

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page (the “**Offering Memorandum**”), and you are therefore required to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE OFFERING MEMORANDUM MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

Confirmation of your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described in the Offering Memorandum, you must be a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) who is outside the United States. By accepting the email and accessing the Offering Memorandum, you shall be deemed to have represented to Morgan Stanley & Co. International plc (the “**Sole Lead Manager**”) that you are not, and that any customer represented by you is not, a U.S. person; the electronic mail address that you have given to us and to which this email has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of the Offering Memorandum by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Memorandum to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and the Sole Lead Manager or any affiliate of the Sole Lead Manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the Sole Lead Manager or such affiliate on behalf of esure Group plc in such jurisdiction.

Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction. Recipients of the Offering Memorandum who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Offering Memorandum. The Offering Memorandum may only be communicated to persons in the United Kingdom (“**UK**”) in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Sole Lead Manager, any person who controls the Sole Lead Manager, or any of its directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Sole Lead Manager.

Restrictions on marketing and sales to retail investors

The securities described in the Offering Memorandum are complex financial instruments and are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of certain securities with characteristics similar to the securities described in the Offering Memorandum. Potential investors in the securities described in the Offering Memorandum should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the securities described in the Offering Memorandum (or any beneficial interests therein).

In the UK, the Financial Conduct Authority (“FCA”) Conduct of Business Sourcebook (“COBS”) requires, in summary, that certain securities with characteristics similar to securities described in the Offering Memorandum should not be offered or sold to retail clients (as defined in COBS 3.4 and each a “**retail client**”) in the UK.

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

By purchasing, or making or accepting an offer to purchase, any securities described in the Offering Memorandum (or a beneficial interest in such securities) from the Issuer and/or the Sole Lead Manager, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Sole Lead Manager that:

- (i) it is not a retail client in the UK;
- (ii) it will not:
 - (a) sell or offer the securities described in the Offering Memorandum (or any beneficial interest therein) to retail clients in the UK; or
 - (b) communicate (including the distribution of the Offering Memorandum) or approve an invitation or inducement to participate in, acquire or underwrite the securities described in the Offering Memorandum (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 in the UK,

and in selling or offering the securities described in the Offering Memorandum or making or approving communications relating to the securities described in the Offering Memorandum, it may not rely on the limited exemptions set out in the COBS.

The obligations above are in addition to the need to comply at all times with all applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area or the UK) relating to the promotion, offering, distribution and/or sale of the securities described in the Offering Memorandum (or any beneficial interests therein), including (without limitation) any requirements under MiFID II, the UK FCA Handbook and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the securities described in the Offering Memorandum (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, the securities described in the Offering Memorandum (or any beneficial interests therein) from the Issuer and/or the Sole Lead Manager, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

OFFERING MEMORANDUM



esure Group plc

(incorporated under the laws of England and Wales with company number 07064312)

£75,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes Issue Price: 100 per cent.

The issue of £75,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the “**Notes**”) was authorised by a resolution of the board of directors of esure Group plc (the “**Issuer**”) passed on 1 July 2021. The Notes will be issued by the Issuer on 29 July 2021 (the “**Issue Date**”). The Notes will constitute direct, unsecured and 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 bear interest on their principal amount from (and including) the Issue Date to (but excluding) 29 January 2027 (the “**First Reset Date**”) at a fixed rate of 6.000 per cent. per annum and thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each, a “**Reset Date**” as provided in the Conditions). Interest will be payable on the Notes semi-annually in arrear on 29 January and 29 July (each, an “**Interest Payment Date**”) in each year commencing on 29 January 2022, subject to cancellation as provided below and as further 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 by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, taxes of the United Kingdom (“**UK**”), unless that withholding or deduction is required by law. In the event that 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 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 ISSUER’S OBLIGATIONS IN RELATION TO EACH NOTE WILL BE PERMANENTLY AND AUTOMATICALLY RELEASED AND CONVERSION SHARES WILL BE ISSUED.

This Offering Memorandum does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) or Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”).

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin (“**Euronext Dublin**”) for the Notes to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin (the “**GEM**”). The GEM is not a regulated market for the purposes of Directive 2014/65/EU (as amended) (“**MiFID II**”) or Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA (“**UK MiFIR**”). This Offering Memorandum constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin.

The Notes will be issued in registered form in principal amounts of £200,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) on or about the Issue Date. Individual certificates (“**Certificates**”) evidencing holdings of Notes will be available only in certain limited circumstances described under “*Summary of Provisions Relating to the Notes whilst in Global Form*”.

Potential investors should read the whole of this Offering Memorandum, in particular the section entitled “Risk Factors” set out on pages 24 to 67.

The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail clients, as defined in MiFID II, in the European Economic Area or to retail clients, as defined in UK MiFIR, in the UK. Prospective investors are referred to the section headed “*Prohibition on marketing and sales of Notes to retail investors*” of this Offering Memorandum for further information.

Sole Lead Manager and Structuring Advisor

Morgan Stanley

The date of this Offering Memorandum is 27 July 2021

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.

This Offering Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see *“Documents Incorporated by Reference”*).

No person has been authorised to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue, sale, listing and admission to trading of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or Morgan Stanley & Co. International plc acting as the Sole Lead Manager and as the Structuring Advisor (the **“Sole Lead Manager”**). Neither the delivery of this Offering Memorandum nor the issue, sale, listing and admission to trading of the Notes 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 the date upon which this Offering Memorandum has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented.

Save for the Issuer, no other person has separately verified the information contained herein. To the fullest extent permitted by law, neither the Sole Lead Manager nor BNY Mellon Corporate Trustee Services Limited (the **“Trustee”**) accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by the Trustee or the Sole Lead Manager or on its behalf in connection with the Issuer or the issue, sale, listing and admission to trading of the Notes. The Trustee and the Sole Lead Manager disclaim all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement. Neither this Offering Memorandum nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Trustee or the Sole Lead Manager that any reader of this Offering Memorandum or any other information supplied in connection with 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 or any other information supplied in connection with the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Trustee nor the Sole Lead Manager 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 the attention of the Sole Lead Manager or Trustee.

Restrictions on marketing and sales

Prohibition on marketing and sales of Notes to retail investors

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of certain securities with characteristics similar to the Notes.

In the UK, the Financial Conduct Authority (**“FCA”**) Conduct of Business Sourcebook (**“COBS”**) requires, in summary, that certain securities with characteristics similar to the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a **“retail client”**) in the UK.

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 COBS.

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

- (i) it is not a retail client in the UK;
- (ii) it will not:
 - (a) sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK; or
 - (b) communicate (including the distribution of the Offering Memorandum) 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 in the UK;

and in selling or offering the Notes or making or approving communications relating to the Notes, it may not rely on the limited exemptions set out in the COBS.

