relevant Security, option, warrant or other right are then listed, admitted to trading or quoted or accepted for dealing;

**“Reset Date”** means the First Call Date and each fifth anniversary of the First Call Date thereafter;

**“Reset Determination Date”** means, in respect of a Reset Period, the second Business Day prior to the first day of such Reset Period;

**“Reset Period”** means the period from (and including) the First Call Date to (but excluding) the next Reset Date, and each successive period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

**“Reset Rate of Interest”** has the meaning given to it in Condition 4(d);

**“Reset Reference Banks”** means five brokers of gilts and/or gilt-edged market makers selected by the Issuer;

**“Reset Reference Rate”** means in respect of a Reset Period, the gross redemption yield (as calculated by the Agent Bank in accordance with generally accepted market practice at such time, on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for the purpose of determining the gross redemption yield being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period on a dealing basis for settlement on the next following benchmark gilt dealing day in London. Such quotations shall be obtained by or on behalf of the Issuer and provided to the Agent Bank. If at least four quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset

Reference Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Rate will be the previous Reset Reference Rate or (in the case of the first Reset Period) 0.941 per cent., where:

“**Benchmark Gilt**” means, in respect of a Reset Period, such United Kingdom government security customarily used in the pricing of new issues with a similar tenor having a maturity date on or about the last day of such Reset Period as the Issuer (on the advice of an investment bank of international repute) may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time (if any); and

“**benchmark gilt dealing day**” means a day on which the London Stock Exchange plc (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

“**Senior Creditors**” means:

- (a) (if applicable at the relevant time) any policyholders of the Issuer or beneficiaries under contracts of insurance 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;
- (c) all creditors of the Issuer whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Issuer in respect of any obligation of any other person which constitutes) or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital (including, for so long as any of the same remain outstanding, the Issuer’s £250,000,000 9.000 per cent. Guaranteed Subordinated Notes due 2026, ISIN: XS1504958817) or Tier 3 Capital (including, for so long as any of the same remain outstanding, the Issuer’s £230,000,000 3.500 per cent. Subordinated Tier 3 Notes due 2025, ISIN: XS1766956921); and
- (d) all other subordinated creditors of the Issuer, other than those whose claims constitute (or relate to a guarantee or other like or similar undertaking or arrangement given by the Issuer in respect of any obligation of any other person which constitutes), or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital 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 in a winding-up or administration of the Issuer occurring prior to the date on which a Trigger Event occurs;

“**Settlement Date**” means:

- (a) where the Issuer has not elected that a Conversion Shares Offer will be conducted, with respect to any Note in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depository or its designated agent on or before the Notice Cut-off Date, the date that is two (2) Business Days after the latest of:
- (i) the Share Delivery Date;
  - (ii) the date on which the Issuer announces that it will not elect for a Conversion Shares Offer to be conducted (or, if no such announcement is made, the last date on which the Issuer is entitled to give the Conversion Shares Offer Notice); and
  - (iii) the date on which the relevant Conversion Shares Settlement Notice has been received by the Conversion Shares Depository or its designated agent;
- (b) where the Issuer has elected that a Conversion Shares Offer will be conducted, with respect to any Note in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depository or its designated agent on or before the Notice Cut-off Date, the date that is two (2) Business Days after the later of:
- (i) the date on which the Conversion Shares Offer Period expires or is terminated; and
  - (ii) the date on which the relevant Conversion Shares Settlement Notice has been so received by the Conversion Shares Depository or its designated agent; and
- (c) with respect to any Note in relation to which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depository or its designated agent on or before the Notice Cut-off Date, the date on which the Conversion Shares Depository delivers the relevant Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the relevant Noteholder;

**“Share Delivery Date”** means, following the occurrence of a Trigger Event, the date on which the Issuer delivers the Conversion Shares to the Conversion Shares Depository in accordance with these Conditions which date is expected to be no more than fifteen (15) Business Days following the Conversion Date and which will be notified to Noteholders in the Trigger Event Notice;

**“Shareholders”** means the holders of Ordinary Shares;

**“Solvency II”** means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive including, without limitation, the Solvency II Regulation (for the avoidance of doubt, whether implemented by way of regulation or by further directives 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);

**“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;

**“Solvency Condition”** has the meaning given in Condition 3(e);

**“Sterling”** or **“£”** or **“penny”** means the lawful currency of the United Kingdom from time to time;

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

**“Substitute Obligor”** has the meaning given in Condition 14;

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

a **“Tax Event”** is deemed to have occurred if:

- (a) as a result of a Tax Law Change, on the next Interest Payment Date either:
  - (i) the Issuer would be required to pay Additional Amounts as provided or referred to in Condition 9; 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 Relevant Jurisdiction, or such entitlement is materially reduced; or
    - (2) the Issuer would not to any material extent be entitled to have any loss or non-trading deficit 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); and

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

**“Tax Law Change”** means 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 restricted Tier 1 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 law of the United Kingdom (or any political subdivision thereof), 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, after the Issue Date;

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

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

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

**“Tier 1 Own Funds”** means subordinated notes, ordinary shares or any other share capital of any class which constitute Tier 1 Capital for the purposes of the Issuer or the Insurance Group, whether on a solo, group or consolidated basis;

**“Transfer Agent”** has the meaning ascribed to it in the preamble to the Conditions;

a **“Trigger Event”** shall occur if at any time:

- (a) the amount of Own Fund Items eligible to cover the Solvency Capital Requirement is equal to or less than 75 per cent. of the Solvency Capital Requirement;
- (b) the amount of Own Fund Items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; or
- (c) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed;

“**Trigger Event Notice**” means the notice referred to as such in Condition 6 which shall be given by the Issuer to the Noteholders, in accordance with Condition 13, the Trustee, the Registrar, the Principal Paying and Conversion Agent and the Relevant Regulator, and which shall state with reasonable detail the nature of the relevant Trigger Event, the basis of its calculation and the Conversion Date (being the date on which the Trigger Event occurred);

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

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

“**Volume Weighted Average Price**” means, in respect of an Ordinary Share (or Relevant Share, as applicable) or Relevant Security, options, warrants or other rights on any Dealing Day, the order book volume-weighted average price of such Ordinary Share (or Relevant Share) or Relevant Security on the Relevant Stock Exchange in respect thereof as published by or derived from Bloomberg page HP (or any successor page) (using the setting “Weighted Average Line” or any successor setting) in respect of such Ordinary Shares (or Relevant Shares), options, warrants or other rights for the Relevant Stock Exchange in respect thereof on such Dealing Day (and for the avoidance of doubt such page for an Ordinary Share as at the Issue Date is JUST LN Equity HP), or, if such price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day, provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share (or Relevant Share, as applicable), Relevant Security, option, warrant or other right, as the case may be, in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined or determined as an Independent Adviser might otherwise determine in good faith to be appropriate.

#### Interpretation

For the purposes of these Conditions:

- (i) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such statutory modification or re-enactment;
- (ii) references to “**ordinary share capital**” have the meaning provided in Section 1119 of the Corporation Tax Act 2010 and “**equity share capital**” has the meaning provided in Section 548 of the Companies Act;
- (iii) references to any issue or offer or grant to Shareholders or Existing Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or

any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;

- (iv) in making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as the Conversion Calculation Agent or an Independent Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event; and
- (v) for the purposes of Condition 6, (1) references to the “issue” of Ordinary Shares or Ordinary Shares being “issued” shall, unless otherwise expressly specified, include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (2) Ordinary Shares held by or on behalf of the Issuer or any of its Subsidiaries (and which, in the case of Condition 6(h)(iv), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue” or “issued” or entitled to receive the relevant dividend, right or other entitlement.

## 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 and subject to the terms of the Global Certificate.

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 the holder of the Global Certificate 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 of the Global Certificate 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:

- (a) 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
- (b) 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 13 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 10 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 London 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 depositary 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 and Conversion 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 subsidiaries of the Issuer, or following a Conversion, 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**

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, subject to Condition 5.

### **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 and Conversion Agent and the relevant clearing system(s) may approve for this purpose) rather than in the manner as required by Condition 13. 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.

### **Conversion**

For so long as any Notes are represented by the Global Certificate and the same is held on behalf of Euroclear and Clearstream, Luxembourg, any Conversion of such Notes will be effected in accordance with the Conditions and, if and to the extent necessary, in accordance with the standard operating procedures of Euroclear and/or Clearstream, Luxembourg.

### **Suspension Date following Conversion**

In the case of Notes represented by a Global Certificate, any Conversion Shares Settlement Notice delivered prior to the day following the Suspension Date shall be void.

For the purposes of this provision, "**Suspension Date**" shall mean a date specified by the Issuer in the Trigger Event Notice or the Conversion Shares Offer Notice (and any notice of termination of the Conversion Shares Offer), as the case may be, as being the date on which Euroclear or Clearstream, Luxembourg shall suspend all clearance and settlement of transactions in the Notes in accordance with its rules and procedures which date shall, in the case of a Conversion Shares Offer, be as proximate to the end of the Conversion Shares Offer Period as is reasonably practicable in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg.

### **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 Holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**") shall, for all purposes (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), take effect as an Extraordinary 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 Written Resolution (as defined in the Trust Deed) 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 and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have 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. Neither the Issuer nor 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.

## Business Description

*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. Overview

Just Group plc is the listed holding company of the Just Group. The principal activity of the Just Group is the provision of financial services to individuals at or in retirement and to defined benefit pension scheme trustees, principally in the UK. Products include DB de-risking (also known as bulk purchase annuities), GfL products (also known as individual annuities), care plans, and LTMs. Further information on the Just Group's principal activities is set out below.

The Just Group comprises the following key companies:

- **Just Retirement Limited ("JRL")**, which provides DB de-risking products (bulk annuities), GfL products (individual annuities) and income drawdown products in the UK. JRL is the Just Group's primary life assurance company and one of the two insurance subsidiaries of the Just Group (the second is PLACL (defined below)). As a UK insurance company, JRL is authorised by the PRA and dual regulated by the PRA and FCA.
- **Just Retirement Money Limited ("JRML")**, which provides LTM products for the UK retirement market. JMRL is authorised and regulated by the FCA.
- **HUB Financial Solutions Limited ("HUB FS")**, which is the most established member of the HUB group of businesses ("**HUB**"). HUB provides: (i) regulated advice and distribution services for a range of retirement-focused products to individual customers; and (ii) support for organisations seeking to deliver non-advised, whole-of-market shopping around services to source retirement income products for customers, employees or pension scheme members. HUB FS is authorised and regulated by the FCA.
- **Just Retirement Life (South Africa) Limited ("JRSA")**, which provides a range of retirement income products designed for the South African market. JRSA holds a license from South Africa's Financial Services Board to provide retirement income solutions in South Africa.
- **Partnership Life Assurance Company Limited ("PLACL")**, which provides annuity products in the UK aimed at meeting the costs of residential or domiciliary long-term care. It also offers specialist underwritten life assurance in the UK. PLACL is one of the two insurance subsidiaries of the Just Group containing 29 per cent. of the total insurance liabilities of the Just Group as at 31 December 2018. As a UK insurance company, PLACL is authorised by the PRA and dual regulated by the PRA and FCA. Such care products are not provided in material quantities, as compared with the rest of the Just Group's business.

### 2. History of the Just Group

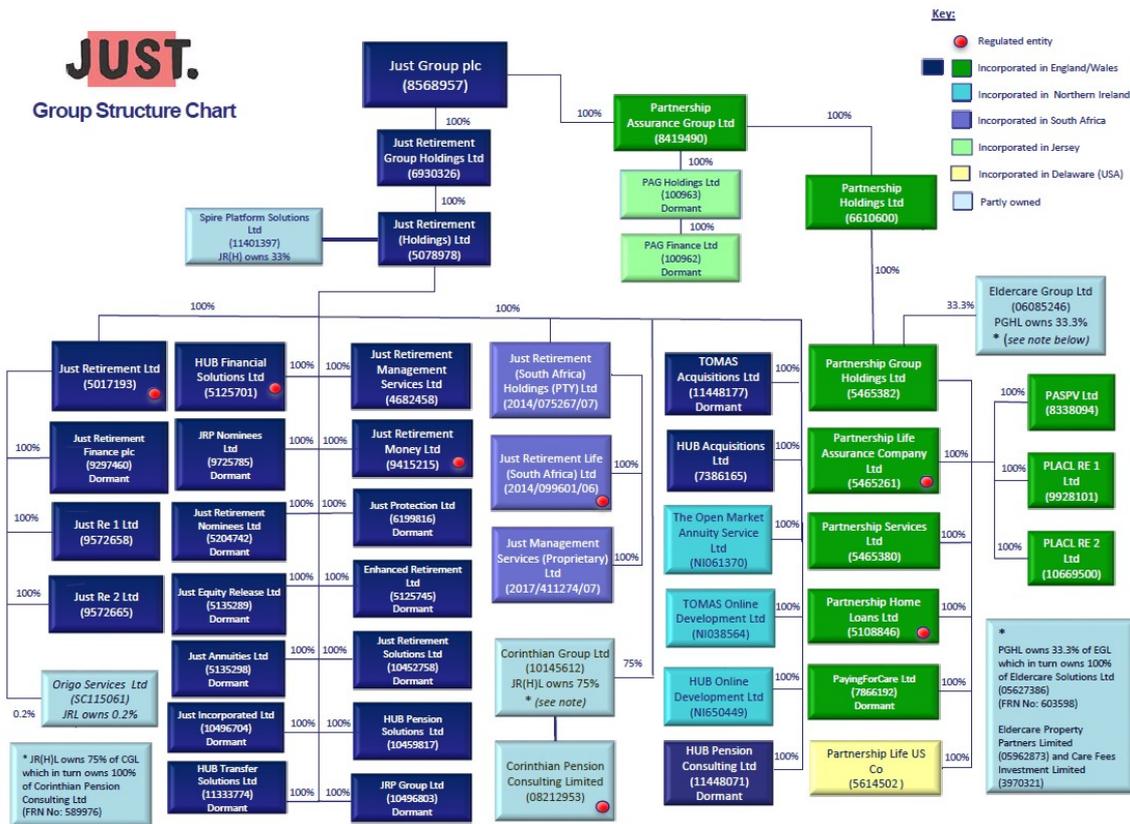
On 11 August 2015, the Issuer and PAG announced that they were to merge and, on 4 April 2016, the Issuer acquired PAG to form the Just Group (the "**Merger**"). The Merger was effected by means of a court-sanctioned scheme of arrangement of PAG under Part 26 of the

Companies Act which was sanctioned by the High Court of Justice in England and Wales on 1 April 2016 and completed on 4 April 2016. As a result of the Merger, the entire issued share capital of PAG is now owned by the Just Group, and the 368,376,421 new ordinary shares in the capital of the Just Group received by shareholders of PAG as consideration for exchanging their shares in PAG for shares in the capital of the Just Group were admitted to the premium listing segment of the official list of the FCA and to trading on the London Stock Exchange's main market for listed securities on 4 April 2016.

The Issuer was incorporated and registered as a public limited company (having an indefinite duration) in England and Wales on 13 June 2013 under the Companies Act with the name Just Retirement Group plc and the registered number 8568957. On 14 August 2013 the Issuer re-registered as a private limited company and changed its name to Just Retirement Group Limited. On 25 October 2013 the Issuer re-registered as a public limited company and changed its name to Just Retirement Group plc.

Following the Merger, the Issuer was renamed JRP Group plc on 4 April 2016 and subsequently renamed Just Group plc on 18 May 2017. The Just Group's objects are unrestricted, as permitted by section 31 of the Companies Act. The principal legislation under which the Just Group operates is the Companies Act and regulations made thereunder.

The following chart gives an overview of the legal structure of the Just Group and its principal companies as at the date of this Offering Memorandum:



### 3. Strengths and strategies

#### 3.1 Strengths

##### *The Just Group operates in structurally growing markets*

The Directors believe that the markets in which the Just Group operates, the DB de-risking market, the GifL market and the LTM market, all have attractive growth outlooks, supported by a number of structural drivers:

**DB de-risking:** over the five years from 2014 to 2018 there have been £69 billion of DB de-risking deals in the UK DB de-risking market, compared to £26 billion in the previous five years (source: Willis Towers Watson). There are £2.2 trillion of defined benefit pension liabilities on a full buy out basis in the UK (source: Pension Protection Fund, Purple Book 2018) and Hymans Robertson estimate that £700 billion of this could seek to de-risk over the next 13 years to 2031. The Directors believe that a growing number of DB pension schemes will consider de-risking as their funding levels improve due to a combination of interest rate rises, continued employer contributions and slower longevity improvements.

**GifL:** the FCA has continued to introduce measures to ensure that pension providers help retiring defined contribution members to 'shop-around'. This has helped to grow the open market portion of GifL sales to 52 per cent. in the first nine months of 2018 (source: ABI) from 41 per cent. in 2015 (source: ABI) and the Directors believe that it will underpin market growth going forward.

**LTMs:** the LTM market has grown at a compound annual rate of 27 per cent. over the 6 years from 2012 to 2018 and almost doubled over the two years to 2018 to £3.9 billion in 2018 (source: Equity Release Council). People in the UK aged over 55 have £2.5 trillion of net housing wealth, which compares to an existing LTM loan book across the UK LTM industry of approximately £25 billion (source: Office of National Statistics). The Directors believe that increasing awareness of the product and growing funding gaps at retirement will continue to drive market growth, resulting in LTMs serving an increasingly important role for people in later life who may be 'asset rich' but 'income poor.'