The obligations above are in addition to the need to comply at all times with all applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) any requirements under MiFID II, the UK FCA Handbook and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

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 the Sole Lead Manager, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

The Notes are not intended to be offered, sold or otherwise made available, 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 the Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the “**EU 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 EU PRIIPs Regulation.

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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Professional investors and ECPs only target market

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Restrictions on marketing and sales in the United States and to U.S. persons

The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of Notes and on distribution of this Offering Memorandum, see "*Subscription and Sale*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States.

Singapore SFA Product Classification

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are capital markets products other than "prescribed capital markets products" (as defined in the CMP Regulations 2018) and are Specified 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 restrictions on marketing and sales

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Sole Lead Manager to subscribe for, or purchase, any Notes.

Stabilisation

In connection with the issue of the Notes, the Sole Lead Manager (the "**Stabilising Manager**") (or any person 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 final terms of the offer of the Notes is made and, if begun, may cease at any time, but it 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 overallotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

IMPORTANT INFORMATION

Cautionary note regarding forward-looking statements

This Offering Memorandum includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include, but are not limited to, statements regarding the intentions of the Issuer and its consolidated subsidiaries (the “**Group**”), beliefs or current expectations concerning, among other things, the Group’s business, results of operations, financial position, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, its financial position and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- risks stemming from the economy and the performance of financial markets generally;
- changes in the legal and regulatory environment in which the Group operates;
- the FCA, the Prudential Regulation Authority (the “**PRA**”) or other regulators intervening in the Group’s business on industry wide issues or conducting thematic reviews;
- restrictions on the ability to make distributions being imposed by the PRA (including restricting the payment of interest under the Notes);
- changes in regulatory capital requirements;
- changes in accounting standards or in actuarial assumptions;
- risk management policies and procedures being ineffective;
- third party asset management firms that manage the Group’s assets underperforming or difficulties arising from the Group’s outsourcing relationships;
- the Group failing to maintain the availability of its systems and to safeguard the security of its data;
- third party reinsurers being unwilling or unable to meet their obligations under reinsurance contracts;
- legal and arbitration proceedings;
- the level of the Group’s indebtedness;
- changes in taxation law, including future changes in the tax legislation affecting specific products offered by the Group and changes to the VAT rules; and

- other factors discussed in the section of this document headed “*Risk Factors*”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Offering Memorandum reflects the Group’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s business, results of operations, financial condition, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Offering Memorandum, which could cause actual results to differ, before making an investment decision. Subject to any obligations under admission to trading rules of the GEM (as amended from time to time), the Issuer undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Offering Memorandum that may occur due to any change in the Issuer’s expectations or to reflect events or circumstances after the date of this Offering Memorandum.

Presentation of Financial Information

Unless otherwise indicated, financial information in this Offering Memorandum and the information incorporated by reference into this Offering Memorandum is presented in pounds sterling and has been prepared in accordance with IFRS as adopted by the UK.

The financial information presented in a number of tables in this Offering Memorandum and the information incorporated herein has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Offering Memorandum and the information incorporated herein reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

References to the “**UK Solvency II Legislation**” in this Offering Memorandum and the information incorporated herein are to the Directive on the taking up and pursuit of the business of insurance and reinsurance (Solvency II) (2009/138/EC) and implementation measures in respect thereof, establishing a new regime in relation to solvency requirements and other matters affecting the financial strength of insurers and reinsurer, as amended and as it forms part of UK domestic law by virtue of the EUWA.

Currencies

In this Offering Memorandum and the information incorporated by reference herein, references to “£”, “**Sterling**”, “**penny**” or “**GBP**” are to the lawful currency of the United Kingdom.

Third party information

The Issuer confirms that all third-party data contained in this Offering Memorandum and the information incorporated herein has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Offering Memorandum and the information incorporated herein, the source of such information has been identified.

No profit forecast

No statement in this Offering Memorandum is intended as a profit forecast and no statement in this Offering Memorandum should be interpreted to mean that earnings per ordinary share of the Issuer (a “**Share**”) for the current or future financial years would necessarily match or exceed the historical published earnings per Share.

Insurance Group Parent

References in this Offering Memorandum and the information incorporated herein to the “**Insurance Group Parent Entity**” are to the Issuer, or any other subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group for which supervision of group capital resources or solvency is required (whether or not such requirement is waived in accordance with the Relevant Rules (as defined in the Conditions)) pursuant to the regulatory capital requirements in force from time to time. References to the “**Insurance Group**” are to the Insurance Group Parent Entity and its subsidiaries (as such term is defined under section 1159 of the Companies Act, “**Subsidiaries**”).

Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum, any applicable supplement and the information incorporated herein or therein; (b) have access to and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency; (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. An investment in the Notes may be considered by investors who are in a position to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

Alternative Performance Measures (“APMs”)

This Offering Memorandum contains certain financial metrics which the Issuer considers to constitute APMs and which are provided in addition to the financial performance measures established by International Financial Reporting Standards (“**IFRS**”). APMs in this Offering Memorandum include underwriting profit, adjusted post-tax profit, adjusted return on equity, trading profit, in-force policies and non-underwritten revenue streams. The Issuer believes the APMs provide investors with meaningful, additional insight as to underlying performance of the Issuer. An investor should not consider non-IFRS financial measures as alternatives to measures reflected in the Group financial information, which has been prepared in accordance with IFRS. In particular, an investor should not consider such measures as alternatives to profit after tax, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of the Group’s activity. The Group’s non-IFRS financial measures may not be comparable with similarly titled financial measures reported by other companies.

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DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with the information set out in the table below. Such documents 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 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. Those parts of the documents incorporated by reference in this Offering Memorandum which are not specifically incorporated by reference in this Offering Memorandum are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Offering Memorandum. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum.

Copies of the documents incorporated by reference in this document are available on the Issuer's corporate website at <https://www.esuregroup.com/investors> and are available free of charge at the office of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom.

Reference Document	Information incorporated by reference	Page number in the reference document
esure Group plc Annual Report and Accounts for the year ended 31 December 2020		
	Independent Auditor's Report	51-58
	Financial Statements	59-62
	Notes to the Consolidated Financial Statements	63-101
	The Company Financial Statements	102-104
	Notes to the Company Financial Statements	105-107
	Glossary	108-109
esure Group plc Annual Report and Accounts for the year ended 31 December 2019		
	Independent Auditor's Report	39-43
	Financial Statements	44-47
	Notes to the Consolidated Financial Statements	48-85
	The Company Financial Statements	86-88
	Notes to the Company Financial Statements	89-91
	Glossary	92-93

Reference Document	Information incorporated by reference	Page number in the reference document
esure Group plc and esure Insurance Limited Solvency & Financial Condition Report for the year ended 31 December 2019		
	Auditor's Report	11-14
	Capital Management	49-53
esure Group plc and esure Insurance Limited 2020 Solvency & Financial Condition Report for the year ended 31 December 2020		
	Auditor's Report	12-16
	Capital Management	53-57

OVERVIEW

This overview must be read as an introduction to this Offering Memorandum and any decision to invest in the Notes should be based on consideration of this Offering Memorandum as a whole including the documents incorporated by reference herein. Capitalised terms which are defined in “*Terms and Conditions of the Notes*” have the same meaning when used in this overview.