##### *The Just Group is a leading player in its chosen markets*

The Directors believe that in its three main product areas (DB de-risking, GifL products and LTMs), the Just Group has strong and sustainable market positions:

- (A) **DB de-risking:** in the UK DB de-risking market for deals of less than £250 million the Just Group had a 26 per cent. market share in the first half of 2018 (source: Hymans Robertson). In these smaller case sizes, the Directors believe that the medical underwriting that the Just Group is able to offer provides a material competitive advantage.
- (B) **GifL:** in the UK open GifL market, the Just Group had a 35 per cent. market share in 2018 (source: ABI). The Directors believe this favourable market position is the result of its use of proprietary IP including medical underwriting and its distribution capabilities.

- (C) **LTM**s: in the UK LTM market, the Just Group had a 15 per cent. share of advances in 2018 (source: Equity Release Council). Companies that sell annuities often also provide lifetime mortgages, and the Directors believe that the Just Group's GifL distribution capabilities complement its distribution capabilities in the LTM market.

The GifL market has six active participants (source: Company data). The DB de-risking market has eight participants and not all of these operate in the smaller case size markets (source: Lane, Clark & Peacock). In the LTM market the three largest providers had a share of 75 per cent. in 2017, and there are currently nine market participants in total (source: Equity Release Council and Company data).

***The Just Group benefits from proprietary intellectual property***

The Just Group's proprietary intellectual property is comprised of three building blocks; its data, its systems and its people. The Directors believe that the Just Group has collected more and better quality data in relation to medical and lifestyle factors than its competitors for use during the underwriting process. The Just Group's database holds 2.8 million person years of data, growing at 30,000 person-years per month and includes up to 250 medical and lifestyle rating factors for each life included in the dataset. The Just Group's bespoke automated underwriting system, PrognoSys™, allows it to consolidate all of its proprietary data, related research and insights and to codify it to be used when pricing. Finally, the Just Group benefits from a large in-house medical team, including epidemiologists, doctors, bio-statistical modellers, underwriters and actuaries drawn from around the world.

The Directors believe that this proprietary intellectual property allows it to forecast longevity better than many of its peers, offering a number of competitive advantages. The Directors believe that the Just Group is able to price more accurately and thus offer customers with pre-existing medical conditions a better deal at retirement, driving enhanced sales volumes. In addition, the Just Group is able to prioritise the annuity risks that it wants to underwrite and reserve more accurately.

***The Just Group utilises a diversified multi-channel distribution model, encompassing both third party distribution and its proprietary HUB platform***

The Just Group distributes its products through a variety of channels including traditional and specialist intermediaries, EBCs, life insurance companies, banks, building societies, pension schemes and affinity partners. The Just Group has strong relationships with a large number of intermediaries across these channels established over more than a decade of conducting business. The Directors believe that this diversified distribution network provides the Just Group with access to the most attractive business across the market and increases its resilience to changes in market distribution dynamics, such as the increased importance of specialist intermediaries in the GifL market in recent years.

In addition to its use of third party distributors, the Just Group also owns an independent distribution operation, HUB (a corporate solutions advice and distribution business). HUB's purpose is to expand the markets in which the Just Group operates by ensuring the availability of independent advice to consumers, who wish to select products across the market. HUB is responsible for approximately one in seven GifL purchases made in the UK market, making it the market's largest distributor.

### ***The Just Group has a track record of profitable growth***

The Just Group has a track record of profitable growth, as demonstrated by the financial results it has reported since the Merger. The adjusted operating profit of the Just Group in 2018 was 28 per cent. higher than the pro forma adjusted operating profit in 2016, the period during which the Merger took place. The Just Group's new business operating profit, a financial measure that the Directors believe is important, increased by 97 per cent. over the same time period. Participating in economically attractive growing markets has enabled the Just Group to be selective in the risks it chooses to underwrite and has helped to drive increases in profits. Allied to that has been a focus on reducing costs. As a result of the Merger, on 15 March 2018 the Just Group announced that it had achieved £52 million of cost synergies, 30 per cent. ahead of the level originally targeted and one year ahead of plan. The Directors believe that this combination of growth markets, careful risk selection and cost discipline will enable it to continue driving profit growth in the future.

## **3.2 Strategies**

The Just Group's strategic choices are made with a view to managing the principal risks facing the Just Group and making it more resilient. The Just Group's principal strategic objectives are as follows:

### ***Grow the Just Group's markets and broaden the Just Group's distribution reach***

The Just Group seeks to increase its sales by working to grow market demand. Larger markets create more sales opportunities for the Just Group. The Just Group seeks to capture its share of these growing markets by expanding its distribution reach and customer access. The Directors believe that the Just Group's products meet needs that, if unaddressed, create risks to the quality of life of its customers and thus it is important to grow markets to reduce the effect of those risks.

The Just Group's DB de-risking business plans to continue to drive growth in the DB de-risking market, and to offer medical underwriting solutions that enable the Just Group to provide more options for pension scheme trustees. The Just Group plans to support growth in the UK GfL, LTM and care markets through market and distributor education and regulatory engagement, and to expand its distribution reach through the active pursuit of new partner business relationships.

### ***Give customers a distinctly 'Just' experience every time***

The Just Group aims to align its customer experience with its brand promise across all channels and businesses. Key values of the Just Group's brand are fairness, a strong social purpose and a desire to improve retirement for customers by providing them with simple-to-use products and services. It expresses the Just Group's ambition to present itself differently, provide outstanding service to its customers and support people with the broader challenges of later life.

The Just Group has defined its customer experience principles and framework to seek to ensure that its products and services live up to the brand promise that the Just Group lives by. The Just Group is working to ensure that the post-Merger culture of the Just Group embraces the brand promise and customer perspective.

### ***Make smart risk choices***

The Just Group identifies and prices for the business it wants. The Just Group targets new business that complements its balance sheet and provides an attractive balance of risk, reward and capital usage.

The Directors believe that efficient deployment of the Just Group's capital is key to optimising the amount of business that it writes, at what margin, and with what capital usage. In addition, the Just Group seeks to ensure that the synergies between the Just Group's businesses are maximised through careful matching of the expected duration of LTM assets and DB de-risking and GfL liabilities, among other factors.

The Just Group seeks to combine customer insight, market knowledge and medical intellectual property (“IP”) to target the business and customer segments that it believes are the most attractive. The Just Group's distribution reach gives it access to target segments and business flows from which the Just Group chooses its preferred risks. The Directors believe that strong relationships with high quality reinsurers allow the Just Group to mitigate risks cost-effectively.

### ***Focus on strong financial management***

The Just Group has a firm target to achieve capital self-sufficiency, which it believes it will only achieve with the careful application of the Just Group's available capital and a focus on ensuring that expenses are aligned to the scale and needs of the business.

The Just Group uses its internal model to drive a disciplined approach to pricing its products and services and to improve continuously its capital management activities.

Having delivered the synergy benefits of the Merger, the Just Group plans to continue to focus on ongoing operating costs. A strong cost-benefit approach is embedded in the Just Group's investment decision making.

## **4. Business overview**

### **4.1 Overview**

The Just Group operates in the UK, South Africa and the US, although its main market is in the UK.

The Just Group's core products and services within the UK retirement income market are:

- (a) DB de-risking solutions (BPAs);
- (b) individual annuities including GfLs and care plans;
- (c) LTMs; and
- (d) HUB's regulated advice and distribution services for a range of retirement-focused products to individual customers; and support for organisations seeking to deliver non-advised, whole-of-market shopping around services to source retirement income products for customers, employees or pension scheme members.

The Just Group currently offers flexible pension plan products as non-core products in the UK.

In South Africa, the core product offered by the Just Group is GfL retirement income solutions and in the US, the core product is care annuity.

## **4.2 UK**

### ***DB de-risking solutions***

#### *Background*

DB pension schemes provide individuals with a pre-determined monthly income in retirement typically based on their earnings history, employment tenure and age. Various factors (including member longevity, the introduction of mark to market accounting, investment market volatility, and increased DB pension scheme regulation) have made opening or maintaining such schemes less attractive to sponsoring employers. As a result, DB pension schemes in the UK are increasingly entering into DB de-risking transactions.

DB de-risking can occur via either a buy-in (whereby a pension scheme pays a single premium to purchase an income stream that matches its obligations to its members or a subset of its members such as retirees, but retains legal responsibility for those obligations to its members) or a buy-out (whereby pension scheme members become customers of the de-risking solution provider and the DB pension scheme is released from its liabilities to such customers).

#### *DB de-risking solutions offered by the Just Group*

The Just Group provides both buy-in and buy-out DB de-risking solutions in the small and medium transaction segment, either on a medically underwritten or standard basis.

Medical underwriting is the process of using medical and lifestyle information to assess better the life expectancy of an individual. It provides a more accurate assessment of longevity than a standard (non-medical) process which relies on factors like postcode, age, sex and salary. The Just Group's approach to medical underwriting is to try to identify the conditions, illnesses or injuries that could affect a member's life expectancy in a non-intrusive manner. By applying its underwriting expertise to DB schemes, the Just Group believes that it can identify the lifestyle factors and medical conditions that members have, which can deliver premium savings when compared to a standard quotation.

The Directors believe that a medical process is most effective for smaller DB schemes, or for sub-sets of larger schemes, and so the Just Group only offers it for transactions involving 300 members or fewer. In 2018, 47.8 per cent. of new DB de-risking transactions entered into by the Just Group were on a medically underwritten basis. Such transactions can be created from larger populations by top-slicing all pensions in excess of a certain amount. This allows trustees to insure those pensioners with the largest liabilities and hence the highest concentration of risk, or to remove risks selectively from the scheme; for example, by purchasing a bulk annuity to cover pensioners who retire early due to ill health. The Directors believe there is a clear growth opportunity for the Just Group in the small and medium transaction segment of the DB de-risking market.

The DB de-risking segment accounted for 60 per cent. of the Just Group's new business retirement income sales in the 12 months to 31 December 2018. In 2018, the Just Group wrote

£1,314 million of new sales for DB de-risking solutions, compared to £998 million for 2017, an increase of 32 per cent.

DB de-risking transaction sizes are large and therefore sales patterns can be 'lumpy', making comparisons between periods difficult. However, the Directors believe that seasonality in 2018 has reduced somewhat as EBCs have managed the industry pipeline. The Directors believe that the momentum of the market in DB de-risking solutions is strong and the market is expected to grow substantially over the next decade (source: Hyman Robertson).

### *Market position*

The UK is one of the largest private DB markets in the world, with aggregate liabilities of approximately £2.2 trillion across more than 5,500 pension plans (source: Pension Protection Fund, Purple Book 2018). Each year some of these plans decide to de-risk through either a buy-in or buy-out.

The Directors believe that the barriers to entry in the UK de-risking solutions market are capital strength, actuarial and regulatory expertise, service levels and the ability to source illiquid assets to back the annuities. In the DB de-risking business, scale and financial strength are necessary to be considered a credible counterparty for prospective pension fund clients.

In 2018, £21.0 billion of buy-in and buy-out transactions were completed compared to £12.3 billion completed in 2017 (source: Willis Towers Watson). Hymans Robertson estimate that up to £700 billion of DB pension liabilities in the UK, subject to certain conditions, could be transferred to insurers during the 13 year period from 2019 to 2031. This level of activity would equate to only two per cent. of total defined benefit liabilities being de-risked each year on average (source: PPF and Hymans Robertson).

There are eight current providers of DB de-risking solutions in the UK: Pension Insurance Corporation, Aviva, Scottish Widows, Just, Legal & General, Phoenix Life, Rothersey Life and Canada Life (source: Lane, Clark & Peacock). Since 2007 this level of competition has remained fairly steady, with five companies (including Just) entering the market and five leaving the market (source: Lane, Clark & Peacock).

The Just Group had a 6 per cent. market share in the UK DB de-risking solutions market in 2018 (9 per cent. share in the first half of 2018), following an 8 per cent. share in 2017 and a 9 per cent. share in 2016 (source: Hymans Robertson). However, the Just Group only writes DB business up to a size limit of £250 million of liabilities. In this small to mid-sized segment the Just Group had a 26 per cent. share of the market in the first half of 2018 and an 18 per cent. share in 2017 (source: Hymans Robertson). The Just Group's competitive position in this segment was further enhanced by the attainment of an A+ Insurer Financial Strength Rating from Fitch in August 2017 for JRL.

## **GfL**

### *Background*

GfL policies are bought by individual customers to convert some or all of their accumulated lifetime pension savings into a guaranteed lifetime retirement income.

In the UK, annuity incomes were historically priced without reference to the individual's health or lifestyle, and were differentiated only by reference to a limited number of rating factors such as age, postcode, premium size and (prior to 31 December 2012) gender.

By contrast, individually underwritten GfL policies, which is the area of the market that the Just Group operates in, take into account medical and lifestyle factors to provide a secure income for life that can be materially higher for individuals with lower life expectancy. The Directors believe that an increasing proportion of annuities in the UK will be individually underwritten whether the insured is healthy or not.

#### *GfL products offered by the Just Group*

The Just Group offers individually underwritten GfL policies that take medical conditions and lifestyle factors into account, with the aim, if appropriate, of providing a higher income for life compared with an annuity which does not take such factors into account. The income offered depends on the assessment of a range of risk factors that may affect an individual's health, ranging from postcode, financial or lifestyle factors (such as body mass index or a history of smoking) to moderate/serious medical conditions and combinations (such as diabetes with complications, a recent heart attack with surgery and/or minor cancers) to very serious medical conditions and combinations (such as recent cancers, chronic obstructive pulmonary disease and advanced Crohn's disease).

In 2018, new business sales for GfL solutions were £786 million compared to £821 million in 2017.

#### *Market position*

The total GfL market in the UK was £4.4 billion in 2017 and had grown at 2 per cent. per annum since 2015, the first full year after the Pension Freedom Reforms in 2014 (source: ABI). Before that date, most retirees with a maturing defined contribution pension plan had little choice but to buy an annuity and the GfL market in the UK in 2013 was £12 billion (source: ABI). In 2018, the GfL market in the UK was down 1 per cent. (source: ABI).

The current GfL market in the UK can be divided into two parts, the external, or open market segment and the internal market. The internal market refers to those retirees who buy an annuity directly from their pension provider. The alternative is that the retiree 'shops around' in the 'open market' for the best annuity rate available.

The Just Group only operates in the open market segment of the UK GfL market. New business sales in the open market as a whole were £2.1 billion in 2017 and grew by 11 per cent. in both 2016 and 2017 compared to the preceding years, well ahead of the overall GfL market (source: ABI). In 2018 new business sales in the open market segment as a whole increased by 2 per cent., ahead of the overall market. In 2018, new business sales in the open market represented 50 per cent. of the total market, up from 41 per cent. in 2015 (source ABI). In March 2018 the FCA introduced new rules requiring pension companies to show the best quote from the market, which the Directors believe should further stimulate shopping around.

There are currently six active participants in the UK GfL open market: Just Group, Legal & General, Aviva, Canada Life, Scottish Widows and Hodge Life (source: Company data). The

number of competitors has declined in the last few years as four providers have exited the UK market since 2016 (source: Company data).

The Just Group had a 37 per cent. share of the UK GfL open market in the first nine months of 2018 (source: ABI), which is unchanged from 2017 (source: ABI). As a proportion of the total GfL market, the Just Group's share increased to 19 per cent. in the first nine months of 2018, from 18 per cent. in 2017 (source: ABI).

## **LTM**s

### *Background*

LTM

s comprise a range of products designed for individuals approaching or in retirement who wish to realise some of the equity value in their home without the need to vacate their property. A cash advance is provided which is secured by a mortgage over their property. This is repayable together with accrued interest on the vacation of the property due to death or a permanent move into a residential care facility. The product can be used by retirees to supplement savings or to settle any outstanding indebtedness. Given the need for retirees to supplement low rates of saving or inadequate retirement income, property is expected to represent an increasingly important means of funding retirement in the UK.

### *LTM*s provided by the Just Group

The Just Group offers two types of LTM

s:

- (A) **Drawdown LTM**s: the Just Group calculates a maximum loan amount based on a client's age and property value. From this amount, the Just Group advances them an initial sum. After this, money can be drawn down on a regular or ad hoc basis, subject to the arranged cash facility at the outset. The interest payable on the initial sum borrowed is fixed at the time of arranging the mortgage, and is guaranteed not to change regardless of what happens to interest rates in the future. Each additional advance has a separate interest rate calculated at the time it is requested. That interest rate is fixed for the lifetime of the loan, but can be different to the initial advance (and other drawdown sums); and
- (B) **Lump sum LTM**s: the Just Group's lump sum LTMs are designed for those who want to release a one-off sum. It usually allows customers to borrow a higher amount than the Just Group's Drawdown LTM, but normally at a higher interest rate. The interest payable on the Just Group's lump sum LTM is fixed at the time the mortgage is taken out, and is guaranteed not to change regardless of what happens to interest rates in the future.

The Just Group was the first provider in the UK to launch drawdown LTM

s, which account for the majority of its LTM advances. For both drawdown and lump sum LTMs, interest is generally added to the amount owed rather than paid and, accordingly, the amount to be repaid at maturity increases over the life of the mortgage.

All LTM

s contain a guarantee that no borrower will owe more than the net sales proceeds (which is equal to the gross sale proceeds less all expenses of the sale) from the property securing the LTM in the event of the borrower either moving into permanent care or dying. This

guarantee is the NNEG. In the JRL portfolio, since 2005, when the Just Group started writing LTMs, there have been only 14 NNEG shortfalls out of 11,250 redemptions, amounting to a total shortfall of £287,000 out of total redemptions of £925 million. Low initial LTV ratios help to mitigate against the risk of a NNEG shortfall occurring. As part of the sales process, the Just Group underwrites the properties against which it is proposing to lend, obtaining a valuation from a qualified third party valuer operating to criteria established by the Just Group's property team. In addition, the Just Group imposes certain underwriting criteria such as the exclusion of timber frame homes. Strict limits are imposed on the initial LTV available, further limiting the Just Group's exposure to property risk. The maximum LTVs available at the commencement of a loan are limited by age, with the LTV at commencement of the LTMs in the portfolio typically being 25 to 30 per cent. The average LTV ratio of the mortgage book (including rolled up interest) as at 31 December 2018 was 33 per cent. of the updated property valuation. As at 31 December 2018, the total outstanding LTM balance including principal and rolled up interest was £5.9 billion, comprising more than 67,000 loans, of which 1 per cent. had an LTV ratio in excess of 75 per cent. As of 31 December 2018, in respect of the Just Group's overall LTM book, the average loan size was approximately £88,000 and the average property value at 31 December 2018 was approximately £270,000.

LTMs constitute a key component of the Just Group's business model as the Directors believe that their characteristics are suitable for annuity writers. The Just Group invests in LTMs for a number of reasons:

- (A) they are typically high-yield, long duration assets, and can be used as a match for longer duration annuity liabilities, especially given the scarcity of longer duration corporate or government bonds;
- (B) LTMs provide a partial hedge against annuitant longevity risk; and
- (C) LTMs can diversify an investment portfolio away from credit risk.

The Directors believe that LTMs currently offer higher risk-adjusted yields than other fixed income investments, and the risk-adjusted returns contribute positively to the rate used to discount insurance liabilities. These factors reduce the capital the Just Group is required to hold for DB de-risking solutions and GifL products at the point of sale. The Just Group takes a risk-based approach towards its mortgage appetite, and uses the longer duration characteristic of these assets to provide what it considers to be an appropriate backing ratio relative to the liabilities it writes during a particular period. The residential property collateralising the LTM portfolio is well-diversified geographically across the UK.

While the Directors believe that the attractiveness of LTM assets to back annuity liabilities will continue following the amendments made to SS3/17 in December 2018, and taking into account the potential outcome of the future consultations that the PRA proposes to conduct (see the risk factor entitled "*The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group*"), the Just Group is also undertaking a gradual reduction of the LTM backing ratio and increasing its use of alternative, long-duration, asset classes.

In 2018, LTM loan advances were £602 million, an increase of 18 per cent. on £510 million in 2017, similar to the growth in new business sales of GifL and DB de-risking solutions.

### *Market position*

The Just Group is one of three large providers of LTM mortgages in the UK, who collectively in 2017 had a 75 per cent. share of the UK market. In 2017, Legal & General was the largest provider with a 33 per cent. share, Aviva had a 25 per cent. share and the Just Group had a 17 per cent. share. In 2018 the Just Group had a 15 per cent. share (source: Equity Release Council and Company data).

LTM mortgages are typically only used to back annuities and so it is normally only annuity providers that are involved in the LTM market; this limits the number of potential competitors in the market. The largest current player, Legal & General, only entered the market in 2016 (source: ERC). Although they have taken significant market share in the last two and half years, Legal & General's entry into the market has also helped to stimulate demand. Market sales in the first half of 2018 were larger than for the whole of 2015, the year before Legal & General's entry (source: Equity Release Council and Company data).

As well as having an annuity business, any prospective entrant to the UK LTM market would require distribution capability and the requisite capital strength. Other barriers to entry include the complexity of the products, historic conduct issues among certain banks, and an absence of longevity expertise outside of life insurers.

In 2018, the overall UK LTM market grew by 29 per cent. year on year to £3.9 billion from £3.1 billion. In 2017, the UK LTM market grew 42 per cent. year on year to £3.1 billion compared to £2.1 billion in 2016 (source: Equity Release Council).

The Directors believe that the UK LTM market remains significantly underpenetrated, given that homeowners aged over 55 are estimated to own net property wealth of £2.5 trillion (source: Office of National Statistics), while aggregate LTM advances of only £25 billion were made from 2002 to December 2018 (source: Equity Release SHIP quarterly statistics). The Directors estimate an existing UK industry LTM book of £26 billion including rolled up interest, and thus a penetration rate of approximately four per cent. assuming an average loan to value of 30 per cent. The Directors believe that growth in this market will continue to be driven by the following factors:

- (A) people are living longer, but are increasingly spending the extra years living with some form of disability. Homeowners are therefore relying on releasing home equity to meet the additional costs of care;
- (B) an increase in the use of LTMs to settle outstanding indebtedness including unsecured debt and interest only residential mortgages without alternative means of repayment;
- (C) customers facing significant shortfalls between actual and expected private pension schemes, due to insufficient savings, low interest rates, and underestimations of life expectancy;
- (D) new market entrants and increased advertising spend driving customer awareness; and
- (E) increasing distribution reach as specialist advisors are recruited and trained.

### **Care Plans**

*Background*

Care plans are long term insurance products which are designed to pay a regular, tax-free income to a customer's registered care provider to help meet the costs of their care in exchange for an up-front lump sum premium. The amount payable is agreed at the outset and will continue for the rest of their life, no matter how long they live.

Under current rules in the UK, where income is paid directly to a UK registered care provider, it can be paid tax-free. If, for whatever reason, they leave care, or no longer need to fund their care themselves, the income can be paid directly to them. In this situation, the income would lose its tax-free status. However, it can be re-converted to being tax-free should income be paid to a UK registered care provider again at a later date.

Care plans are available to individuals entering care facilities or receiving domiciliary support. As such, care plans provide a form of longevity insurance to the individual against the costs of receiving care until their death.

*Care plans offered by the Just Group*

The Just Group provides immediate and deferred care plans.

The Just Group's immediate care plan product is designed for income to commence immediately, whereas income from the Just Group's deferred care plan product will start between 1 and 5 years in the future.

New business sales for the Just Group's care plan products in 2018 were £73 million, compared to £72 million in 2017.

The Just Group remains one of the market leaders in this sector and remains committed to the care market, albeit future growth prospects are difficult to predict at present.

*Market position*

The Directors believe that the Just Group is one of only two providers of care plans in the UK. The other is Aviva. The number of market participants declined from three to two in 2016 as a result of the Merger (source: Company analysis).

***Flexible Pension Plan and capped drawdown products****Background*

Flexible Pension Plan ("**FPP**") products are a solution for a customer wanting to retain greater flexibility for their pension savings. The product enables irregular savings withdrawals and continues to grow in popularity. FPP products are only offered by the Just Group through HUB to the customers of some of HUB's partners.

*FPP and capped drawdown products offered by the Just Group*

The Just Group writes FPP products for the at-retirement market. The Just Group's FPP is a personal pension plan which offers access to a number of specially designed funds and allows

individuals to draw income directly from their funds. The product has been developed to provide people with modest pension savings access to an affordable service. The FPP can be used in conjunction with a GfL product, enabling customers to mix and match products to meet their needs.

The Just Group has also written capped drawdown products for the at-retirement market. These products are no longer available to new customers. In return for a single premium, these contracts pay a guaranteed lump sum on survival to the end of the fixed term. There is an option at the outset to select a lower sum at maturity and regular income until the earlier of death or maturity.

Total new business sales for the Just Group's drawdown products (including FPP products) were £51 million in 2018, which was the same as in 2017.

### *Market Position*

FPP products are only offered by the Just Group through HUB to the customers of some HUB partners. The Just Group does not compete to any significant extent in the wider UK insurance drawdown market, which was worth £9.2 billion in the year to 31 December 2017 and £9.5 billion in the year to 31 December 2018 (source: ABI).

## **HUB**

### *Background*

The HUB group offers retirement and distribution solutions to corporate partners, their customers, employees and pension scheme members. HUB earns a separate income stream but also serves as a distribution partner for the Just Group's products. HUB is currently in an investment phase and the costs of HUB are accounted for within the items for other Group companies' operating results (£14.6 million loss in the year to 31 December 2018) and development expenditure (£8.7 million loss in the year to 31 December 2018) in the Just Group's consolidated financial statements. The directors believe that HUB is an important part of the strategy of the Just Group. The Directors expect the growth of HUB to help to grow the Just Group's markets, broaden the Just Group's distribution reach and diversify the Just Group's business away from any single business line or market.

HUB consists of the following four businesses:

- (A) HUB FS, which is the most established of the businesses. It provides a range of retirement focussed services to UK businesses. In particular it delivers whole-of-market shopping around services to source retirement income products for the customers, employees or pension scheme members of businesses;
- (B) HUB Pension Solutions Limited ("**HUB PS**"), which provides advice solutions to pension trustees;
- (C) Corinthian Pension Consulting Limited, which is an appointed representative of HUB FS, which is authorised and regulated by the FCA; and

- (D) HUB On-line Development Limited, which designs, creates and operates software solutions for retirement operations.

### **4.3 South Africa**

#### ***GifL***

##### *Products offered by the Just Group in South Africa*

Just Retirement Life (South Africa) Limited began offering individually underwritten GifL solutions via EBCs and financial intermediaries in August 2015. The Just Group has since introduced an innovative new product to the South African market which provides the customer with the benefit of a guaranteed income for life solution within a drawdown product.

In 2018, the South African operation wrote its first defined benefit bulk annuity transaction.

Total revenues for the Just Group in South Africa grew in 2018 but are still not material to the Just Group.

##### *Market position*

South Africa has one of the five largest annuity markets in the world, with many structural similarities to the UK, including legislative framework, products and distribution (source: Institute and Faculty of Actuaries). The Directors believe that limited state social security, tax incentives for private retirement provision and compulsory annuitisation or income drawdown have created a retirement income market with the potential to grow rapidly. The market is dominated by defined contribution arrangements. There are currently £200 billion of pre-retirement pension savings (source: Financial Services Board) and the Directors consider that around £100 billion of this is invested in products that could annuitise via a Just Group product. The total flows into annuity products in 2017 were £3.5 billion (source: Financial Services Board and Association for Savings and Investment South Africa) and the Directors believe that this constitutes the annual available market for the Just Group's products in South Africa.

The South African annuity market is quite fragmented, with 25 providers. The major competitors are the Sanlam Group, the Liberty Group, Old Mutual Limited, the MMI Group and Allen Gray Proprietary Limited, who together had 59 per cent. of the market in 2016 (source: Financial Services Bureau).

### **4.4 US**

#### *Background*

The Just Group has started to market immediate care products in the US, but the level of sales is low. The Directors believe that there is significant long-term opportunity in this market.

#### *Market position*

The US is the largest long-term care market in the world. The Directors believe that there is widespread acceptance of the need to self-fund, with many wishing to avoid State dependency,

and that there are very limited underwritten guaranteed income for life options available to consumers in the US market.

The target market for the Just Group's products is US residents in later life receiving, or about to receive, long-term domiciliary or residential care and able to afford a single premium.

## **5. Investment policy and management**

As of 31 December 2018, the Just Group's investment portfolio had a carrying value of £19.3 billion. The Just Group's investment strategy is designed to: (i) meet its policyholder liabilities as they fall due; (ii) provide an attractive risk adjusted return on the capital provided by its shareholders over time; and (iii) maintain an adequate state of solvency at all times

The Just Group currently operates an "enhanced buy-and-maintain" investment policy, whereby assets with attractive risk-reward characteristics are purchased and generally held to maturity to capture the full risk premium. Some assets are replaced with more attractive assets where the Directors believe this is appropriate, for example if the credit circumstances of the issuer change.

The Just Group uses external asset managers including Insight, Robeco, BlackRock and other specialists to manage its fixed income portfolio. Approximately 45 per cent. of the Just Group's total investment portfolio, including all of its LTM assets, was managed in-house as of 31 December 2018.

As of 31 December 2018, the Just Group held £11 billion of corporate bonds, gilts and liquidity funds. Of these assets, 16 per cent. were in publicly rated AAA grade investments and 56 per cent. were invested in publicly rated A grade or higher investments. Only 6 per cent. of the investment portfolio was invested in publicly rated BB or below or unrated corporate bonds, liquidity funds and alternative assets.

The corporate bonds are predominantly used to match shorter duration liabilities, and the Just Group applies controls for rating limits, single name exposure, sector exposure and foreign currency risk. The Just Group limits itself to no more than a 5 per cent. deviation on BBB rated assets relative to the iBoxx corporate sterling index, and holds no more than 1.5 per cent. of total non-reinsurance assets in any one given issuer. As of 31 December 2018, the Just Group's bond portfolio comprised 481 issuers, with an average holding of £22 million. The Just Group formally reviews its exposure to financials issuers if they exceed the iBoxx index by more than 5 per cent., and for all other sectors, the Just Group targets a limit for all issuers in the sector of 20 per cent. of the relevant life insurance company's credit assets. The Just Group seeks to hedge its currency risk, with exposures closely monitored and cash flows swapped back to sterling.

Bond investment management is outsourced to reputable specialist asset managers who are subject to detailed due diligence. Oversight is provided by the PLACL Investment Committee and the JRL Investment Committee with regular portfolio review.

Within the Just Group's investment portfolio, loans secured by mortgages accounted for £7.2 billion as of 31 December 2018, which were all LTMs. The Directors believe that LTMs provide a high-quality source of enhanced investment return and an appropriate match for the

Just Group's long-duration liabilities. The average loan-to-value ratio of the LTM book (including rolled up interest) was 33 per cent. as of 31 December 2018.

The following table sets forth the mix of assets in the Just Group's investment portfolio as at 31 December 2018:

Assets	Value (£m)
Corporate bonds – financial	3,756.5
Corporate bonds – non-financial	4,706.5
Government bonds	1,253.3
Lifetime mortgages	7,191.5
Infrastructure loans	859.9
Commercial mortgages	392.3
Liquidity funds	882.5
Other	211.0
<b>Total</b>	<b>19,252.5</b>

## 6. Loans and borrowings

The Just Group has, and after the issuance of the Notes, will continue to have, a significant amount of outstanding debt. As of 31 December 2018, after giving pro forma effect to the issuance of the Notes and the application of proceeds therefrom, the aggregate amount of the Just Group's outstanding subordinated debt and the Notes would have been £873.4 million.

The following table sets forth the Just Group's loans and borrowings for the periods indicated:

	As of 31 December		
	2018	2017	2016
	<i>(£ in millions; carrying value)</i>		
Bank borrowings <sup>(1)</sup>	—	—	—
<b>Subordinated debt</b>	<b>573.4</b>	<b>343.9</b>	<b>343.1</b>
2015 Solvency II Tier 2 <sup>(2)</sup>	95.9	95.3	94.6
2016 Solvency II Tier 2 <sup>(3)</sup>	248.8	248.6	248.5
2018 Solvency II Tier 3 <sup>(4)</sup>	228.7	—	—
<b>Total loans and borrowings</b>	<b>573.4</b>	<b>343.9</b>	<b>343.1</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>

- (1) The 2018 Revolving Credit Facility remains undrawn for corporate purposes, but is tested from time to time.
- (2) In March 2015, PAG issued a £100 million Solvency II Tier 2 qualifying instrument at par with a five-year call date, a maturity date of March 2025 and a coupon of 9.5 per cent. Net of issuance fees, the amount received was £99.9 million. PAG was replaced and substituted as principal obligor by Partnership Life Assurance Company Limited with effect from 4 April 2016. The fair value of the debt at the date of the Merger was £94.1 million, and the difference to the nominal value is being amortised over the period to maturity. The carrying value as of 31 December 2018 was £95.9 million.
- (3) On 26 October 2016, the Just Group issued a £250 million Solvency II Tier 2 qualifying instrument at par with a maturity date of October 2026 and a coupon of 9.0 per cent. A subordinated guarantee was provided by JRL. Net of issuance fees, the amount received was £248.8 million, and the difference to the nominal value is being amortised over the period to maturity. The carrying value as of 31 December 2018 was £248.8 million.
- (4) On 7 February 2018, the Just Group issued a £230 million Solvency II Tier 3 qualifying instrument at par with a maturity date of February 2025 and a coupon of 3.5 per cent. Net of issuance fees, the amount received was £229.0 million, and the difference to the nominal value is being amortised over the period to maturity. The carrying value as of 31 December 2018 was £228.7 million.

## 7. Available distributable items

The Issuer is subject to the Companies Act, under which distributions can be made out of its accumulated realised profits, less any accumulated realised losses. Under the terms and conditions of the Notes, the Issuer must cancel any interest payment in the event that the interest payment (together with any applicable Additional Amounts) would exceed the amount of the Issuer's Distributable Items. As at 31 December 2018, the Issuer had an aggregate of £261 million in Distributable Items.

As a holding company, the level of Distributable Items available to the Issuer is dependent on and supported by the dividends and coupons paid to it by its subsidiary companies (see the section above entitled "*Business Description – Overview*" for an overview of the key subsidiaries of the Issuer and also the risk factor entitled "*The Issuer is a holding company and is dependent upon cash flows from other entities in the Just Group to meet its obligations on the Notes*").

## 8. Related transactions

### The Placing

The Issuer announced on 14 March 2019 that it had successfully completed the non-pre-emptive cash placing of new ordinary shares (the "**Placing**"). A total of 94,012,782 new ordinary shares having a nominal value of £0.10 each in the capital of the Issuer (the "**Placing Shares**"), representing approximately 9.99% of the Issuer's issued share capital were placed by Barclays Bank PLC and Numis Securities Limited (together the "**Bookrunners**") at a price of £0.80 per Placing Share (the "**Placing Price**"), raising total gross proceeds of approximately £75 million for the Issuer.

The Placing Shares rank *pari passu* in all respects with, and carry the same voting and dividend rights as, all other ordinary shares in the Issuer including the right to receive all dividends and other distributions declared, made or paid on or in respect of such Placing Shares after 18 March 2019, being the date of issue of the Placing Shares.

The Placing Shares were admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities on 18 March 2019 ("**Admission**").