Issuer	esure Group plc.
Insurance Group	The Insurance Group Parent Entity (being the Issuer at the date of this Offering Memorandum) and its Subsidiaries.
Sole Lead Manager and Structuring Advisor	Morgan Stanley & Co. International plc.
Trustee	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent and Conversion Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch
Notes	£75,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes.
Issue Date	29 July 2021.
Issue Price	100 per cent.
Perpetual Securities	The Notes will be perpetual securities with no fixed redemption date, and the holders of the Notes (the “ Noteholders ”) will have no right to require the Issuer to redeem or purchase the Notes at any time.
Status and Subordination	<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.</p>
Interest Rate	<p>The Notes will bear interest on their principal amount:</p> <ul style="list-style-type: none"> (i) from (and including) the Issue Date to (but excluding) 29 January 2027 (“First Reset Date”) at a fixed rate of 6.000 per cent. per annum; and (ii) thereafter at a fixed rate of interest which will be reset on the First Reset Date and on each fifth anniversary of the First Reset Date thereafter (each such date, a “Reset Date”) as the sum of the relevant Reset Reference Rate, plus the Margin. <p>Interest will, subject as described below in “<i>Cancellation of Interest Payments</i>”, “<i>Mandatory Cancellation of Interest</i></p>

Payments”, “*Issuer’s Distributable Items*” and “*Interest Payments Discretionary*”, be payable on the Notes semi-annually in arrear on 29 January and 29 July (each, an “**Interest Payment Date**”) in each year commencing on 29 January 2022.

Cancellation of Interest Payments

Subject as more fully described in the Conditions, Interest Payments shall not be made by the Issuer in the following circumstances:

- (i) 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;
- (ii) 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
- (iii) the cancellation of payments of accrued interest in accordance with the provisions described under “*Automatic 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:

- (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;
- (v) an Insolvent Insurer Winding-up has occurred or is continuing; or
- (vi) the Issuer is otherwise required by the PRA 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:

- (i) it is of the type described in sub-paragraph (ii) above only;
- (ii) the PRA 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.

Issuer's Distributable Items

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:

- (i) 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
- (ii) 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
- (iii) 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 the Conditions. Accordingly, the Issuer may at any time, subject as provided below, elect to cancel any Interest Payment (or part thereof) which would otherwise be due and payable on any Interest Payment Date.

Solvency Condition

Other than in a winding-up or administration of the Issuer, or where a Trigger Event has occurred, all payments (other than any cash component of the Conversion Shares Offer Consideration and also subject to Condition 3(c)) 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 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 contingencies and 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 creditors of the Issuer:

- (i) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance of the Issuer (if any);
- (ii) whose claims constitute upon issue or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 3 Capital of the Issuer;
- (iii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
- (iv) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding-up or administration of the Issuer occurring prior to a Trigger Event.

Automatic Conversion

Following the determination that a Trigger Event has occurred, an Automatic Conversion shall occur.

“Automatic Conversion” means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release by the Noteholders of all of the Issuer’s obligations under the Notes including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer’s issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 6) at the then prevailing conversion price, being £1,000 per Conversion Share, subject to adjustment in accordance with Condition 6 (the **“Conversion Price”**), the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed.

Effective upon, and following, the Automatic Conversion, the Issuer’s obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and discharged and Noteholders shall not have any rights against the Issuer in a winding-up or

administration of the Issuer or otherwise with respect to: (i) repayment of the principal amount of the Notes or any part thereof; (ii) the payment of any interest on the Notes for any period; or (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

The release of the principal amount of a Note pursuant to, and in accordance with, Condition 6 shall be permanent and 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 take any enforcement action under the Notes or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be exceptionally waived by the PRA at any time prior to the Conversion Date if such an Automatic Conversion (taking into account the write-down or conversion of any other Own Fund Items on or around the Conversion Date) would give rise to a tax liability that would have a significant adverse effect on the solvency or capital position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to the cancellation of any Interest Payment or part thereof pursuant to Condition 5). The Issuer shall give notice to the Trustee, 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 of the grant of any such waiver as soon as practicable following its receipt from the PRA.

See Condition 6 for further information.

Trigger Event

A Trigger Event shall occur if at any time:

- (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.

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 (A) any day

falling in the period commencing on (and including) 29 July 2026 and ending on (and including) the First Reset Date or (B) any Reset Date thereafter 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.

Redemption, substitution or variation 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:

- (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 the 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.

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

Subject to certain conditions, if at any time a Capital Disqualification Event has occurred and is continuing, or as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court of authority entitled to do so), 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, either:

- (i) 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
- (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,

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**” shall be deemed to have occurred if at any time, as a result of any change to the

Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a group or consolidated basis, except where such nonqualification is only as a result of any applicable limitation on the amount of such capital (other than a limitation derived from any transitional or grandfathering provisions under the Relevant Rules).

Purchases

Subject to certain limited exceptions as more fully described in the Conditions, the Issuer or any of its Subsidiaries may 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:

- (i) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Issue Date, either
 - (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or
 - (2) in the case of any redemption following a Tax Event or Capital Disqualification Event the Prudential Regulation Authority (“PRA”) being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption; and
 - (A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or
 - (B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and

- (C) in either case, the Issuer having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Issue Date;
- (ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Issue Date and (B) before the tenth anniversary of the Issue Date, the PRA 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 and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, 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 Trigger Event has occurred and 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 preconditions to which the Issuer is otherwise subject and which may be imposed by the PRA 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). Notwithstanding the Redemption and Purchase Conditions, the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:

- (a) all Redemption and Purchase Conditions are met other than that described in paragraph (iv) above;
- (b) the PRA has exceptionally waived the cancellation or suspension of redemption or, as the case may be, purchase of the Notes;
- (c) all (but not some only) of the Notes being redeemed or purchased at such time are, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes (which, for the avoidance of doubt, will include (without limitation) a redemption or purchase funded out of the proceeds of one or more issues of Tier 1 Own Funds of the same or a higher quality than the Notes); and
- (d) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

Preconditions to redemption, variation and substitution

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 Authorised Signatories 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 or a Capital Disqualification Event has occurred and is continuing as at the date of the certificate or, as the case may be, (in the case of a Capital Disqualification Event) will occur within a period of six months and that it would have been reasonable for the Issuer to conclude, judged at the Issue Date or the issue date of the last tranche of the Notes, such Tax Event or Capital Disqualification Event, was not reasonably foreseeable.