In connection with the Placing, the Bookrunners and the Issuer entered into a placing agreement dated 14 March 2019, (the "**Placing Agreement**"). Pursuant to the terms of the Placing Agreement, the Issuer gave certain customary indemnities to the Bookrunners and also agreed that it will not, without the prior written consent of the Bookrunners (not to be unreasonably withheld or delayed) and subject to certain exemptions: (a) for a period of 180 days after Admission, offer, issue or grant any rights over any ordinary shares in the Issuer or related securities; or (b) for a period of 90 days after Admission make any public announcement. The liabilities under those undertakings and indemnities are unlimited as to time and amount.

## 9. Risk management

Ultimate responsibility for approving, establishing and embedding the risk management framework and determination of the Just Group's risk appetite rests with the board of directors of the Issuer (the "**Board**"). The Board recognises the critical importance of having an efficient

and effective risk management system and appropriate oversight of its operation, and aims to evolve its risk practice to keep up with emerging developments.

### 9.1 Organisation

The chief risk officer of the Just Group (the “**Group Chief Risk Officer**”) manages the Group Risk, Compliance, Legal and Chief Actuary functions and has responsibility for the implementation and oversight of the risk management framework. The Group Risk function has responsibility for oversight of financial, operational and regulatory risk. The Compliance function provides oversight of regulatory matters and manages the relationship and interactions with the Just Group’s regulators and reports to the Group Chief Risk Officer.

The Group Chief Risk Officer also chairs the Internal Model Governance Forum (“**IMGF**”) which governs the internal model used by JRL and the ex-Just Retirement holding companies. The IMGF is attended by members of the first and second lines of defence (described in paragraph 9.5 below, notably the actuarial director of the Just Group (the “**Director of Actuarial**”) and the chief actuary of the Just Group (the “**Chief Actuary**”). The IMGF oversees all changes to the internal model, whether minor or major. Results calculated using the internal model are independently validated by the second line, which provides an annual report to the Risk and Compliance Committee.

### 9.2 Risk Operating Model

The Risk Operating Model, together with the Just Group’s risk management policy sets out the Just Group’s enterprise-wide risk management framework.

The Just Group’s risk management policy is the overarching policy that specifies the minimum risk management requirements for the Just Group, including the requirement for subsidiary policies. The Risk Operating Model explains how the Risk Management Policy is implemented in practice.

### 9.3 Group risk policies

The Just Group has established risk policies, specified by the Just Group’s risk management policy and including the requirement for subsidiary policies governing operational risk, financial risks and internal model governance. The policies contain the minimum control standards to which each business unit must adhere to and against which they report compliance. The policies define:

- (a) the individual risks the policy is intended to manage;
- (b) the degree of risk the Just Group is willing to accept;
- (c) the minimum controls required in order to manage the risk to an acceptable level; and
- (d) the frequency of the controls’ operation.

### 9.4 Risk management framework

The Just Group's risk management framework is intended to align overall business strategy with financial and non-financial risk exposures, capital allocation and sustainable growth. This framework is embedded in all activities within the Just Group.

The Just Group's risk management framework comprises:

- (a) risk governance and standards;
- (b) risk management processes;
- (c) risk reporting and own risk and solvency assessment;
- (d) risk management system; and
- (e) training and communication.

## **9.5 Risk governance and standards**

### ***Risk Strategy***

The Just Group's enterprise wide risk management strategy is designed to enable all employees to take more effective business decisions through a better understanding of risk and the Just Group's expectations for risk-based returns. In turn, this increases the likelihood of meeting the Just Group's business objectives and improves its financial and operational performance. The Directors believe that this risk management strategy should give the Just Group a competitive advantage against its peers.

### ***Risk Governance***

The risk management framework is underpinned by the operation of a three lines of defence model with clearly defined roles and responsibilities for the Board and the boards of each of the Just Group's subsidiary undertakings, committees of the Board and of the Just Group's subsidiary undertakings, the Group Chief Risk Officer and the Group's Executive Committee (the "**GEC**").

The Just Group uses the three lines of defence as a key principle of operation as follows:

- (a) line management within the business have primary "first line" responsibility for the day-to-day management of risk;
- (b) a second line of defence is provided by the Risk & Compliance functions and the Chief Actuary which provide oversight, support and challenge to the "first line"; and
- (c) the third line of defence is provided by the Group Internal Audit function, which has responsibility for providing independent assurance over the risk management and business processes. The internal audit function will report any significant breaches of this three lines of defence policy discovered during their work to the Audit Committee.

### ***Roles and Responsibilities***

The Board is responsible for the oversight and challenge of the Just Group's risk management framework in order to ensure it is suitable, effective and proportionate to the nature, scale and complexity of the risks faced by the Just Group. The Board is also responsible for reviewing and approving the Just Group's risk policies and the Just Group's risk appetite statements and tolerances. The Board is also responsible for reviewing the effectiveness, and ongoing appropriateness, of the implementation of the risk management framework, which it exercises through its review and approval of the ORSA. The Board is assisted in its responsibility by the Risk and Compliance Committee.

Members of the GEC are responsible for providing oversight of the Just Group's operations to ensure competent and prudent management, adequate systems of internal control and risk management and compliance with legal and regulatory obligations. The Chief Actuary function supports the Chief Actuary and Group Chief Risk Officer in discharging their duties in relation to Solvency II.

The Group Chief Risk Officer manages the Group Risk, Compliance, Chief Actuary and Legal functions and has responsibility for the implementation and oversight of the risk management framework.

The Group Risk function has responsibility for oversight of financial, operational and regulatory risk. The Compliance function provides oversight of regulatory matters and manages the relationship and interactions with the Just Group's regulators and reports to the Group Chief Risk Officer.

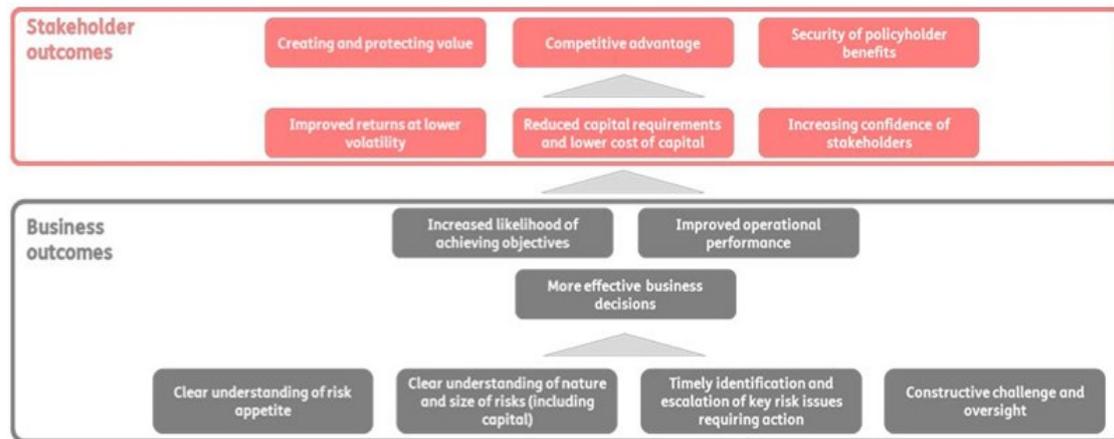
The Chief Actuary function has responsibility for Actuarial Assurance, and supports the Chief Risk Officer in his role, as well as providing his own views under their own senior manager's responsibilities.

### ***Risk Management Objectives***

The Just Group's Risk function is tasked with the following high-level risk objectives:



The Directors expect that achievement of these risk objectives will in turn, lead to value for the business through the following desirable business and stakeholder outcomes:



### ***Risk appetite framework***

The Just Group's risk appetite framework is the level of risk the Just Group is willing to accept in pursuit of its strategic objectives. This risk appetite framework embeds the management of risks within the business operation and empowers each business unit to make risk-based decisions within agreed operating ranges.

### **9.6 Risk management processes**

The risk management processes operated by the Just Group are designed to identify, measure, manage and report all potential risks. These processes are integrated into the Just Group's organisational structure and decision-making processes and are documented in the Just Group's Risk Operating Model. Good integration is assisted by, in particular, the Just Group's internal control system.

Under the Just Group's risk management processes, all categories of risk, as set out in the Just Group's core risk categories, are required to be considered and appropriate processes executed to review and understand them effectively.

The key risk processes operated by the Just Group include:

- (a) strategic risk management;
- (b) financial & insurance risk management;
- (c) operational risk management;
- (d) stress testing and scenario analysis;
- (e) corporate activity and business change;
- (f) risk management effectiveness;
- (g) intra-group transactions and concentration risk; and
- (h) risk crisis management.

The Just Group undertakes annual and regular stress testing and scenario analysis which assess the capital and liquidity impacts of underwriting, market, credit, liquidity and operational risks. The Just Group maintains a register of contingent management actions that could be applied to restore the Just Group's capital and liquidity positions if necessary.

### **9.7 Risk reporting and own risk and solvency assessment ("ORSA")**

The Just Group defines its ORSA as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks the Just Group faces or may face in the future and to determine the capital necessary to ensure that the Just Group's overall solvency needs are met at all times.

For the purpose of ORSA, the capital requirements of the Just Group and its insurance subsidiaries, JRL and PLACL, are measured on the basis of Solvency II requirements for determining Solvency II own funds and SCR. Solvency II capital, as a risk based capital measure, is central to the Just Group's risk and capital evaluation and is a key input to business and strategic decisions. As well as being a Solvency II requirement, using the internal model, which reflects the actual risk profile of the Just Group, also plays an important role in the Just Group's risk management system and decision making processes.

Performing its ORSA is an essential part of the Just Group's risk management framework - the ORSA processes and reporting are integrated into the Just Group's organisational structures and decision-making processes.

The purpose of the ORSA is to:

- (a) provide the Just Group with a comprehensive picture of the risks it is exposed to or could face in the future;
- (b) integrate the Just Group's approach to managing risk and capital;
- (c) enable senior management to understand these risks and how they translate into solvency needs;
- (d) inform decision-making, particularly in respect of strategy setting and business planning; and
- (e) drive management actions, for example, whether to retain or transfer risks, or alternatively put in place mitigation actions to ensure that the Just Group operates within its solvency constraints.

A full ORSA is conducted on an annual basis and submitted to the PRA pursuant to Solvency II requirements. ORSA updates are prepared on a quarterly basis for review by the Risk and Compliance Committee. Other risk management reports are prepared when needed to support emerging business or other needs. The Just Group has a waiver in place from the Prudential Regulation Authority to provide an ORSA at the level of the Just Group.

### **9.8 Risk management system**

The primary functions of the risk management system are:

- (a) the collection of qualitative and quantitative risk information to provide consistent and good quality data;
- (b) the completion of risk and control self-assessments, supporting a positive risk culture where risks and control effectiveness are regularly considered;
- (c) the collection and storage of operational loss data for operational risk analysis and capital modelling;
- (d) the provision of a reporting tool able to manipulate data for analysis and reporting of risk information; and
- (e) a reduction in manual data capture and manipulation, allowing risk resource to focus on analysis, challenge and targeted risk management activity.

## **9.9 Training and communication**

The Just Group's risk management framework is communicated and trained across the business by various methods, in order to ensure the Just Group achieves its risk management objectives by:

- (a) embedding the management of risk into the Just Group's culture;
- (b) building and developing risk management expertise and capability; and
- (c) helping the business apply risk management practices in everyday activities in line with risk appetite.

## **10. Operations**

### **10.1 Proprietary IP**

#### ***Proprietary data***

The Just Group has a proprietary database in relation to medical and lifestyle factors used when underwriting GifL products. The data is used during the medical underwriting process (evaluating an individual's current health, medical and lifestyle information as they relate to life expectancy) to price individually underwritten GifL policies. Assumptions about future longevity are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements.

Since their inception, Just Retirement Group plc and PAG collated underwriting information (the IP used by the Just Group to make its underwriting determinations pre-dates the Merger). As of 30 June 2018, the Just Group held medical and longevity data on over 300,000 GifL policies which cover almost 450,000 lives. This includes data on dependent lives, such as a spouse to whom the payments under a joint annuity revert upon the death of the first life. As of 30 June 2018, the Just Group's database had in excess of 2.8 million person-years of longevity experience on GifL business, and the total is growing at the rate of more than 30,000 person-years per month.

The key features of the Just Group's medical and mortality data can be summarised as follows:

- (A) the dataset is proprietary in nature and securely held within the Just Group. Only a very limited number of individuals in the research and development team have access to the full dataset. In particular, there is a strict separation of duties and information access between the underwriting and pricing teams. In circumstances where the Just Group is obliged to disclose certain underwriting information to its reinsurance partners, such disclosure is limited;
- (B) it has been accumulated over a significant length of time. The dataset has been collected for over 21 years which adds to its statistical significance and narrows the range of underwriting estimates;
- (C) the dataset contains a large number of rating factors for each individual case. In order to assess life expectancy, the Just Group considers up to 250 rating factors for each life, including medical conditions and medication, as well as taking into account medical reports and general practitioner assessments where required. In contrast, non-medical underwriters typically request basic personal information such as an annuitant's age, address and details of their pension size; and
- (D) the medical and lifestyle risk factors of the individuals purchasing the products shorten the duration between policy provision and an annuitant's death, and as a result the Just Group experiences higher levels of mortality compared to an annuity provider who offers a greater proportion of its annuities to those with a healthy life expectancy.

The volume of data is important because of the statistical techniques used to extract mortality insights: as the volume increases, the statistical significance of the results increases, and, therefore, underwriting decisions can be made with greater confidence.

The Directors believe that the Just Group's proprietary IP provides a significant competitive advantage and underpins its ability to deliver profitable growth, as it allows the Just Group to set customer pricing more appropriately for its selected risks compared to other providers. The Just Group continuously looks to utilise its proprietary IP to develop new products, and to compete more effectively in the retirement income market.

#### ***Automated underwriting system***

In 2011, the Just Group started development of its own automated underwriting system, Prognosis™. The first phase of this system allowed the Just Group to assess over 70 of the most important conditions that have commonly affected retirees, and over 1,500 variations, including disease severity, medication and combinations of conditions. The Just Group uses Prognosis™ to refine its pricing and acceptance criteria. In 2013, the Just Group initiated a second phase of the Prognosis™ programme, which was completed in the first quarter of 2015. Prognosis™ now additionally delivers an individual mortality curve for each customer, which shows the probability of their death at any time in the future.

The Just Group's proprietary quotation and pricing systems are fully integrated in the same computer framework. Together, they allow the Just Group to bring together lifestyle, medical and

mortality data to set prices on an individual basis. The Just Group's proprietary IP and the high number of rating factors (up to 250) considered on an individual life typically enables the Just Group to offer higher annuity rates to individuals with reduced life expectancy.

The Just Group uses its experience in GifL, supplemented with insight gained from medical and mortality studies, as well as its experienced in-house medical team consisting of epidemiologists, doctors and biostatistical modellers to improve further the quality of its underwriting and pricing expertise. The Just Group therefore benefits from a deep understanding of the whole spectrum of lifestyle, medical and annuity-buying behaviour factors and their impact on life expectancy.

### ***Trademarks***

The Just Group has developed and maintains a portfolio of registered trademarks. In addition, the Just Group has its own proprietary trade secrets and expertise, and it is a party to certain licensing arrangements and other agreements authorising it to use trade secrets, know-how and related technology and/or operate within the scope of certain patents owned by other entities. The Just Group has licensed or sub-licensed intellectual property rights to third parties.

Because of the breadth and nature of its intellectual property rights and its business, the Directors do not believe that any single intellectual property right (other than certain trademarks for which the Directors intend to maintain the applicable registrations) is material to the Just Group's business.

## **10.2 Distribution Channels**

The Just Group employs a multi-channel distribution strategy, using both traditional and emerging channels. The Just Group has relationships with a range of partners, including financial intermediaries, EBCs and specialist distributors.

The Directors believe that the Just Group's access to a breadth of distribution channels positions it well to understand changing trustee and consumer behaviour and future market developments. The Directors believe that this strategy and the Just Group's owned software and solutions capability position the business strongly for the continued evolution of the distribution landscape.

### ***DB de-risking***

DB de-risking solutions sales are generally made via EBCs who advise the schemes' trustees on the structuring of the schemes. The Just Group maintains relationships with major EBCs operating in the DB de-risking market, which allows it to provide buy-in and buy-out solution support to its clients.

### ***GifL***

The Just Group has a diversified multi-channel GifL distribution strategy. Financial intermediaries have been the primary distribution channel for GifL products. The Just Group works with intermediaries and panel providers, across both independent and restricted advisor models. Through its HUB business, the Just Group also works with trustees of corporate retirement schemes to provide retirement income solutions to their members.

HUB provides professional services to businesses such as insurance companies, banks and building societies and actively seeks to support these businesses in introducing a wider range of products to their customers. It provides financial advice, guidance and information services to the customers of these businesses and members of pension schemes who are not served by financial intermediaries. HUB also has exclusive distribution agreements with various strategic partners including life insurance companies, banks and building societies.

### **LTM**s

The Just Group's LTM products are typically distributed on an advised basis through a range of specialist and non-specialist financial intermediaries. The LTM products are also distributed through the Just Group's own specialist financial intermediary service, HUB, which is a leading provider of LTM advice and sales for customers of affinity partners.

### **10.3 Reinsurance**

As part of its overall risk mitigation and capital management strategy, the Just Group purchases reinsurance from a number of reinsurance providers.

The reinsurance is used primarily to manage longevity risk, both to reduce economic exposure and to reduce regulatory capital requirements. The reinsurance arrangements have been entered into taking into account the requirements of the Solvency II capital regime. Any new treaties entered into post the Solvency II implementation are effective from 1 January 2016.

For DB business the Just Group reinsures with Reinsurance Group of America ("**RG**A"). On standard underwritten DB business, RGA assumes 75 per cent. of the longevity risk. On medically underwritten DB business, RGA assumes 55 per cent. of the longevity risk. For GfL business, the Just Group reinsured 75 per cent. of the longevity risk with SCOR Global Life SE – UK Branch until December 2018. From 1 December 2018, it reinsured 45 per cent. of longevity risk for GfL business with SCOR Global Life SE – UK Branch and 30 per cent. with GenRe. The Just Group has reinsured 42.5 per cent. of the longevity risk for Care business products with Hannover Re up until 2018. The Just Group no longer reinsures Care business.

The Directors believe that the Just Group's market leading intellectual property in medical underwriting enables it to secure reinsurance agreements on attractive terms.

## **11. Information technology**

The Just Group has adopted a standardised approach to both hardware and software, using current and fully supported Microsoft-compatible systems wherever possible in order to create a cost-effective IT and service environment.

Bespoke systems have been developed by the Just Group to manage GfL new business and LTM advances processing in JRL and Just Retirement Solutions Limited ("**JR**SL") and policy administration in JRL. Developed in Microsoft languages, these systems connect with industry standard third-party solutions and some further specialist systems which together underpin the service capabilities of the business. The Just Group's integrated IT system has helped the Just Group to deliver its service proposition, including prompt turnaround times.

In addition, the Just Group's hardware platform is capable of scaling to support substantial increases in the volume of business written by the Just Group for relatively modest incremental cost. The business operates an IT investment programme to maintain hardware and software currency, as a result of which no substantial investment is planned in the near term to maintain current capabilities.

## 12. Employees

### 12.1 Number of employees

The number of employees (including temporary workers and fixed-term contractors) of the Just Group at the end of each period covered by the Just Group Financial Information until 31 December 2018 is as follows:

Location	31 December 2018	30 June 2018	31 December 2017	31 December 2016	30 June 2015
UK	1,122	1,092	1,058	1,034	802
South Africa	42	40	50	11	13
<b>Total</b>	<b>1,164</b>	<b>1,132</b>	<b>1,108</b>	<b>1,045</b>	<b>815</b>

Individuals employed by the Just Group working in the US are employed in the UK and seconded to the US.

### 12.2 Trade unions

The Just Group does not have a relationship with any trade union.

### 12.3 Employee pension and retirement programmes

The Just Group operates a defined contribution pension scheme (the "**Just Group Defined Contribution Pension Plan**"). All employees are provided with the opportunity to participate in the Just Group Defined Contribution Pension Plan. The assets of the scheme are held separately from those of the Just Group in funds managed by a third party. Obligations for contributions to the Just Group Defined Contribution Pension Plan are recognised as an expense in profit or loss when due.

The Just Group does not operate any DB pension scheme.

### 12.4 Employee practice

The Just Group is an equal opportunities employer and it is the Just Group's policy that decisions on recruitment, development, training and promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct.

It is the Just Group's policy to operate on a non-discriminatory basis, without regard to race, colour, nationality, culture, ethnic origin, religion, belief, gender, sexual orientation, age, disability or any other reason not related to job performance or prohibited by applicable law.

The Just Group is committed to paying women and men equally for doing equivalent jobs across the Just Group's business. The Just Group is also committed to addressing the gender pay gap and in particular enabling and improving the progression of women into more senior roles, so that there is a more balanced gender profile throughout the organisation.

### **13. Board of Directors**

#### **13.1 Board of Directors of the Issuer**

The Board comprises seven Non-Executive Directors (including the Chairman) and two Executive Directors. Their names and positions are as follows:

<b>Director</b>	<b>Position</b>
Chris Gibson-Smith	Chairman
Rodney Cook	Group Chief Executive Officer
David Richardson	Interim Group Chief Financial Officer, Group Deputy Chief Executive Officer and MD, UK Corporate Business
Keith Nicholson	Senior Independent Director
Paul Bishop	Non-Executive Director
Ian Cormack	Non-Executive Director
Michael Deakin	Non-Executive Director
Steve Melcher	Non-Executive Director
Clare Spottiswoode	Non-Executive Director

The usual business address of all the Directors is the Just Group plc registered address: Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey, RH2 7RU.

As at the date of this Offering Memorandum, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the Just Group's business and which was effected by the Just Group or any member of the Just Group during the current or immediately preceding financial year or during an earlier financial year and which remains in any respect outstanding or underperformed.

#### **13.2 Description of Directors**

##### **Chris Gibson-Smith (Chairman of the Just Group)**

Chris Gibson-Smith was appointed Chairman of the Issuer in April 2016. He previously served as Chairman of PAG from April 2013 until April 2016. Chris brings over 46 years of business experience across a wide range of industries. This includes over 40 years of cumulative FTSE main board experience, 26 of which as Chairman.

Chris currently holds the role of Vice Chairman of UBS Investment Bank, which he has held since July 2016, and was previously Chairman of the London Stock Exchange from 2003 to 2015. He was Chairman of The British Land Company PLC from 2007 until 2012, and was a Director of the Qatar Financial Centre Regulatory Authority from 2006 to 2012. Chris was Chairman of National Air Traffic Services (NATS) from 2001 to 2005, Group Managing Director of BP from 1997 to 2001, a Director of Lloyds TSB from 1999 to 2005 and a Director of Powergen from 2001 to 2002. He has also served on UK Government advisory committees on aviation and oil and gas and was awarded the CBE for his services to the financial industry.

Chris is Chair of the Nomination Committee and Market Disclosure Committee, a member of the Group Risk and Compliance Committee and Remuneration Committee, and a Director of PLACL, PAG and JRL.

#### **Rodney Cook (Group Chief Executive Officer of the Issuer)**

Rodney Cook was appointed as Group Chief Executive Officer of the Issuer in April 2016. He was Chief Executive Officer of Just Retirement Group plc from August 2013 until April 2016, and was appointed as Chief Executive Officer of Just Retirement (Holdings) Limited in July 2010. Previously, he was Managing Director, Life and Pensions of Liverpool Victoria. Rodney, a qualified actuary and an FCA and PRA Approved Person, has 40 years' experience in financial services, having led businesses in both the UK and Australasia. He commenced his career with AMP Capital, which culminated in his appointment as Managing Director of Pearl in 1999. This was followed by time at Zurich Financial Services as Managing Director of Sterling Assurance, Eagle Star Life and as Zurich Financial Services Customer Solutions Director, before joining Prudential as Prulab Director.

Rodney is a member of the Market Disclosure Committee and Executive Director of JRL and PLACL.

#### **David Richardson (Group Deputy Chief Executive Officer of the Issuer, Interim Group Chief Financial Officer, and Managing Director of the UK Corporate Business)**

David was appointed Group Deputy Chief Executive Officer and Managing Director of the UK Corporate Business of Just Group plc in April 2016. Following Simon Thomas' resignation as Director on 31 October 2018, David was appointed as Group Chief Financial Officer on an interim basis. He was Chief Financial Officer of PAG from February 2013 until April 2016.

Previously, David was Group Chief Actuary of the UK's largest closed life assurance fund consolidator, Phoenix Group, where he was responsible for restructuring the group's balance sheet and overall capital management. Prior to this, David worked in a number of senior roles at Swiss Re, across both its Admin Re and traditional reinsurance businesses. Those roles included Chief Actuary of its Life and Health business, Head of Products for UK and South Africa and Global Head of its Longevity Pricing teams. David commenced his career at the actuarial consultancy Tillinghast. David is a Fellow of the Institute and Faculty of Actuaries and a CFA charter holder.

David is a member of the Market Disclosure Committee and an Executive Director of JRL, PLACL, JRML, and Partnership Home Loans Limited ("PHLL").

#### **Keith Nicholson (Senior Independent Director of the Issuer)**

Keith was appointed as Senior Independent Director of the Issuer in April 2016. He was Senior Independent Director of Just Retirement Group plc from October 2013 until April 2016.

Keith is Chairman of Liberty Specialty Markets (including the businesses of Liberty Managing Agency Limited, Liberty Corporate Capital Limited, Liberty Specialty Markets MENA Limited and Liberty Mutual Insurance Europe SE) and Deputy Chairman of The Equitable Life Assurance Society. He was Deputy Chairman of Wesleyan Assurance Society until he resigned from its board in September 2014. He was a partner at KPMG where he led their UK insurance practice until he retired from the firm in March 2009.

Keith is Chair of the Group Risk and Compliance Committee and a member of the Audit, Nomination and Market Disclosure Committees. He is also Senior Independent Director of JRL and PLACL, and a Director of HUB FS and HUB PS.

**Paul Bishop (Independent Non-Executive Director of the Issuer)**

Paul was appointed as a Non-Executive Director of the Issuer in April 2016. He served as a Non-Executive Director for PAG from May 2014 until April 2016.

Paul has spent the majority of his career at KPMG, and from 1993 to the end of January 2014 was a partner apart from a brief period when he was employed at Atos KPMG Consulting as a Managing Director. Paul has specialised in the insurance sector for over 30 years, particularly life insurance, and led KPMG's insurance consulting practice for much of his time as a Partner. Paul also spent 18 months on secondment at Standard Life as Head of Financial Change in the period leading up to its demutualisation and initial public offering. Paul is a Chartered Accountant (ACA). Paul is currently a Non-Executive Director of the National House Building Council, and was appointed as Non-Executive Director of the Police Mutual Assurance Society in April 2017. Paul was also appointed as Non-Executive Director of Zurich Assurance Limited in March 2019.

Paul is Chair of the Audit Committee and a member of the Nomination Committee and the JRL/PLACL Investment Committee. He is also a Director of JRML, PHLL, PLACL and JRL.

**Ian Cormack (Independent Non-Executive Director of the Issuer)**

Ian was appointed as a Non-Executive Director of the Issuer in April 2016. He served as Senior Independent Director for PAG from May 2013 to April 2016. Prior to his appointment, Ian spent over 30 years at Citibank up until 2000, latterly as UK Country Head and Co-Head of the Global Financial Institutions Group. From 2000 to 2002, he was Chief Executive Officer of AIG Europe. He was previously a Non-Executive Director of Pearl Group from 2005 to 2009, Aspen Insurance Holdings from 2002 to 2012, Qatar Financial Centre Authority from 2006 to 2012, Bloomsbury Publishing from 2011 to 2015, Xchanging from 2012 to 2016, and previously Chairman of the CHAPS hi-value payment system.

Ian is a former Chairman of the LSE Taurus Review Committee, and a former member of the Board of Cedel, the Executive Committee of the European Securities Committee, the settlement board of the London Stock Exchange, the Council of the British Bankers' Association, and a former member of APACS. In addition, Ian previously served as Senior Independent Director of Phoenix Group Holdings Limited from 2009 to 2018.

Ian is currently Chairman of Maven Income & Growth VCT 4, Non-Executive Director of Hastings Group Holdings plc, and as of May 2018, Non-Executive Director of The Royal Bank of Scotland Group plc (including the businesses of National Westminster Bank plc, Ulster Bank Limited, and NatWest Holdings Limited).

Ian is Chair of the Remuneration Committee and a member of the Nomination and Group Risk and Compliance Committee. Ian is also a Director of HUB FS, HUB PS, JRML, PHLL, JRL, and PLACL.

#### **Michael Deakin (Independent Non-Executive Director of the Issuer)**

Michael was appointed as a Non-Executive Director of the Issuer in April 2016. He served as a Non-Executive Director for Just Retirement Group plc from April 2014 until April 2016. Michael is a qualified actuary and has over 26 years' investment management experience. He joined Clerical Medical in 1974 where he was appointed Director of Investments in 1995, and in 2001 Chief Investment Officer of Clerical Medical Investments, later named Insight Investments. Since retiring from Insight in November 2003, he has served as a Non-Executive member of the Board of the Pension Protection Fund and was Chairman of its Investment Committee from 2004 to 2010, and a Board member of the London Pension Fund Authority from 2006 to 2012 (Deputy Chairman from 2009). Outside of the Issuer, Michael is Chairman of Manifest Information Services Limited.

Michael is Chair of the JRL/PLACL Investment Committee and the JRL Investment Committee, and a member of the Market Disclosure Committee, Nomination Committee and Remuneration Committee. He is also Chair of JRML and PHLL, and a Director of HUB FS, HUB PS, JRL and PLACL.

#### **Steve Melcher (Independent Non-Executive Director of the Issuer)**

Steve was appointed as a Non-Executive Director of the Issuer in April 2016. He served as Non-Executive Director of Just Retirement Group plc from May 2015 until April 2016. Steve has worked in financial services for over 40 years during which time he has held posts at JP Morgan, Marsh & McLennan and as Chief Executive Officer of Eagle Star, Allied Dunbar and Sun Life of Canada UK. He now has a portfolio of roles, including as a Non-Executive Director of Allianz Re in Dublin and as Chairman of Euler Hermes Pension Fund. He is also an executive mentor which takes him inside many different industries.

Steve is a member of the Audit, Group Risk and Compliance Committee and the Remuneration Committee. He is also Chair of HUB FS, HUB PS, and a Director of JRL, PLACL, JRML and PHLL.

#### **Clare Spottiswoode (Independent Non-Executive Director of the Issuer)**

Clare was appointed as a Non-Executive Director of the Issuer in April 2016. She served as a Non-Executive Director of PAG from October 2014 to April 2016. Clare is a mathematician and economist by training; in June 2010, she was appointed by HM Treasury to the Independent Commission on Banking (the Vickers Commission). Clare's career has involved acting as Policyholder Advocate for Norwich Union's with-profits policyholders at Aviva, in which role she acted on behalf of one million policyholders tasked with reattributing Aviva's inherited estate,

and included time as Director General of Ofgas, the UK gas regulator. Clare previously served as Chairman of FlowGroup plc from 2011 to June 2017.

In addition to the Issuer, Clare is a Non-Executive Director of BW Offshore Limited, Ilika plc, British Management Data Foundation, Gas Strategies Group Limited, and Gas Strategies Holdings Limited.

Clare is a member of the Audit Committee, Group Risk and Compliance Committee, and a Director of HUB FS, HUB PS, JRL and PLACL.

### 13.3 Current directorships

<b>Director</b>	<b>Position</b>	<b>Current directorships and partnerships outside the Just Group</b>
Chris Gibson-Smith	Vice Chairman	UBS Investment Bank Knightsbridge Residents Management Company Ltd
	Non-Executive Director	
Rodney Cook	Non-Executive Director	Orwell Films LLP Cherwell Films LLP Kennet Films LLP
David Richardson	-	-
Keith Nicholson	Chairman	Liberty Specialty Markets MENA Limited Liberty Specialty Services Limited Liberty Corporate Capital Limited Liberty Managing Agency Limited Liberty Mutual Insurance Europe SE
Paul Bishop	Deputy Chairman	Equitable Life Assurance Society Police Mutual Assurance Society National House Building Council Zurich Assurance Limited
	Non-Executive Director	
Ian Cormack	Chairman	Maven Income and Growth VCT 4 plc Hastings Group Holdings plc Royal Bank of Scotland plc National Westminster Bank Plc Ulster Bank Ltd NatWest Holdings Ltd
	Non-Executive Director	
Michael Deakin	Chairman	Manifest Information Services Ltd (in administration)
Steve Melcher	Non-Executive Director	Michael Deakin Consultancy Limited
	Chairman	Euler Hermes Pension Fund
	Non-Executive Director	Allianz Re Dublin dac

Clare Spottiswoode	Chairperson Non-Executive Director	Naftogaz Supervisory Board BW Offshore Limited British Management Data Foundation Ilika plc Gas Strategies Group Ltd Gas Strategies Holdings Ltd
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### **13.4 Corporate governance**

#### ***Corporate Governance Code***

The Corporate Governance Code recommends that at least half the members of the board of directors (excluding the Chairman) of a public limited company incorporated in the UK should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

Currently, the Board is composed of nine members, consisting of the Chairman, Senior Independent Director, Independent Non-Executive Directors and Executive Directors.

The Board is responsible for the strategy, effective control and management of the Just Group.

The Board is firmly committed to high standards of corporate governance. The Just Group complies with all the provisions of the 2016 UK Corporate Governance Code and for which the Board is accountable to shareholders.

The Board has established Audit, Group Risk and Compliance, Remuneration and Nomination Committees which operate within defined terms of reference, which are made available on the Just Group's website ([www.justgroupplc.co.uk](http://www.justgroupplc.co.uk)).

#### **Board Committees**

##### *Audit Committee*

The Audit Committee comprises of Paul Bishop (Chair), Steve Melcher, Keith Nicholson and Clare Spottiswoode.

The Audit Committee's key role is to provide effective governance and assurance over the Just Group's financial reporting, the performance of the internal audit function, the external auditor, and the management of the Just Group's systems of internal controls and related compliance activities.

The Audit Committee liaises closely with the Group Risk and Compliance Committee through some cross-membership and close cooperation of the Chairmen, which ensures that audit work is focused on higher risk areas and that the results of internal and external audit work can be used to inform the work of the Group Risk and Compliance Committee.

The Audit Committee normally meets not less than four times a year. The Group Company Secretary is secretary to the Audit Committee.

### *Nomination Committee*

The Nomination Committee is comprised of five Independent Non-Executive Directors. The members are Chris Gibson Smith (Chairman), Paul Bishop, Ian Cormack, Michael Deakin and Keith Nicholson.

The role of the Nomination Committee is to keep under review the leadership needs of the Issuer, and regularly review the size and composition of the Board, where appropriate making recommendations for the orderly succession of Executive and Non-Executive Director appointments, and the progressive refreshing of the Board and its committees. In assisting and advising the Board, the Nomination Committee seeks to maintain an appropriate balance of skills, knowledge, independence, experience and diversity on the Board, taking into account the challenges and opportunities facing the Just Group.

The Nomination Committee meets at least twice a year, and the Chief Executive Officer of the Issuer and Group Human Resources Director are normally invited to attend meetings. The Just Group Company Secretary is secretary to the Nomination Committee.