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:

- (i) it has notified the PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA or the Relevant Rules at the relevant time) prior to the date on which such amendment, variation or substitution is to become effective; and
- (ii) 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 any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction unless such withholding or deduction is required by law. In any such event, the Issuer will, subject to certain exceptions set out in Condition 9, pay such additional amounts in respect of Interest Payments (but not in respect of any payments of principal) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

“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

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 fifth 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.

Subject to Condition 6, in the event of a winding-up or administration of the Issuer (whether or not instituted by the Trustee), the Trustee may 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), 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.

Form

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

Denomination

The Notes will be issued in denominations of £200,000 each and integral multiples of £1,000 in excess thereof.

Substitution of obligor and transfer of business

The Conditions permit the Trustee to agree to the substitution in place of the Issuer of a Substituted Obligor without the consent of Noteholders.

If a Newco Scheme (as defined in the relevant Conditions) occurs, the Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes and the Trust Deed as issuer of the Notes in place of the relevant Issuer.

Meetings of Noteholders

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 did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trust Deed contains provisions for calling meetings of Noteholders (including by way of conference call or by use of a videoconference platform) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Admission to trading

Application will be made for the Notes to be admitted to trading on the GEM.

Ratings

As at the date of this Offering Memorandum, the Notes will not be rated by any credit rating agency.

A rating (if obtained) 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.

Governing Law

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes or

the Trust Deed will be governed by, and construed in accordance with, English law.

ISIN

XS2361739415

Common Code

236173941

Clearing Systems

Euroclear and Clearstream, Luxembourg.

RISK FACTORS

Investing in the Notes involves certain risks. The Issuer believes that the following factors may affect its 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 Group and the impact each risk could have on the Group 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 (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Capitalised terms which are defined in the “Terms and Conditions of the Notes” have the same meaning when used in this overview.

1. Risks relating to the Issuer and to the Group

1.1 The Group operates in a highly competitive environment where the growth of price comparison websites has increased price competition to attract and retain customers, new market entrants have in the past implemented aggressive pricing policies and growth targets, certain competitors have greater resources than the Group, and technological changes may present competitive risks

The Group operates in a highly competitive environment. Beyond regulatory considerations, including raising and maintaining adequate levels of capital for its underwriting activities, there are relatively few barriers to entry for businesses seeking to compete with the Group’s private motor and home insurance product lines, or with its insurance intermediary services. Developments in the general insurance industry, in particular the existence of price comparison websites (also known as aggregators), have made it easier for consumers to compare the prices and terms offered by various insurance providers. Price comparison websites have also enabled the entry into the market of small and niche private motor and home insurers by allowing them to reach a large number of potential customers without incurring significant upfront marketing costs. The importance of price comparison websites (in particular, as the predominant retail distribution channel for motor insurance policies and as an increasingly important retail distribution channel for home insurance policies) has led, at times, to increased price competition to attract and retain target customers (see as further described in Section 1.28 of these Risk Factors).

In the past, the Group has faced increased competition from new entrants into the market, including those with substantial new capital or those looking to leverage the status of recognised and trusted brands. For example, a number of supermarkets offer private motor, home and other general insurance through underwriting arrangements with insurers. In addition, new entrants to the general insurance market have in the past implemented aggressive pricing policies to achieve market penetration and gain market share. Lower pricing of policies by competitors seeking aggressive growth targets within the Group’s target underwriting risk market for motor and/or home policies could lead to a reduction in the volume of policies written by the Group and/or force the Group to lower its pricing to compete. Either of these outcomes may have a material adverse effect on the Group’s operating margins and underwriting results and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Some of the Group's principal and potential competitors have greater resources than the Group. To the extent such insurers were to target the segments of the motor and home insurance markets in which the Group operates or which it targets, competition for customers could become more intense, which may cause the average premium rates for private motor insurance and home insurance to fall and/or the expense of acquiring and properly servicing and retaining each customer to increase. For example, in the context of home insurance, mortgage lenders and banks may have greater resources than the Group and generally benefit from having recognised and trusted brands and early access to homeowners and potential home insurance customers through the mortgage application process. The Group may incur additional costs in seeking to attract customers from such competitors and may have to lower its home insurance premiums to attract such customers. Either of these outcomes, if they were to arise, could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.2 The Group's business is concentrated in the UK private motor and home insurance markets and is therefore particularly vulnerable to adverse developments in these markets (including material increases in the cost of claims and changes in the regulatory, legislative or judicial landscape)

The Group's primary business is underwriting motor and home insurance. 88 per cent. and 12 per cent. of the Group's gross written premiums for the financial year end 31 December 2020 were generated from private motor insurance policies and home insurance policies, respectively.

Adverse developments in the markets for private motor and home insurance could cause the Group's results of operations or financial condition to suffer materially. Such developments may arise from a change in the applicable regulatory or legislative regime or in the approaches of regulators or judges who apply that regulation or legislation such that this leads, for example, to an increase in compensation awards or legal costs for personal injury claims or a decreased ability to evaluate risk. Sections 1.6 to 1.12 of these Risk Factors describe the material legal and regulatory risk factors that affect the Group.

The Group's business and the Group's results of operations may also be affected by adverse cost trends. In particular, factors which negatively affect cost trends for private motor insurance include:

- increased bodily injury or third-party property damage claims, which could be caused by, among others, an increased propensity of third parties to claim, increased size or severity of claims, and increased fraud associated with staged accidents, falsified claims or other fraudulent reporting;
- increased propensity of severe bodily injury claims to settle using periodical payment orders ("PPOs"), which exposes the Group to further earnings-related inflation as well as additional mortality, investment income and reinsurance credit risks;
- increases in the costs of medical care (for example, as a result of enhancements in medical knowledge and techniques as well as the increasing use of rehabilitation, resulting in the increased life expectancy of catastrophic injury victims, with expensive medical and rehabilitation regimes required for longer periods);
- the potential for one or more global reinsurers to fail, change their risk appetite or alter the nature, pricing or terms of their reinsurance cover, such as removing unlimited personal injury cover;
- the exposure of motor insurance reserves to retrospective and prospective legal changes through court awards and/or judgments;

- increases in cost of provision of replacement cars due to use of credit hire arrangements, changes to the motor insurance products required as the sharing economy develops and the risk shifts from driver to vehicle;
- inflation in motor repair costs and motor parts costs (including as a result of the UK's withdrawal from the European Union (“EU”), as well as increases in used car prices; uncertainty of the outcome or impact of potential regulatory or legislative changes as a result of current investigations or initiatives or potential future initiatives; and
- changes in the frequency of motor accidents due to potential changes in the economy, changes in fuel prices and technological changes to vehicles and roadways, including automated driving, or social or driving habit changes, for example, as a result of the impact of the outbreak of the novel strain of the coronavirus (“COVID-19”) or due to increase in car-sharing.

In the medium to long term, there is the potential for material disruption to the motor insurance market and the Group from new developments in vehicle technology including but not limited to autonomous vehicles, electric/hydrogen vehicles, connected cars, and disintermediation, the provision of insurance by motor manufacturers and the requirement for manufacturers of autonomous vehicles to be liable for accidents, as well as the potential cyber risks associated with autonomous vehicles (for example, malfunctions and hacking attacks). See further detail on autonomous vehicles in Section 1.20 of these Risk Factors.

The occurrence or persistence of any of these factors could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Factors which negatively affect cost trends for private home insurance include:

- increases in the costs of repairs and building work;
- inflation in home contents goods;
- the occurrence of severe weather events, climate change, and increased unpredictability of weather patterns and climatic conditions; and
- changes in customer behaviours, for example, as a result of the COVID-19 pandemic.

The Group will not always be able to predict accurately the impact on the Group’s business, prospects, results of operations and financial position of future legislation or regulation or changes in the enforcement, interpretation or operation of existing legislation or regulation. Changes in government policy, legislation or regulatory interpretation or enforcement applying to companies in the financial services and insurance industries in any of the markets in which the Group operates may adversely affect the Group’s underlying profitability, its product range, distribution channels, capital requirements and, consequently, results and financing requirements. This could have a material adverse effect on the Group’s results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.3 Cyclical market patterns (including in relation to the economy, weather, competition and underwriting capacity in the insurance and reinsurance industries), some of which are unpredictable, may lead to cyclical fluctuations and volatility in the Group’s results of operations or financial condition

Historically, the general (and, in particular, motor) insurance industry has been subject to cyclical patterns, some of which are unpredictable. In the past, this has caused significant cyclical fluctuations and volatility in the results of operations of general insurers. Many of the factors contributing to these

cyclical patterns are beyond the control of any insurer, such as changes in the economic environment (including an economic downturn), the timing, location or severity of weather-related and catastrophic events, increases or decreases in the levels of insurance and reinsurance underwriting capacity in the industry and increases or decreases in levels of competition. The Group is exposed to the cyclical effects of such developments, including the need to increase or decrease policy prices to remain profitable and/or competitive, which could have a material adverse effect on the Group's business and the Group's results of operations or financial condition. Cyclicalities may be made more acute if such developments coincide with each other.

The performance of the UK private motor insurance market as a whole has tended to fluctuate in cyclical patterns characterised by periods of significant competition in pricing and underwriting terms, which is known as a "soft" insurance market, followed by periods of lessened competition and increasing premium rates, known as a "hard" insurance market. For example, in 2020 the UK vehicle insurance market saw a decrease in insurance premiums in the UK as shop closures and lockdowns introduced as a result of the COVID-19 pandemic, which reduced the need for cars, leading to a fall in vehicle sales and therefore new motor vehicle insurance policies. This demonstrates the way in which the Group can be exposed to macro-trends in terms of the pricing of its products.

Although an individual company's financial performance is dependent on its own specific business characteristics, the profitability of most private motor insurance companies tends to follow this cyclical market pattern, with profitability generally increasing in hard markets and decreasing in soft markets. If the private motor insurance industry softens significantly over the short to medium term, the Group's profitability may be materially adversely affected. Over the longer term, the unpredictability and competitive nature of the motor and home insurance industries may lead to significant period-to-period and year-to-year volatility in the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.4 The occurrence of pandemics such as COVID-19 may affect the Group's business and the UK economy more widely

The outbreak of COVID-19 and the lockdowns and other restrictive measures implemented by authorities around the world in an attempt to contain the spread of the disease have led to an economic downturn in many countries, as well as increased volatility and initial declines in financial and other markets.

The severity and duration of the resulting adverse impact on the global economy and the activity in the UK general insurance market is currently uncertain and there is no certainty that measures to restrict spread of the disease or to mitigate its impacts will be effective. The COVID-19 pandemic may also result in increased operational risk through enforced remote working, staff absences for sickness and childcare, market volatility and through the Group's outsourcing arrangements impacting the quality and continuity of service to customers and the reputation of the Group, as well as increasing the Group's exposure to risks relating to extensive working from home including cyber, data loss and occupational health (see Section 1.30 of these Risk Factors for further information relating to cyber risks).

The Group has experienced some impact on its activities, including lower levels of claim notifications, increased severity of claims, a reduction in quotes for new business and movements in the value of its investment portfolio. However, the degree to which the disease impacts the Group over the medium to long term will depend on future developments, which, as at the date of this Offering Memorandum, remain uncertain. If there are prolonged or recurring outbreaks of COVID-19, for example as a result of viral mutation, or further diseases emerge that give rise to similar effects, macroeconomic conditions may be materially and adversely affected and may lead to a further economic downturn in the UK as well

as further declines in financial markets and in the value of investment assets (which could in each case be widespread, severe and long-lasting).

The impact of past events on the medium and long-term outlooks is uncertain. There may already be economic scarring from past lockdowns and other restrictions. There may also be structural changes to society and the markets in which the Group operates. It is uncertain to what extent COVID-19 may become an endemic disease, and the availability and effectiveness of future treatments, which in turn creates uncertainty as to the longer term impacts for financial markets as a result of government responses to manage the impacts of the disease.

Moreover, the FCA announced on 19 March 2020 that it expects insurers to give extra dispensation to its customers in light of the pandemic. This include updated guidance around how to approach claims, as well as a recommendation in relation to paying emergency and interim payments to settle claims.

As a result of the above factors, the business, results of operations, corporate reputation and financial condition of the Group could be adversely impacted for a substantial period of time.

1.5 The Group is subject to extensive regulatory supervision and may, from time to time, be subject to enquiries or investigations that could divert management time and resources and result in fines, sanctions, variation or revocation of permissions and authorisations, reputational damage or loss of goodwill

The conduct of the Group's business is subject on an ongoing basis to significant regulatory supervision. Insurance underwriting and insurance intermediary services are activities that are highly regulated in the UK and such regulation is still largely based on requirements contained in relevant EU directives despite the UK's withdrawal from the EU. To carry out such activities, the Group is required to hold and maintain certain licences, permissions and authorisations (such as permission from the Prudential Regulation Authority (the "PRA") to conduct insurance activities in the UK under the Financial Services and Markets Act, 2000 (as amended) ("FSMA"), and to comply on an ongoing basis with applicable rules and regulations. These laws and regulations (and the interpretations thereof) cover a wide variety of areas and may change, and the imposition of stricter laws and regulations could affect the Group's profitability or increase the Group's compliance burden.