### *Remuneration Committee*

The Remuneration Committee is comprised of four Independent Non-Executive Directors. The members are Ian Cormack (Chair), Chris Gibson-Smith, Michael Deakin and Steve Melcher.

The Remuneration Committee recommends what policy the Just Group should adopt on executive remuneration and, within the terms of the Directors' Remuneration Policy approved by the shareholders at the Issuer's annual general meeting in May 2018, determines the remuneration benefits, pension rights and compensation payments for all Solvency II staff, the Chairman, the Executive Directors of the Issuer, the Chief Actuary, the Group Company Secretary, the members of the Executive Committee and any other employees of the Just Group for whom the Committee determines it will have oversight as agreed by the Board from time to time. The Remuneration Committee will also generate an annual remuneration report to be approved by the members of the Just Group Board at the Issuer's annual general meeting.

The Remuneration Committee normally meets not less than twice a year. The Just Group Company Secretary is secretary to the Remuneration Committee.

### *Group Risk and Compliance Committee*

The Group Risk and Compliance Committee is comprised of five Independent Committee members. The members are Keith Nicholson (Chair), Chris Gibson-Smith, Ian Cormack, Steve Melcher and Clare Spottiswoode.

The Group Risk and Compliance Committee's key roles and responsibilities include the review and recommendation to the Board of the Just Group's overall risk appetite, strategy, monitoring the overall effectiveness of the risk management framework, governance, and compliance activity within the Just Group. In reviewing the Just Group's risk exposures, it ensures that these are adequately mitigated by the risk methodologies and management's actions. The Group Risk and Compliance Committee is also responsible for monitoring the appropriateness of the internal model related to the implementation of the Solvency II regime requirements and for

recommending any changes to the Model to the Board. In this regard it established a sub-committee to provide a more flexible forum in which to consider emerging developments.

The Group Risk and Compliance Committee normally meets not less than four times a year. The Just Group Company Secretary is secretary to the Risk and Compliance Committee.

#### *Investment Committees*

The Investment Committee of the board of JRL and PLACL assist the Board in achieving their investment objectives. The Investment Committees are responsible for reviewing and overseeing the implementation of JRL and PLACL's investment policy, including the performance of the investment portfolio, recommending the appointment and assessing the performance of the external investment managers, and the effectiveness of reporting procedures. The Investment Committee normally meets not less than four times a year and is chaired by Michael Deakin.

The Market Disclosure Committee oversees the disclosure of information by the Issuer to meet its obligations under the Market Abuse Regulation ("**MAR**"), and to ensure that decisions in relation to those obligations can be made quickly. The Committee's role is to determine whether information is inside information, when such information needs to be disclosed and whether any announcements are required. Other responsibilities include reviewing and approving announcements concerning developments in the Just Group's business and monitoring compliance with the Issuer's MAR disclosure controls and procedures. Its members comprise Chris Gibson-Smith (Chair), Keith Nicholson, Michael Deakin, Rodney Cook and David Richardson.

The Allotment Committee has responsibility for overseeing the allotment and listing of new ordinary shares in the Issuer in accordance with the Issuer's executive incentive plans and employee share plans. Its members comprise any two Directors, one of whom must be a Non-Executive Director.

The Just Group Company Secretary is secretary to each of the Investment Committee, Market Disclosure Committee and Allotment Committee.

#### **14. Licenses, permits, authorisations, concessions and certifications**

The Just Group is required to hold a number of licenses, permits, authorisations, concessions and certifications in each of the jurisdictions in which it operates. The Directors believe that the Just Group holds all licenses, permits, authorisations, concessions and certifications necessary to operate its business as it is currently conducted. See "*Regulation*" below.

#### **15. Property**

The Just Group operates from leasehold premises in Reigate in Surrey, UK and on Bishopsgate in the City of London. The Just Group is also the owner of freehold premises in Reigate. HUB Online Development Limited operates from leasehold premises in Belfast. In addition, the Just Group has operations in Cape Town, South Africa, where its offices are held on short-term leaseholds.

The Just Group is not aware of any environmental issues that may affect the Just Group's utilisation of its tangible fixed assets.

## **16. Environment**

The Just Group, as a member of the business community, recognises its corporate responsibilities towards the environment in its various roles as insurer, investor, employer and consumer. It believes in the importance of environmental protection and that best environmental practice makes sound commercial sense and recognises that its business activities have direct and indirect environmental impacts, and endeavours to manage these in a responsible manner. All of the Just Group's premises offer full recycling, and the Just Group is committed to a programme of continuous improvement and reporting of its direct and indirect environmental impact covering such areas as heat and light, recycling, paper usage, colour printing, transport initiatives and reduction of its carbon footprint.

The Just Group remains committed to reducing the environmental impact of its business. The Just Group has reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Just Group uses the Greenhouse Gas (“**GHG**”) Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting, expiry 31 July 2018. Alphacello Ltd conduct an annual review of the Just Group's data collations and calculation processes with respect to greenhouse gas emissions and provides verification of the Just Group's greenhouse gas emissions data.

## **17. Health and safety**

The health and safety of the Just Group's employees is a priority and is reviewed at regular intervals. Information on health and safety matters is communicated to staff through the normal communication channels. Under the Just Group's Health and Safety Policy, the Chief Executive Officer is accountable for health and safety.

## **18. Charity and the community**

The Just Group has a comprehensive programme of community and charitable activities, and during 2017 the Just Group maintained its popular schools engagement programme. This gives colleagues across the Just Group the opportunity to participate in various activities in primary and secondary schools in Reigate, Surrey and Tower Hamlets, London, including giving assistance with reading, developing study skills and offering career advice. The Just Group has continued to support a number of charities - this has included taking part in St Catherine's Hospice 2017 Dragon Boat Festival, donating food to Loveworks to help families who are experiencing food poverty, and a “Reindeer Run” around the City of London to raise funds for the London and Midlands Air Ambulances.

## Regulation

### 1. Background

The Just Group is subject to detailed and comprehensive legislation and regulation in respect of its operations. Regulatory agencies have broad administrative powers over many aspects of the insurance and LTM businesses, including marketing and selling practices, advertising, product development structures, data and records management, systems and controls, capital adequacy and permitted investments.

The Just Group is subject to regulation and supervision by the FCA and PRA in relation to the carrying on of its regulated activities in the UK. The Just Group's regulated activities comprise insurance business, regulated mortgage business and insurance and mortgage intermediation. The Just Group contains five UK authorised firms: JRL, PLACL, JRML, Partnership Home Loans Limited and HUB FS. The Just Group's regulated entities are subject to capital requirements, with a view to ensuring the protection of policyholders. Just Retirement Life (South Africa) Limited holds a licence from South Africa's Financial Services Board to provide retirement income solutions in South Africa.

### 2. The powers of the FCA and the PRA

JRL and PLACL (the Just Group's principal insurance companies) are dual-regulated, which means that they are authorised and prudentially regulated by the PRA, and regulated by the FCA for conduct of business matters. Companies which carry on insurance and mortgage intermediation activities (such as HUB FS) are authorised and regulated for both prudential and conduct of business purposes by the FCA.

The PRA is part of the Bank of England, with responsibility for promoting the stable and prudent operation of the financial system through the regulation of all deposit-taking institutions, insurers and certain large investment firms. The PRA's general objective is promoting the safety and soundness of PRA-authorised firms. In relation to insurers it also has an "insurance" objective, of contributing to securing an appropriate degree of protection for those who are or may become policyholders of PRA-authorised insurers.

The FCA is responsible for regulating conduct in retail and wholesale financial markets (including insurance and LTMs) and the infrastructure that supports those markets. The FCA has three "operational objectives": (i) a consumer protection objective; (ii) an integrity objective; and (iii) a competition objective. It also has a "strategic objective" of ensuring that relevant markets function well. In addition, where the FCA identifies a risk of consumer detriment arising from a particular product, type of product, or practices associated with a particular product or type of product, powers have been introduced allowing it to intervene to amend or restrict the sales or marketing of these products, or to ban them altogether.

The FCA's Business Plan 2018/19, published on 9 April 2018, identified numerous areas of focus for the FCA across the financial services industry. The FCA's priorities of particular relevance to the Just Group include:

- (A) firms' culture and governance, which should drive behaviours and produce outcomes likely to benefit consumers and markets;

- (B) tackling financial crime, including fraud, scams and anti-money laundering;
- (C) data security, resilience and outsourcing (since technology plays a pivotal role in delivering financial products and services);
- (D) innovation, big data, technology and competition, which are driving change in markets;
- (E) the treatment of existing customers to ensure that they do not get less attention or receive poorer outcomes than new customers; and
- (F) long-term savings, pensions and inter-generational differences which reflects the changing UK population and their financial needs.

The standards that the FCA requires firms to maintain are set out in the FCA's handbook of rules and guidance (the "**FCA Handbook**"). The PRA's rulebook of rules and guidance (the "**PRA Rulebook**") sets out the PRA's rules, which focus principally on prudential matters. Firms are also required to comply with certain directly effective EU legislation, and the FCA and the PRA act as enforcers of this EU legislation.

The FCA Handbook comprises a number of sourcebooks which set out the rules which apply to the firms that it regulates and supervises. The PRA Rulebook contains a section applicable only to insurers to which Solvency II applies (see below), and this is divided into a number of parts which cover different topics.

In the wake of the financial crisis, the Financial Services Authority (the predecessor to the FCA and the PRA) moved towards what it described as "outcomes focused regulation". This was coupled with a strategy of "credible deterrence", involving increased focus on, and publicity of, enforcement activities. This approach has been continued by the FCA and the PRA.

The FCA and PRA have broad powers under the FSMA including, among others, the authority to grant and, in specific circumstances, to vary or cancel permissions of firms that they authorise. The FCA has power to enforce its rules to ensure that regulated firms treat customers fairly and to investigate marketing, sales, claims and complaint handling practices. The FCA and the PRA also have rules that require firms that they regulate to have adequate risk management and control functions and to maintain appropriate financial resources.

The PRA has powers to impose requirements on an insurance company (such as a requirement not to take on new business) if it is not satisfied that the insurance company has met the applicable regulatory requirements or if the company does not meet the Threshold Conditions (as defined below). Similarly, the FCA has powers to impose requirements on an insurance and mortgage intermediary (which again would include a requirement not to transact any further business) if it is not satisfied that the intermediary has met the applicable regulatory requirements or if the intermediary does not meet the applicable Threshold Conditions.

The FCA may make enquiries or conduct inspections of the firms it regulates to ensure compliance with regulations governing the conduct and operation of their businesses. Issues and disputes may arise from time to time in relation to the way an insurance or LTM product has been constructed, sold or administered, or in the way in which policyholders or customers have been treated, either at an individual firm level or across the insurance industry. In the UK,

individual policyholder disputes of this nature are typically resolved by the FOS or by litigation. The FCA may intervene directly, however, where larger groups or matters of public policy are involved. There have been several industry-wide issues in recent years where the FCA's and the PRA's predecessor, the Financial Services Authority, intervened directly, such as in relation to the sale of payment protection insurance.

The FCA and PRA have wide powers to supervise and intervene in the affairs of an insurance company or insurance and mortgage intermediary if, for example, they consider: that it is appropriate in order to protect policyholders or potential policyholders against the risk that the firm may be unable to meet its liabilities as they fall due; that the Threshold Conditions may not be met; that the firm or its parent has failed to comply with obligations under the relevant legislation; that the firm has furnished misleading or inaccurate information; or that there has been a substantial departure from any proposal or forecast submitted to the FCA or PRA.

The FCA and PRA also have the power to take a range of informal and formal disciplinary or enforcement actions in relation to a breach by a firm of the FSMA or the rules in the FCA Handbook or the PRA Rulebook, including private censure, public censure, restitution, fines or sanctions and the award of compensation. The FCA and PRA may also cancel or vary (including by imposing limitations on) a Part 4A Permission (as defined below) of an insurance company or of an insurance and mortgage intermediary, including imposing restrictions on the ongoing operation of the insurance company or intermediary's business or cancelling the insurance company's permission to write new policies, thereby putting the insurer into run-off.

### **3. Permission to carry on insurance business**

Under section 19 of the FSMA, it is unlawful to carry on regulated activities, including insurance or mortgage intermediation activities or insurance business, in the UK without permission to do so from the FCA or PRA (as applicable) under Part 4A of the FSMA (a "**Part 4A Permission**"). The FCA is the appropriate regulator for insurance and mortgage intermediary Part 4A Permissions, and the PRA is the appropriate regulator for insurance company Part 4A Permissions.

The FCA or PRA (as applicable), in deciding whether to grant a Part 4A Permission, is required to determine whether the applicant satisfies, and will continue to satisfy, minimum conditions under the FSMA (the "**Threshold Conditions**"). Dual-regulated firms, including insurers, must meet both the FCA and PRA Threshold Conditions. As part of this decision, the appropriate regulator will consider whether the applicant has appropriate resources and if the applicant is 'fit and proper' to be authorised. A Part 4A Permission will specify: (a) a description of the activities the firm can carry on, including any limitations to the scope of the permission; (b) the specified investments involved; and (c) if appropriate, any requirements imposed in relation to the Part 4A Permission.

Once authorised, insurance companies and insurance and mortgage intermediaries are required to continue to meet the Threshold Conditions and comply with all applicable FCA and PRA rules, as well as directly effective EU and UK legislation, to the extent applicable. The FCA or the PRA may impose limitations and requirements relating to the operation of an insurance company and the carrying on by it of insurance business through its Part 4A Permissions; the FCA may do the same in relation to the operation of an insurance and mortgage intermediary and the intermediary business carried on by it.

#### 4. Screening of controllers (including Shareholders)

Under section 178 of the FSMA, if a person intends to acquire or increase its “control” of an insurance company or acquire “control” of an insurance and mortgage intermediary, it must first notify the appropriate regulator. The appropriate regulator for an insurance company is the PRA, and for an insurance and mortgage intermediary, it is the FCA. Once notified, the appropriate regulator must then decide whether to approve the acquisition or increase of control within 60 working days of receipt of this notice (assuming it has been provided with a complete application), subject to an extension of up to 30 working days in certain circumstances if the appropriate regulator requests further information from an applicant for approval, while it awaits receipt of that information. The FCA or PRA will not approve any new controller or any increase of control without being satisfied that the controller is financially sound and suitable to be a controller of, or acquire increased control of, the insurance company or insurance and mortgage intermediary.

Acquiring control for the purposes of the FSMA includes where a person first holds 10 per cent. or more of the shares or voting power in an insurance company or any of its parent undertakings or 20 per cent. or more of the shares or voting power in an insurance and mortgage intermediary or any of its parent undertakings. A person will be treated as increasing his or her control over an insurance company, and therefore require further approval from the PRA, if the level of his or her shareholding or entitlement to voting power increases to or above certain thresholds. The thresholds for an insurance company are 10 per cent., 20 per cent., 30 per cent. or 50 per cent. of shares or voting power.

When determining a person’s level of control, that person’s holding of shares or entitlement to voting power will be aggregated with the holdings or entitlements of any person with whom he or she is “acting in concert”.

#### 5. Approved Persons regime and Senior Managers and Certification Regime

Certain important functions in the operation of an insurance business or insurance and mortgage intermediary business (known as “**controlled functions**” or, in the case of insurance companies, in certain cases as “**key functions**” and/or “**PRA senior management functions**”) may only be carried out by persons who are approved for such tasks by the FCA or PRA, as appropriate, under the FSMA (known as “**Approved Persons**”, and, in the case of insurance companies, also as “**key function holders**” and “**PRA senior management function holders**”).

The terms “**controlled functions**” and “**Approved Persons**” are used to include all of the above classifications.

Under the FSMA, the FCA and PRA have powers to regulate two types of individuals: those whose functions have a significant influence on the conduct of an authorised company’s affairs and functions and those who deal with customers (or the property of customers).

The “significant influence” controlled functions include governing functions such as being a director or non-executive director of an insurance company or insurance and mortgage intermediary, some finance functions, actuarial functions and significant management functions, such as insurance underwriting.

The FCA or PRA will not grant Approved Person status to an individual unless it is satisfied that the individual has appropriate qualifications and/or experience and is fit and proper to perform those functions. Approved Persons must comply with the FCA and PRA's Fit and Proper Test for Approved Persons and the Statements of Principle and Code of Practice for Approved Persons, as well as with certain provisions of the FCA Handbook and the PRA Rulebook.

With effect from 10 December 2018, the PRA amended its rules on the Senior Insurance Managers Regime. The amendments extend the existing Senior Managers and Certification Regime, which previously applied to banks, to insurance companies.

One of the effects of the extension is that senior managers in insurance companies will be subject to a statutory duty of responsibility which will enable the PRA to hold them accountable if a breach of a regulatory requirement takes place in their area of responsibility and they failed to take reasonable steps to prevent or stop the breach.

## **6. Prudential requirements**

Detailed prudential rules applicable to carrying on insurance business are contained in EU and UK legislation and in rules contained in the PRA Rulebook. Most of these rules are derived from the EU Solvency II Directive, which has been implemented in the UK through a combination of legislation and rules contained in the PRA Rulebook, and a number of directly effective regulations made under the Solvency II Directive, including principally Commission Delegated Regulation (EU) 2015/35 (the "**Solvency II Regulation**").

Prudential rules applicable to carrying on an insurance and mortgage intermediary business are contained in the FCA's Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries ("**MIPRU**"). MIPRU amplifies certain of the Threshold Conditions and the FCA's Principles for Businesses by providing that a firm must meet, on a continuing basis, a basic solvency requirement and a minimum capital resources requirement. MIPRU also requires intermediaries to maintain adequate professional indemnity insurance that meets specified minimum limits of indemnity.