The PRA and the FCA have wide powers to supervise and intervene in the affairs of insurance companies (which are authorised by the PRA but supervised by the PRA and the FCA), and have broad supervisory powers dealing with all aspects of the business activities of such entities including, among other things, the authority to grant and, in specific circumstances, to vary or cancel permissions and authorisations. The FCA has similar supervisory powers with respect to insurance intermediaries (which are authorised and supervised by the FCA). The FCA may also consider firms' culture and governance, operational resilience, management of regulatory change, the general insurance distribution chain, vulnerable customers, affordability as it relates to consumer credit, complaint handling and the appropriate establishment of customers' demands and needs. The PRA has continued to focus on its financial risk framework, and the associated pillars of reserving, solvency, pricing, reinsurance and investments.

Regulatory supervision is a feature of the insurance industry landscape. The PRA or the FCA, as appropriate, may from time to time make enquiries of the Group regarding its compliance with particular regulations governing the operation of its Group's business. The Group believes that it dedicates sufficient resources to its compliance programme for each of its regulated business activities. The Group endeavours to respond to regulatory enquiries in an appropriate way and to take corrective action when warranted. In the past, and in common with many other UK financial services firms, this has included providing undertakings to the FCA to revise contract terms where necessary, for example with the Group's requirement to apply for authorisation as a claims management company in 2020. However,

there can be no assurance that these efforts will eliminate the risk that the PRA or the FCA could find that the Group has failed to comply with applicable regulations or has not undertaken corrective action as required. It is also possible that the Group may attract increased attention from the PRA and the FCA as it grows.

Further, as the regulatory approach of the PRA and the FCA evolves, there may be further changes to the nature of, or policies for, prudential regulation and conduct of business supervision, including as a result of the withdrawal of the UK from the EU, which could lead to a period of uncertainty for the Group. Such changes in legislation or regulation or actions by these or other regulatory bodies could result in increased compliance costs for the Group, which may result in reduced competitiveness against certain participants in the relevant markets. Regulatory authorities have broad powers over many aspects of the Group's business - including marketing, selling and pricing practices, product development and structures, data and records usage and management (including customer financial and personal data), systems and controls, health and safety, capital requirements, permitted investments, corporate governance and senior management accountability - and have the ability to impose restrictions on the future growth of the Group's business. Generally speaking, financial services regulators are concerned with the Group's financial stability in order to protect financial markets and consumers.

The FCA can conduct industry-wide investigations into certain products, selling practices or other aspects of UK insurers' businesses. Following an investigation, the FCA may determine that the Group has failed to comply with applicable regulations or, following such a determination, has not undertaken corrective action where required. The Competition and Markets Authority (the "CMA"), either alone or jointly with the FCA, may also conduct investigations into the competition in markets for certain insurance products and impose sanctions on firms.

The impact of the Group being found to be non-compliant by any such enquiry and/or investigation is difficult to assess or quantify. Failure to comply with existing or future laws or regulations, including regulations relating to the sale of insurance products, claims handling, operational and business controls and protection of customer data, could lead to regulatory investigations or censure, the imposition of significant fines or other financial penalties, including compensation orders, prohibition on operations and other penalties. Any non-compliance or perception on the part of contractual counterparties, customers or regulators that the Group is non-compliant with relevant laws and regulations may lead to cancellation of existing contracts or impair the Group's ability to win future business or result in a decrease in demand for the Group's products and services. Any violation, or perceived violation, of the laws or regulations applicable to the Group may give rise to penalties or requirements to reimburse being imposed upon the Group. Enquiries or investigations could result in adverse publicity for, or negative perceptions regarding, the Group. Such enquiries or investigations could also affect the Group's relations with current and potential customers, as well as divert management's attention away from the day-to-day management of the Group's business. This could have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

The Group could be exposed to changes in laws and/or regulations that can be applied retrospectively to policies written in prior years. Conceivably this could include insurance market wide customer redress for certain policy types, customer groups, premiums, or fees/charges.

Government policy, legislative and regulatory requirements and interpretations thereof may change and become more onerous or constraining, and may weaken or eliminate markets in which the Group operates. The Group cannot predict any such changes with certainty and may be unable to respond effectively to changes in government policy, legislation or regulation. Any such changes may require the Group to change its strategy, marketing, business or operational practices or otherwise make adaptations

to its products or services in the relevant market, which may further increase its costs or result in reduced revenues. The Group may be unable to pass on any increase in regulatory compliance costs to its customers, thereby causing a decline in its margins. If the Group does seek to pass on such costs to its customers, this may reduce the price competitiveness of, and hence customer demand for, the Group's products and services. Any such changes may have a material adverse effect upon the Group's business, financial condition, results of operation and prospects, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.6 The results of the FCA's market study in to pricing in the insurance sector could have a significant impact on the Group's business

The FCA has completed a market study into how general insurance firms charge their retail customers for home and motor insurance (the "**FCA Market Study**"). The final report on the FCA's Market Study, which was published in May 2021, has introduced changes to the regulatory regime. The FCA's rules provide, amongst other things, market wide restrictions on renewal pricing exceeding the equivalent new business price, additional reporting requirements and an enhanced framework for the assessment of fair value. The FCA's focus on fair value, as outlined in its policy statement 20/9, published in September 2020, includes further rules to report and publish data on value measures, alongside new product governance requirements. The Group is in the process of finalising its response to the new guidance in advance of the implementation dates of 1 October 2021 for the new provisions on systems and controls, product governance, premium finance provisions and related changes, and 1 January 2022 for the pricing and auto-renewal remedies, reporting provisions and related changes (with a transitional period until 17 January 2022 for the pricing and auto-renewal disclosure rules).

The remedies to be implemented following the FCA Market Study are discussed in more detail in the "*Regulatory Overview*" section below. The full impact of the FCA Market Study on the market is unknown and the behaviour of the Group's competitors in response to the future change in the regulatory landscape will be difficult to predict. Some of the potential market scenarios that could emerge from the FCA Market Study remedies could have a significant impact on renewal profitability which, in the short term, may lead to a reduction in overall margins per policy. The regulatory outcomes of the FCA Market Study could lead to material decreases in the Group's profitability as a result of lower income or any potential fines or penalties imposed by the FCA. Any increase in the cost of compliance with, or decrease in income as a result of, the ultimate policy implementations stemming from the FCA Market Study could have a materially adverse impact on the Group's business, financial condition, results of operations and prospects, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.7 An increased regulatory focus on climate change could have an impact on the Group's business and assets in its investment portfolio

Regulators are increasingly seeking to develop regulations that are directly and indirectly focused on sustainable finance and climate change. In response to a consultation launched in October 2018, the PRA published a supervisory statement setting out the PRA's expectations regarding insurers' and banks' approaches to managing financial risks from climate change in April 2019 (SS3/19).

The PRA furthermore published on 1 July 2020 a letter that builds on the expectations set out in the supervisory statement (SS3/19) on enhancing banks' and insurers' approaches to managing the financial risks from climate change. The letter was issued by Sam Woods of the PRA to the chief executive officers of all regulated firms and provides feedback on climate risk management implementation plans, clarifies the PRA's expectations around how regulated firms should manage and disclose financial risks associated with climate change and sets out the next steps for implementation of firms' plans. The letter

states in particular that the PRA's expectation is that all firms should have fully embedded their approaches to managing climate-related financial risks by the end of 2021.

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 the stability of the financial system may accelerate actions of market participants, which may in turn have an impact on the availability and attractiveness of certain securities. Regulatory requirements in relation to sustainable finance may reduce the value of the Group's investment portfolio and the return that it generates, as well as negatively impacting the Group's liquidity, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.8 In addition to the extensive regulatory supervision described in Section 1.5 of these Risk Factors, the Group is also subject to wide-ranging legal requirements, changes to which may result in additional compliance costs and diversion of management time and resources. Failure to comply with such requirements may result in investigations, prosecution, disciplinary action, fines, reputational damage and the revocation of the Group's licences, permissions or authorisations

The conduct of the Group's business is subject to significant legal requirements and their interpretation, enforcement and development could adversely affect the Group's business and the Group's results of operations and/or financial condition.

Among other things, insurance laws and regulations applicable to the Group:

- include regulatory requirements covering financial resources, governance and accountability, risk assessment and management, supervision, reporting and public disclosure, as set out in the Solvency II Directive (2009/138/EC) ("**Solvency II**") as amended;
- regulate transactions undertaken, including transactions with affiliates and intra-Group guarantees;
- affect the licensing of insurers and intermediaries (and their management);
- regulate the rating methodology and pricing of insurance policies;
- regulate the sale, marketing and content of insurance policies;
- regulate the management of various distribution channels;
- limit the right to cancel or refuse to renew policies;
- limit the types and amounts of investments made by the Group;
- require reinsurance, underwriting, or involuntary assignments of high-risk policies;
- regulate the right to withdraw from markets or terminate involvement with intermediaries; and
- restrict the payment of dividends or other distributions (including payment of interest on the Notes).

Further, the Group's venture in the legal sector is subject to regulation by the Solicitors Regulation Authority as an Alternative Business Structure (as described in Section 1.27 of these Risk Factors).

The Group's consumer credit-related activities (which relate to the option for customers to pay in instalments) are regulated by the FCA, and are subject to a stringent regulatory regime. There is therefore a pricing risk attached to such activities, including as to the enforceability of credit agreements.

Failure by the Group to comply with applicable law and/or regulation could lead to investigation of the Group by, and/or onerous requests for information from, the PRA and FCA and other governmental bodies, disciplinary action, prosecution, the imposition of fines, or the variation or revocation of the licences, permissions or authorisations the Group requires to conduct the Group's business. This could have a material adverse effect on the Group's business and the Group's results of operations or financial condition and could also harm its reputation.

Laws, regulations, policies, accounting rules and practices currently affecting the Group may change at any time, including as a result of investigation and regulatory activity by one or more governmental, supervisory and/or enforcement authorities, in ways which may have a material adverse effect on the Group's business and the Group's results of operations or financial condition and could lead to litigation.

In respect of general insurance, the FCA's -principle of "treating customers fairly" ("**TCF**") is focused on product design, clarity of disclosure, claims handling and systems and controls. The FCA has noted that in particularly competitive areas of insurance, such as motor and household insurance, given the focus on price, insurers must be especially vigilant to ensure that consumers are aware of the extent of policy coverage and ensure that areas such as claims-handling procedures are highlighted prior to any purchase of insurance. The FCA noted in its finalised guidance on the fair treatment of vulnerable customers (FG21/1) the importance of the TCF principle in relation to vulnerable customers accessing insurance products. Further developments to the TCF principle may result in increased cases of non-compliance and subsequent regulatory compliance risk for the Group.

The Insurance Distribution Directive (EU) 2016/97 ("**IDD**") (as incorporated into UK domestic law pursuant to the EUWA regulates insurance distribution.

In the UK the majority of the IDD provisions were transposed by the FCA by way of amendments to the FCA's Handbook of Rules and Guidance. The IDD has wider application than its predecessor, the EU Insurance Mediation Directive (2009/92/EC) and covers organisational conduct and business requirements for insurance and reinsurance entities and introduced requirements in new areas such as product oversight and governance. In addition, the senior managers and certification regime came into effect on 10 December 2018 for insurers and from December 2019 for FCA solo regulated firms and is comprised of a senior manager regime, a certification regime and conduct rules which replaced the previous approved persons regime and senior insurance managers regime. The regulatory regime aims to (i) ensure regulated firms have a clear and effective governance structure and (ii) enhance the accountability and responsibility of certain senior people at such firms. See "*Regulatory Overview*" for further details.

On 14 May 2021, the FCA published a consultation paper (CP21/13) proposing to introduce a new "Consumer Duty" on firms who provide services to retail clients, that would set higher expectations for the standard of care that firms provide to consumers. The final regulation and its operational impact and cost of compliance could affect the Group.

Regulatory issues and disputes may arise from time to time from the way in which the insurance industry has sold or administered an insurance policy or the way in which they have treated policyholders or customers, either individually or collectively. In the UK, such disputes are typically resolved by the Financial Ombudsman Service ("**FOS**") or, failing this, through litigation. However, the FCA may intervene directly where larger groups or matters of public policy are involved. There have been several industry-wide issues where the FCA has intervened directly, such as the widespread mis-selling of payment protection insurance. The FCA has also carried out industry wide thematic reviews of specific products or processes with which it has concerns.

In addition to any changes impacting the Group's business, the Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to applicable insurance laws or regulation. This may also require management to divert significant time and attention to the implementation of such changes and/or transitional arrangements, potentially to the detriment of the day-to-day running of the Group's business. The Group cannot predict the timing, form or extent of any future legal, regulatory, accounting or tax initiatives or prospective or retrospective legislative or court decisions impacting the Group's business or the Group as a whole. This could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.9 The Group is required to comply with capital adequacy requirements, failure to do so could have a material adverse effect on the Group's business

The Group is required to maintain a minimum level of regulatory capital in excess of the value of its insurance-related and other liabilities to comply with certain regulatory requirements. These requirements as regards solvency are set out in more detail in "*Regulatory Overview*" below. If the Group is unable to meet its solvency capital requirements and minimum capital requirements under Solvency II (the "**Regulatory Capital Requirements**"), the PRA may intervene and require the Group to take certain steps to restore its regulatory capital to acceptable levels, for example, by requiring the Group to cease to write or reduce writing new business. The PRA might also enforce additional capital to be held if, in the PRA's view, the standard formula solvency capital requirements do not reflect the Group's risk profile appropriately. Previous examples in the industry where this has been the case include reinsurance structures, specifically those including profit commission arrangements, material exposure to PPOs, or excessive operational risk. The Group is currently considering and is in dialogue with the PRA as to whether or not there is a requirement to adjust the standard formula for its business model, particularly in respect of reinsurance structures, although there is uncertainty around the need for, timing and quantity of any adjustment. If an adjustment is deemed required, this would reduce the headroom between the Group's own funds and the Solvency Capital Requirement. The Group might also need to re-allocate capital across its business, increase prices, increase reinsurance coverage or adopt a new investment strategy, including by making significant changes to its investment portfolio.