## **7. Capital requirements**

There are numerous prudential rules which have an impact on the regulatory capital position of an insurance company and its group, such as the Just Group. These are as follows:

### **7.1 The Solvency Capital Requirement**

Insurance companies are required to hold regulatory capital sufficient to cover their "Solvency Capital Requirement" or "SCR". The Solvency II Regulation sets out a "standard formula" for the calculation of the SCR. Among other rules, the standard formula applies specific capital charges to different types of assets held by the insurer. These capital charges can be very high for some types of assets, with the result that it is economically unviable for an insurer to invest in them.

Insurers can avoid the application of the standard formula by applying to the regulator for approval to use an internal model (or a partial internal model) to calculate its SCR. If approved, the internal model allows the insurer to use its own determinations of the capital charges, based on the data available to it which shows the potential risk created by the relevant assets.

JRL has obtained approval from the PRA to use a full internal model. PLACL uses the standard formula. The Just Group has approval to calculate its group SCR using a partial internal model.

The PRA has the power to impose a capital add-on in circumstances where it concludes that the risk profile of an insurance company deviates significantly from the assumptions underlying the SCR as calculated using the standard formula or an internal model. This would have the effect of increasing the SCR.

Insurance companies that are part of a group of companies are required to ensure that the regulatory capital of the group is sufficient to cover the group SCR. JRL and PLACL are both indirect subsidiaries of the Issuer, so for them the group regulatory capital and group SCR are calculated on a consolidated basis at the level of the Issuer.

For the purposes of satisfying the group SCR, the regulatory capital is not required to be held in any particular entity, as the calculation is done on a consolidated basis. However, in certain circumstances excess capital that cannot be readily distributed from one entity is not permitted to be treated as freely available to the remainder of the group and therefore has to be deducted when calculating the group regulatory capital.

In practice, insurance companies are expected to maintain an SCR coverage ratio and group SCR coverage ratio above 100 per cent. in order to minimise the risk that their regulatory capital will fall below the SCR or group SCR. This expectation can mean that an insurance company or its parent company decides to retain profits that might otherwise have been available to pay a dividend to shareholders.

The regulatory capital position of an insurance company and its group can be affected by numerous different factors, such as movements in asset values and changes in the assumptions about the amounts and timing of future liabilities.

It is possible for management actions to affect the regulatory capital position. Such actions may include retaining profits rather than paying dividends; entering into risk mitigation transactions such as reinsurance agreements or derivative contracts; changing the pricing or amount of business taken on by the insurance company; and changing the investment policy of the insurance company or group so as to invest in less risky assets, with the result that the SCR is reduced.

Management actions such as those described above generally have an effect on future shareholder value. It is therefore a critical function of the management of the insurer, overseen by the board of directors, to determine the extent to which, and when, these actions should be taken in order to meet the objectives of maintaining an appropriate SCR coverage ratio and group SCR coverage ratio while also maintaining and increasing shareholder value.

Insurers whose regulatory capital falls below the SCR, or whose group regulatory capital falls below the group SCR, are required to produce a realistic recovery plan showing how they would recover to a position in excess of the SCR or group SCR (this is known as the ladder of intervention). They may also be subject to regulatory action taken by the PRA using the powers described in paragraph 2 above.

### **Trigger Event**

The Notes will be automatically converted into ordinary shares of the Issuer, at the Conversion Price specified in the Notes, on the occurrence of a Trigger Event. The Trigger Events in respect of the Notes reflect the requirements of Solvency II for tier 1 own fund items.

The Solvency II Regulation specifies that a conversion trigger must occur when any of the following conditions (the "**trigger conditions**") are met in respect of the issuer of a restricted tier 1 own fund item:

- the amount of own fund items eligible to cover the SCR is equal to or less than 75 per cent. of the SCR; or
- the amount of own fund items eligible to cover the minimum capital requirement ("**MCR**") is equal to or less than the MCR; or
- breach of the SCR, where compliance is not re-established within 3 months from the date on which the breach was first observed.

The Solvency II Regulation specifies that, for the purposes of determining whether a conversion trigger has occurred for an issuance of tier 1 own fund items by an insurance holding company, such as the Issuer, the SCR specified in the trigger conditions is the group SCR and that the MCR specified in the trigger conditions is to be calculated as the sum of all MCRs for regulated insurance entities across the Just Group.

### **Solvency II capital coverage ratio**

The Solvency II capital coverage ratio of the Just Group is set out in the table below, which includes the Just Group's calculation with respect to own funds (which is reconciled to total equity attributable to members of the Just Group under IFRS):

	As of 31 December		
	2018 <sup>(1)</sup> ( <i>unaudited</i> )	2017 ( <i>unaudited</i> )	2016 ( <i>unaudited</i> )
Solvency II capital coverage ratio <sup>(2)</sup>	136%	139%	151%

(1) These figures allow for a notional recalculation of TMTP as of 31 December 2018.

(2) As the Solvency II capital coverage ratio is an Alternative Performance Measure ("**APM**"), the table below presents a reconciliation of total equity attributable to members of the Just Group (an IFRS measure) to Solvency II excess own funds (which is used to calculate the Solvency II capital coverage ratio).

	As of 31 December		
	2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>	2016 <i>(unaudited)</i>
	<i>(£ in millions)</i>		
<b>Total equity attributable to members of the Just Group</b>	<b>1,664</b>	<b>1,741</b>	<b>1,611</b>
Deconsolidation of JRSA	(5)	(5)	(2)
Goodwill	(34)	(33)	(33)
Intangible assets	(137)	(161)	(184)
Risk margin	(851)	(902)	(951)
TMTP	1,738	2,110	1,336
Other valuation differences and impact on deferred tax	(799)	(1,009)	(36)
Adjustment for own shares	6	5	1
Ineligible items	(7)	(5)	(3)
Subordinated debt	601	394	361
<b>Own funds</b>	<b>2,176</b>	<b>2,135</b>	<b>2,100</b>
<b>Solvency Capital Requirement</b>	<b>(1,597)</b>	<b>(1,539)</b>	<b>(1,394)</b>
<b>Solvency II excess own funds</b>	<b>579</b>	<b>596</b>	<b>706</b>
<b>Solvency II capital coverage ratio</b>	<b>136%</b>	<b>139%</b>	<b>151%</b>

As of 31 December 2018, the Just Group's Solvency II capital coverage ratio was estimated to be 144 per cent., an increase of 5 percentage points, from 139 per cent. as of 31 December 2017. This increase was primarily due to the £230 million of tier 3 capital issued in February 2018 and from increases in the risk-free rates, partially offset by the capital strain arising from increased new business sales during the period. The TMTP was recalculated as at 31 December 2017. The TMTP is recalculated every two years and the next recalculation will be done at 31 December 2019. The Solvency Capital Requirement coverage ratio at 31 December 2018, including a notional recalculation of TMTP, has been estimated at 136 per cent.

Since the publication of the SFCR in June 2018, there have been significant further developments as regards the PRA's requirements on the valuation of equity release mortgages and the related liabilities. Whilst the outcomes set out in PS31/18 are in certain respects less onerous than the original proposals set out in CP13/18, particularly as regards TMTP, the Directors nonetheless believe that compliance with PS31/18 reflects a prudent assessment of the risks inherent in the Just Group's equity release portfolio.

The Directors believe that the effective value test is prudent. Allowing for the test, using parameters of 13 per cent. volatility and a 0.3 per cent. deferment rate, in the JRL year-end 2018 balance sheet, results in property capital and technical provisions which would be sufficient to pay annuity policyholders, even if the price of every house backing the equity release portfolio falls by 28 per cent. and remains there indefinitely.

Using more prudent effective value test parameters of 13 per cent. volatility and a 1 per cent. deferment rate, the total allowance would be sufficient for the price of every house backing the equity release portfolio to fall by 35 per cent. and remain there indefinitely.

#### ***Pro forma Solvency II capital coverage ratio***

Based on the estimated position as at 31 December 2018, an expected minimum effect from a restricted Tier 1 issuance of £300 million and a £75 million placing of ordinary shares under the Placing would increase the Just Group's SCR coverage ratio by approximately 24 percentage points, as set out in the table below.

	Reported solvency as at 31 December 2018	Expected effect from the Placing*	Minimum expected effect from issuance of the Notes*	Pro forma solvency as at 31 December 2018
(unaudited; in £m, except where indicated)				
Own funds	2,176	75	300	2,551
Solvency Capital Requirement	1,597			1,597
Excess own funds	579	75	300	954
<b>Solvency Coverage ratio</b>	<b>136%</b>			<b>160%</b>

\*excluding costs and adjustments. The number of shares to be issued by the Issuer pursuant to the Placing will not exceed 9.99 per cent. of the existing issued share capital of the Issuer.

The pro forma solvency position above does not take into account any post-31 December 2018 developments other than the proposed issuance of the Notes and the Placing. Accordingly it does not address, amongst other things, new business written since that date, or economic or investment fluctuations over the period.

With respect to PS31/18, the PRA has announced that it intends to consult further in early 2019 on various matters, including the process by which the volatility and deferment rates will be reset and how the Effective Value Test applies in stress. Until that process is concluded, it is not possible to predict accurately the impact of PS31/18 on the Just Group's solvency ratios.

Pro forma own funds as at 31 December 2018 have been calculated on a basis equivalent to using a 13 per cent. volatility and 0.3 per cent. deferment rate assumption in relation to the treatment of LTMs within the effective value test. PS31/18 suggests using 13 per cent. volatility and a 0 per cent. deferment rate as at 31 December 2019 and phasing this to 13 per cent. volatility and a 1 per cent. deferment rate by 31 December 2021. As at 31 December 2018, the sensitivity of the Just Group's own funds (post-tax) to a 1 per cent. increase in the implied property volatility is a reduction of c£26 million; and to a 0.5 per cent. increase in the implied deferment rate is a reduction of c£63 million. A 1 per cent. decrease to the implied property volatility and a 0.5 per cent. decrease in the implied deferment rate would result in an increase in the Just Group's Own Funds (post-tax) of c£26 million and c£63 million respectively. The sensitivities allow for an offset from a change in TMTP.

Although the Issuer views the pro forma capital position following issuance of the Notes and completion of the Placing as satisfactory, investors should review the risk factors relating to regulatory risk (See *Risk Factors – Risks relating to the Just Group's business and industry – Regulatory risks* above).

### **Summary of the Just Group's Solvency II sensitivities**

The table below sets out the impact on the Just Group's Solvency II capital position following instantaneous key market risk movements, based on the Just Group's solvency coverage ratio and excess own funds, each as of 31 December 2018:

	As of 31 December 2018	
	Solvency coverage ratio	Excess own funds
	(unaudited)	
	%	(£ millions)
<b>Solvency coverage ratio/excess own funds</b>	<b>136</b>	<b>579</b>
-50 basis points fall in interest rates (no TMTP recalculation)	(12)	(159)
-50 basis points fall in interest rates (with TMTP recalculation)	(2)	(0)
+100 basis points in credit spreads	(1)	(19)
+10% in LTM early redemptions	1	2
-10% in property values	(17)	(257)
-5% in mortality	(14)	(210)

#### **Management actions to address a fall in SCR coverage ratio**

The group SCR is calibrated so that the likelihood of a loss exceeding the group SCR is less than 0.5 per cent. over one year. This is meant to ensure that capital is sufficient to withstand a broadly '1 in 200 year event' and is calculated in accordance with the Just Group's Solvency II partial internal model.

If the SCR coverage ratio were to fall materially, there are a number of management actions that could be undertaken. The Just Group's internal capital risk appetite categories contain different pre-set levels at which these different actions would be considered, prepared and executed, well ahead of the SCR coverage ratio falling to 100 per cent. The management actions include:

- (A) changing investment mix;
- (B) market risk hedging;
- (C) solvency hedging;
- (D) reinsurance and/or longevity swaps;
- (E) reducing new business;
- (F) major new expense review;
- (G) deferring or reducing dividends;
- (H) sale of businesses/portfolios;
- (I) raising subordinated debt (e.g. Tier 2 Capital); and

(J) raising equity.

## 7.2 The risk margin

Under Solvency II, an insurer must value its insurance liabilities (referred to as "**technical provisions**") as its best estimate of those liabilities plus the risk margin. The risk margin is an estimate of the cost of capital over the life of the in-force business. Because it is determined using risk-free interest rates, it is particularly sensitive to interest rate movements. It exposes insurers with long-term business, including members of the Just Group, to significant balance sheet movements as a result of even small changes in interest rates.

## 7.3 The Matching Adjustment

Ordinarily the best estimate component of technical provisions must be valued using risk-free interest rates, and so can give rise to the same interest rate volatility as the risk margin. Where the risk-free rate is very low (as in current economic circumstances), it also results in a high best estimate valuation. To mitigate this impact, Solvency II allows insurers to apply to the regulator for approval to use the MA to value certain eligible types of liabilities, provided that they hold portfolios of assets whose cash flows match the cash flows on the liabilities. If approval is granted, insurers may determine the best estimate for the relevant liabilities by reference to the yield on the assets, to the extent that the yield exceeds the "fundamental spread", which is an assessment of the risks retained by the insurer.

Use of the MA results in a lower best estimate valuation, and therefore lower overall technical provisions for the insurer. In addition, it generally results in less balance sheet volatility because the best estimate valuation of the liabilities will move in line with the values of the portfolio of assets held by the insurer, rather than risk-free interest rates.

Both JRL and PLACL have received approval from the PRA to apply the MA in relation to certain types of asset classes.

The MA is an area where regulatory policy is continuing to develop. As described in paragraph 13.2 of this section and in the risk factor entitled "*The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group*", the PRA has issued a number of Supervisory Statements over the last two years in which it has sought to develop and refine its guidance on the use of the MA by UK insurers, and it is planning to launch further consultations in relation to certain aspects of the MA. Depending on the outcome of these consultations (and the content of the proposed Supervisory Statements, to be issued following conclusion of the consultations), the extent to which JRL and PLACL can continue to rely on the MA may be reduced, or they may be subject to more onerous capital requirements in relation to the use of the MA.

## 7.4 Transitional measures on technical provisions

Solvency II permits insurers to apply to the regulator for approval to apply a deduction to their technical provisions representing the difference between the valuation of technical provisions under the Solvency II regime and the valuation of technical provisions under the pre-Solvency II regime. The provisions permitting the deduction are referred to as the "**TMTD deduction**".

There are a number of important features of the TMTP deduction:

- (A) it is calculated only in respect of business in force as at 31 December 2015. This means that insurers cannot benefit from its effect in relation to new business written after Solvency II was implemented (with an exception for new reinsurance of business written before Solvency II was implemented);
- (B) it is required to be reduced on a linear basis over 16 years from 2016 and 2032;
- (C) it is required to be recalculated every two years, and in circumstances where there has been a significant change in risk profile of the insurer; and
- (D) when it is recalculated, both elements of the calculation (i.e. the Solvency II valuation and the pre-Solvency II valuation) must be recalculated. This means that changes to the Solvency II valuation that would also have affected the pre-Solvency II valuation will not be reflected in the TMTP deduction. The PRA has said that changes in best estimate assumptions in the Solvency II valuation must also be reflected in the pre-Solvency II valuation, and therefore cannot affect the TMTP deduction.

Both JRL and PLACL have received approval from the PRA to apply a TMTP deduction.

The PRA may request that a firm carry out a recalculation of the transitional measure at any time if the firm's risk profile has materially changed since the approval was initially granted (or since the last time a recalculation was approved). Solvency II also makes provision for a firm itself to apply for approval to carry out a recalculation in similar circumstances. If a recalculation were to occur, and were to result in a reduction in the TMTP deduction, then the insurers' technical provisions could be increased. This increase would reduce the capital available to cover the SCR.

Even in the absence of adverse recalculations, the automatic reduction of the TMTP deduction on a linear basis over 16 years may make it necessary for JRL and PLACL to retain some of their profits, or otherwise raise capital, to offset the resulting increase in technical provisions. This would be the case if the underlying business does not run off at the same rate as the TMTP deduction is reduced.

## 8. Reporting

Insurance companies are required to complete numerous financial reports and regulatory returns. These include:

- (A) quarterly regulatory returns which are submitted to the PRA;
- (B) an annual own-risk and solvency assessment supervisory report (an "**ORSA**") which is submitted to the PRA; and
- (C) a Solvency and Financial Condition Report (an "**SFCR**") which is made publicly available by publication on the insurance company's website.

Insurance companies are also required to provide other information and documents to the PRA on request.

These reporting requirements mean that there is detailed and regular oversight and security of an insurance company's business by the PRA. In addition, publication of the SFCR enables third parties to review extensive information about an insurance company's regulatory capital position.

Insurance companies also undertake reporting to the FCA. Such reporting includes providing details to the FCA in relation to product sales.

## **9. Conduct of business requirements**

The FCA conduct of business requirements in relation to the distribution and sale of insurance products are contained in the Conduct of Business Sourcebook ("**COBS**"). COBS applies to insurance products with an investment element, such as mortgage endowments, pension policies and insurance bonds. This sourcebook also implements the EU Insurance Distribution Directive which replaced the EU Insurance Mediation Directive with effect from 1 October 2018.

The FCA's conduct of business requirements with respect to the distribution and sale of mortgages are contained in MCOB, which applies to the Just Group's LTM products.

JRML and Partnership Home Loans Limited are each also members of the Equity Release Council. As a result, they are required to follow the Equity Release Council's code of practice. This code requires, among other things, that all customers must receive professional advice.

## **10. Consumer complaints and compensation**

Insurance companies, along with other authorised firms and certain other unregulated businesses, fall under the compulsory jurisdiction of the FOS. Authorised firms are required to have adequate complaints handling procedures in place but, where these are exhausted and the 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.

Rulings of the FOS are binding on firms and, in analysing a complaint, the FOS is not bound to make a strict legal assessment but may instead have regard to more general considerations of fairness. Authorised firms covered by the FOS are required to pay levies and case fees, which provide funding for the FOS.

The Financial Services Compensation Scheme ("**FSCS**") seeks to protect policyholders when a UK authorised firm is unable or is likely to be unable to meet its financial obligations. Most claims made in respect of insurance business will also be protected if the business was carried out from the UK or in another EEA State from a branch of an insurer authorised by the PRA. The FSCS is funded by levies on all of its participating financial services firms. Generally, firms subject to the FSCS make provisions for their share of the levies. Such provisions are often based on estimates of a firm's market participation in the relevant charging periods and the interest they will pay on the facilities provided by HM Treasury to the FSCS in support of its obligations.

In relation to insurance business in particular, there are detailed provisions which govern the amount to be paid on a failure by the firm. With effect from 3 July 2015, this is 100 per cent. of the claim, with no upper limit for long-term insurance business. Upon failure of an insurer, the liquidator or administrator is required to attempt to transfer the insurance business to another insurer as a going concern. If this is achieved, and there is therefore no default in the payment of claims by the insurer, there will be no need for the FSCS to pay compensation to policyholders.

The terms on which products are sold or contracts are entered into with customers by the Just Group must comply with various 'fairness' and 'reasonableness' requirements under UK law (including, without limitation, the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015), some of which currently implement EU law. These requirements apply to both express terms of a contract and to terms that have not been agreed by the parties but are implied into the contract by a court.

## **11. Anti-money laundering, anti-terrorism and sanctions laws and regulations**

In addition to financial and insurance regulation, the Just Group must comply with anti-money laundering, anti-terrorism and sanctions laws and regulations. The Just Group is committed to working with international organisations, governments, law enforcement agencies, regulators and its industry peers to identify the threat of money laundering and close off channels in the financial system that money launderers, terrorists and other criminals may use.

Sanctions screening requires the Just Group to ensure that they neither breach legal and/or regulatory requirements nor suffer reputational damage by providing services to, or dealing directly or indirectly with, persons, entities or countries which have been identified by the UK as subject to any form of restriction, including financial sanctions or asset freezing orders.

## **12. Competition laws**

The Just Group is also subject to competition and consumer protection laws enforced by the CMA and the European Commission's Directorate-General for Competition, such as laws relating to price fixing, collusion and other anti-competitive behaviour in the UK. This regime is supported by formal cooperation between the CMA and the FCA, along with the FCA's furtherance of its operational objective to promote effective competition in the interests of consumers, and its duty to promote effective competition when addressing its other operational objectives. This is further supported by the FCA's concurrent powers with the CMA to enforce competition laws in the UK insofar as they relate to the provision of financial services.

## **13. Regulatory developments**

### **13.1 General**

The insurance industry faces a number of regulatory initiatives aimed at addressing lessons learned from the financial crisis and other industry-level issues such as payment protection insurance mis-selling. These initiatives include new prudential rules on capital adequacy frameworks, new conduct rules and new applications for those rules, and other changes as a result of regulatory investigations and actions. In addition, new UK regulatory bodies have been established under the Financial Services Act 2012.

### 13.2 PRA consultation papers, reviews and other related publications

Over the past three years, the PRA has conducted a number of consultations relating to elements of the Solvency II regime. As a result of these consultations, a number of Supervisory Statements have been issued or updated. Supervisory Statements are not binding regulatory rules. They set out the expectations of the PRA in relation to the way in which regulatory rules are to be interpreted and applied. In practice, therefore, insurers are expected to comply with them.

To date, the consultation papers and Supervisory Statements issued by the PRA have covered such issues as illiquid assets, the MA and the TMTP deduction.

The following Supervisory Statements issued by the PRA could require further adjustments by the Just Group in the future:

- (A) SS6/16 (updated in April 2017) – Recalculation of the ‘transitional measure on technical provisions’ under Solvency II, April 2017;
- (B) SS3/17 – Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages, July 2017 (as amended in December 2018);
- (C) SS7/18 - Solvency II: Matching adjustment;
- (D) SS8/18 - Solvency II: Internal models - modelling of the matching adjustment; and
- (E) SS17/16 (updated in July 2018) - Solvency II: internal models – assessment, model change and the role of non-executive directors.

SS6/16 describes the expectations of the PRA on all insurers regarding the recalculation of the TMTP deduction. In particular, the update in April 2017 from the original supervisory statement published in May 2016 includes a specific section covering the consistency of pre-Solvency II and Solvency II best estimate assumptions.

SS3/17 and the amendments made to it in December 2018 have been described elsewhere in this Offering Memorandum – see in particular, the risk factor entitled "*The regulatory capital regime applying to certain members of the Just Group is extensive and subject to change, and a failure to comply with this regime could have a variety of negative regulatory and operational implications for the Just Group*".

SS7/18 (Solvency II: Matching adjustment) introduced additional guidance in the following areas:

- (A) asset eligibility – demonstrating cash flow fixity;
- (B) criteria for assessing ‘sufficient compensation’;
- (C) restructuring asset cash flows using special purpose vehicles (SPVs);
- (D) trading in the MA portfolio;

- (E) consequences of breaches of MA requirements; and
- (F) changes to MA portfolio approval.

In SS7/18 there is a greater emphasis on firms being able to demonstrate that their portfolios meet, and continue to meet, eligibility conditions. The risk is that the PRA takes a different view from firms as to whether the eligibility conditions are satisfied and therefore this may constrain firms from investing in certain types of assets which the firms may otherwise have selected.

In SS8/18 (Solvency II: internal models – modelling of the matching adjustment), the PRA:

- (A) published its up-to-date thinking for why a mechanistic approach is inappropriate for modelling the MA in internal models;
- (B) clarified its overarching expectations as to how the MA should be captured in the SCR and the extent to which firms' modelling approaches for the MA should be constrained by the approach used in the calculation of Technical Provisions; and
- (C) discussed and expanded upon a five-step framework for the modelling of the MA within internal models.

SS8/18 includes proposals on the calculation of the MA and the MA under stress. The PRA has also published a five-step framework in SS8/18 that sets out how the MA could be considered in the context of the SCR calculation. The framework is recommended by the PRA as a good-practice way for firms to demonstrate that their approaches cover all material and quantifiable risks to which they are exposed, and SS8/18 expands upon the steps within the framework in detail. SS8/18 requires not only value stresses which underpin the SCR calculation, but also cash-flow tests of the MA portfolio. In addition SS8/18 requires firms to stress the fundamental spread.

SS17/16 (updated in July 2018) (Solvency II: internal models – assessment, model change and the role of non-executive directors) has been updated to reflect updated expectations of firms in respect of internal model change policies and quarterly model change reporting.

### **13.3 Recent developments in the UK individual retirement income market**

Pensions continue to be an area of focus for the FCA given their economic and social importance, as well as the fundamental changes this market has experienced over recent years.

The 2014 UK Budget introduced unprecedented legislative changes to the individual retirement income market. These changes, which were implemented in April 2015, were intended to increase consumers' choice and freedom in accessing their pension savings and remove some of the constraints that inhibited the development of flexible guaranteed retirement income solutions.

Since the introduction of pension reforms in April 2015, there have been a number of further key developments. In particular, as part of the FCA's Retirement Income Market Study in March 2015, the FCA identified a number of issues relating to consumer decision making which it wanted to address as a result of pension reforms. As part of this, in July 2016, the FCA

announced that they wanted to assess the impact of the pension reforms on competition in the pensions decumulation market and using a Retirement Outcomes Review to look at how firms and consumers have responded to the new freedoms. The key topics explored in the review were shopping around and switching, non-advised consumer journeys, business models and barriers to entry, and the impact of regulation on retirement outcomes.

In June 2018, the FCA published its final report in relation to their Retirement Outcomes Review (MS 16/1.3). This was accompanied by a consultation paper (CP18/17). The Report and CP18/17 primarily focus on the protection of consumers who do not take advice when considering their retirement income options. The FCA proposed a package of measures in relation to consumer investment choices, consumer attitudes to switching, barriers to shopping around and switching and the level of charges in non-advised drawdown.

The deadline for submission of responses to the proposed package of remedies detailed in CP 18/17 was 6 September 2018. The FCA has published feedback to the responses to the consultation (PS19/1) and has published a second consultation paper (CP19/5). The FCA intends to publish final rules for remedies by July 2019.

#### **13.4 Ageing population and financial services**

In September 2017, the FCA published an occasional paper (Occasional Paper 31), outlining the findings from a project that explored how the UK's ageing population would impact the financial services industry. It was intended to:

- (A) help firms identify and understand the specific needs, characteristics and preferences of older consumers;
- (B) encourage sustainable change by helping create an environment that delivers good outcomes for older consumers;
- (C) challenge financial exclusion;
- (D) ensure firms proactively recognise the potential vulnerabilities associated with older consumers and act with appropriate levels of care;
- (E) encourage firms to consider the issues posed by demographic change and take steps to mitigate potential risks of harm.

The FCA set out some ideas that they want firms to consider as part of how they treat customers fairly. These included product and service design, customer support and to continuously review and adapt strategies. These issues are a diverse set of challenges that firms need to address in ways that fit with their business model. The FCA are not proposing rules or guidance as a result of Occasional Paper 31, but may consult on this in the future, if they think that it is needed.

#### **13.5 Financial Advice Market Review**

The Financial Advice Market Review ("**FAMR**") was launched jointly by HM Treasury and the FCA in August 2015 to explore ways in which government, industry and regulators could take individual and collective steps to stimulate the development of a market that delivers affordable

and accessible financial advice and guidance to everyone, particularly those who do not have significant wealth or income.

In its final report in March 2016, the FAMR set out a series of recommendations intended to tackle the barriers to consumers accessing advice in markets for retail investments, protection and retirement income planning.

The FAMR recommendations included a Treasury consultation on amending the definition of regulated advice in the RAO so that it only includes advice involving a "personal recommendation", in line with the definition set out in MiFID II. This was designed to reduce uncertainty for firms providing guidance and took effect from 3 January 2018. The FCA were also asked to consult on new guidance on what constitutes a personal recommendation to give greater confidence to firms offering services that help consumers when making their own investment decisions. During February 2018 the FCA published Policy Statement 18/3 to provide this additional guidance and amend parts of the FCA Handbook and the FCA's Perimeter Guidance Manual ("**PERG**"). The FCA was also encouraged to setup a dedicated team to help firms developing mass-market automated advice models bring them to market more quickly. This led to the publication of FG17/8 which provided the FCA's finalised guidance on streamlined advice and fact finding.

The FCA will be reviewing the advice market as part of their review of FAMR implementation and the next phase of the post-implementation review of the retail distribution review and is expected to publish its findings in early 2020.

### **13.6 Replacement of the Insurance Mediation Directive**

The EU Insurance Mediation Directive was replaced by the Insurance Distribution Directive with effect from 1 October 2018. The replacement did not have a significant impact on UK insurers because the main changes made by the Insurance Distribution Directive had already been adopted by the FCA as part of its rules when the Insurance Mediation Directive was originally implemented.

However, the Insurance Distribution Directive did introduce some new requirements that have been transposed into the FCA rules, and these had an effect on some of the requirements that applied to the way in which insurance products are distributed.

### **13.7 Data protection**

The data protection law currently in effect in the UK is derived from the first data Protection Directive (Directive 95/46/EC). On 25 May 2018, the GDPR replaced the existing regime set out in 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 regulation contains measures that seek to harmonise data protection procedures and enforcement across the EU, and achieve consistency with the existing system for ensuring privacy online. Many of the new provisions contained in the regulation are expected to have a significant impact on data controllers and processors who are active within the EU, including many who are located outside it but who monitor the behaviour of EU consumers, or offer them goods or services. Importantly, the penalties for breach of the new regime are much more substantial than under previous legislation.

### **13.8 Proposed Anti-Discrimination Directive (EU)**

The Anti-Discrimination Directive (or the Equal Treatment Directive) was proposed by the European Commission in July 2008 to combat discrimination in the provision of goods and services based on religion, belief, disability, age or sexual orientation. The draft Equal Treatment Directive allows service providers to apply different treatment when age or disability is a key factor in relation to financial services.

The most recent progress report (June 2017) states that tangible progress has been made on the outstanding issues but further political discussions are needed before the required unanimity in Council is reached. The EU Commission confirmed in June 2017 that the Equal Treatment Directive remains a priority.

Depending on the provisions of the Equal Treatment Directive, it could be a significant matter for the Just Group as one of the significant factors used in its pricing is the age of the customer.

### **13.9 Recovery and resolution proposals**

Following a consultation on an EIOPA discussion paper published in December 2016, EIOPA published on 5 July 2017 an Opinion addressed to the EU institutions in which EIOPA calls for the establishment of a minimum harmonised and comprehensive framework in the area of recovery and resolution of insurers and reinsurers.

On 21 December 2017, the Financial Stability Board published a consultation paper on a methodology for assessing the implementation of the key attributes of effective resolution regimes for firms in the insurance sector. It will now be for the EU Commission to decide whether or not to propose legislation.

#### **13.10 The UK's exit from the EU**

The UK government has stated its intention that most laws and regulations that are derived from EU legislation will initially remain the same at the time when the UK leaves the EU, subject to amendments necessary to address any deficiencies that would otherwise arise. The future development of financial services law and regulation thereafter, and in particular how closely it will adhere to EU legislation, is not certain.

Members of the Just Group currently rely on passporting rights arising from EU directives to enable them to service a small number of customers in other jurisdictions. There is uncertainty about how these customers will be serviced in future – this will depend on what agreement (if any) is put in place between the EU and the UK at the time the UK ceases to be a member of the EU.

## 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.*

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 Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the Luxembourg Stock Exchange if they are included in the official list of the Luxembourg Stock Exchange by the Société de la Bourse de Luxembourg and are admitted to trading on the Euro MTF. 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.

A further exclusion from the obligation to make a withholding on account of UK income tax when paying interest on the Notes applies where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to UK corporation tax as regards the payment of interest, provided HM Revenue & Customs has not given a direction that the interest should be paid under deduction of 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.

Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount element on any such Notes should not generally be subject to any withholding or deduction for or on account of UK income tax.

## Subscription and Sale

Pursuant to a Subscription Agreement dated 19 March 2019 (the “**Subscription Agreement**”) entered into between the Issuer and Barclays Bank PLC (“**Barclays**”) and NatWest Markets Plc (together the “**Joint Lead Managers**” or the “**Managers**” and each, a “**Manager**”), Barclays will subscribe for the Notes at 100.00 per cent. of their principal amount less commissions, subject to the satisfaction of certain conditions. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. Under its terms, the Subscription Agreement may be terminated by Barclays on behalf of the Managers in certain circumstances prior to payment being made to the Issuer.

### **United States**

The Notes and any Ordinary Shares which may be delivered upon conversion of the Notes have not been and will not be registered under the Securities Act and the Notes and any Ordinary Shares which may be delivered upon conversion of the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **UK**

Each 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 EEA Retail Investors**

Each 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 Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### ***Hong Kong***

Each 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 each Manager has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), 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***

Each Manager has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed 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 (Chapter 289 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; or
- (4) as specified in Section 276(7) of the SFA.

**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 the classification of the Notes as 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 any of the Managers 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 Managers represent 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

Except where otherwise defined in this General Information section, terms which are defined in “*Terms and Conditions of the Notes*” above have the same meaning when used in this General Information section, and references herein to a numbered “Condition” shall refer to the relevant Condition in “*Terms and Conditions of the Notes*”.

- (1) The gross proceeds of the issue will be £300,000,000 (being the entire proceeds of the issue). The net proceeds will be used by the Issuer for general corporate purposes.
- (2) The Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg with a Common Code of 193487521 and an ISIN of XS1934875219.
- (3) 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.
- (4) The yield to (but excluding) the First Call Date of the Notes would (if the Notes were to be redeemed on the First Call Date and if all interest payments were to be paid in full without cancellation) be 9.379 per cent, on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the issue price. It is not an indication of future yield.
- (5) 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 14 December 2018, and by resolutions of a committee of the Board of Directors of the Issuer passed on 16 January 2019 and 13 March 2019, which committee was established pursuant to a resolution of the Board of Directors of the Issuer passed on 14 December 2018.
- (6) 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.
- (7) There has been no significant change in the financial or trading position of the Just Group since 31 December 2018, nor has there been any material adverse change in the prospects of the Issuer since 31 December 2018 (in each case, being the last day of the period in respect of which the Issuer published its latest annual audited financial statements).
- (8) 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 document, a significant effect on the financial position or profitability of the Issuer.
- (9) The Offering Memorandum will also be available on the website of the Luxembourg Stock Exchange at: [www.bourse.lu](http://www.bourse.lu).

- (10) For so long as the Notes are admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF and the rules and regulations of that exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the office of the Luxembourg Listing Agent during normal business hours on any weekday: the articles of association of the Issuer, this Offering Memorandum, the Trust Deed, the Agency Agreement, the Just Group Financial Information, the SFCR, the Placing RNS Announcement and any future annual financial statements of the Issuer.
- (11) For so long as the Notes are admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF, any notices to Noteholders published in a daily newspaper of general circulation in London or in another leading daily English language newspaper with general circulation in Europe shall also be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website at: [www.bourse.lu](http://www.bourse.lu).
- (12) KPMG LLP, 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 and Ireland) issued by the Auditing Practices Board and International Financial Reporting Standards, the consolidated financial statements of Just Group plc for the 12 month period ended 31 December 2018 and the 12 month period ended 31 December 2017. KPMG LLP has no material interest in the Issuer.
- (13) Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Managers and their affiliates may have positions, deal or make markets in the Notes or the Ordinary Shares, 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 Managers and their 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 their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer and routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their 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 and/or the Ordinary Shares. Any such positions could adversely affect future trading prices of Notes and/or the Ordinary Shares. The Managers and their 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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