While the Group is currently able to meet its Regulatory Capital Requirements, changes in legislation, regulation, regulatory requirements or market conditions may result in the Issuer being unable to do so in the future. This could lead to the PRA limiting or revoking the permissions which the Group requires to carry out insurance business, which could materially impact the Group's results of operations or its financial position. The limited scope of the Group's business may result in the Group not being able to benefit from levels of diversification.

In addition, the Group's capital position could be adversely affected by a number of factors that erode its capital resources, impact the quantum of risk to which it is exposed or reduce the value of its assets. The assets of the Group include property investments. If the valuation of these properties was to decline materially in future periods due to negative developments in the UK real estate market or reductions in the Group's requirements for such properties, including indirectly as a result of the impact of the COVID-19 pandemic on the UK economy, the Group may be exposed to a reduction in its regulatory capital resources, which in turn may reduce the Group's financial flexibility and have a material adverse effect on its businesses, financial condition, results of operations and prospects in future periods and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.10 The Group may require additional capital in the longer term, depending on factors including proposed regulatory changes, underwriting performance and fluctuations in fixed income and equity markets. Such additional capital may not be available or may only be available on unfavourable terms

The Group's capital requirements depend on many factors, including any unanticipated regulatory changes to capital requirements, the Group's ability to write new business successfully and its ability to establish premium rates and reserves at levels sufficient to cover losses.

Insurers in the UK are required to maintain a minimum level of assets in excess of their liabilities. These regulatory requirements apply to individual insurance subsidiaries on a stand-alone basis and in respect of the Group as a whole. Fluctuations in fixed income and equity markets could, directly or indirectly, affect the levels of regulatory capital held by the Group. An inability to meet Regulatory Capital Requirements in the longer term may lead to intervention by the PRA which, in the interests of customer security, could be expected to require the Group to take steps to restore regulatory capital to acceptable levels, potentially by requiring the Group to raise additional funds through financings or to reduce or cease to write new business.

The Group calculates regulatory solvency requirements using the standard formula methodology set out in the PRA Rulebook. In the ordinary course, a regular assessment of the ongoing appropriateness of the standard formula for the business is undertaken and discussed with the PRA. There is a risk that elements of the business model, including the use of material reinsurance arrangements, particularly those with profit commission arrangements, could lead to adjustments being required to the standard formula resulting in a need for increased capital to meet regulatory solvency requirements.

Any equity or debt financing required in the longer term to meet any increased capital requirements, if available at all, may be on terms that are not favourable to the Group. Disruptions, uncertainty or volatility in the debt capital markets may also limit the Group's access to capital required to operate its business. Such market conditions may limit the Group's ability to satisfy statutory capital requirements, generate premiums and investment income to meet liquidity needs, and access the capital necessary to grow the business. As such, the Group may be forced to delay raising debt capital or bear an unattractive cost of capital which could decrease profitability and significantly reduce financial flexibility. If the Group cannot, in the longer term, obtain adequate capital on favourable terms or at all, the Group's business or the Group's financial condition or operating results could be adversely affected, which could therefore affect the ability of the Issuer to fulfil its obligations under the Notes.

1.11 The Solvency II Directive, and any UK-specific changes made to it, may require an increase in the Group's capital

Solvency II, which governs insurance industry regulation and prudential capital requirements in the EU, including associated Implementing Technical Standards and guidelines, became effective in EU member states on 1 January 2016 (and forms part of retained EU law in the United Kingdom). The European Commission began a review in late 2016 of some aspects of the Solvency II legislation, which is expected to continue until 2021. In the UK, on 23 June 2020, the government announced that it would review certain features of the Solvency II regulatory regime as the UK has left the EU and is no longer bound by EU law. It is considering reforms to ensure that the regime is better tailored to support the unique features of the UK insurance sector and regulatory approach. The specific areas HM Treasury is considering for reform include: the risk margin, the matching adjustment, the solvency capital requirement, consolidated group solvency capital requirement calculation, transitional measure on technical provisions (TMTP) calculation, reporting requirements, the mobilisation of new insurance firms and the transition from LIBOR to OIS rates. HM Treasury launched Phase II of the Financial

Services Future Regulatory Framework Review in October 2020 to determine how the overall approach to regulation of financial services needs to adapt to the UK's new position outside the EU. A substantial transfer of powers and responsibilities to regulators may impact the Group's regulatory capital requirements.

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 these supervisory statements have been issued or updated and the PRA has indicated that further consultations are likely.

Any changes to the UK Solvency II regime could result in increased compliance costs for the Group, with an adverse effect upon the Group's business, financial condition, results of operation and prospects, and therefore on the ability of the Issuer to fulfil its obligations under the Notes. See Sections 1.10 and 1.11 of these Risk Factors and the section "*Regulatory Overview*" below for further detail on the application of the rules under Solvency II.

1.12 Adverse litigation outcomes, an increase in the use of periodical payments orders, the impact of the Civil Liability Act and/or a change in the Ogden Tables used to determine the discount rate for litigation settlements could result in higher costs of claims for the Group

The Group, in common with the insurance industry in general, has been involved in, and expects to continue to be involved in, legal proceedings that may be costly irrespective of the outcome and that could divert management's attention from running the Group's business. In the ordinary course of the Group's insurance activities, it is routinely involved in legal, mediation and arbitration proceedings with respect to liabilities which are the subject of policy claims.

To the extent that legal decisions increase court awards, the impact of which may be applied prospectively or retrospectively, the provisions the Group makes for claims may prove insufficient to cover actual claims, claim adjustment expenses or future policy benefits. As a result, the Group may have to increase its claims provisions and incur a charge to its earnings. This could have a material adverse effect on the Group's results of operations and/or financial condition.

In relation to private motor insurance, the cost of claims could rise significantly above historical or expected levels to the extent that claims for personal injuries are determined or settled with PPOs. PPOs are effectively annuity payment orders that can be established by the courts to settle large personal injury and care claims (as an alternative to lump sum payments) resulting from motor accidents. They add an increased risk (i.e. mortality) which can increase the uncertainty of the total cost and, as a result of the indexation allowance built into reinsurance treaties being generally lower than the indexation allowance built by the courts into PPO claim settlements (generally based on the ASHE index), reinsurance may not cover the full costs of such claims.

An increase in the market in the use of PPOs to settle personal injury claims makes the estimation of claims and premium reserves increasingly complex and uncertain. Since PPOs typically involve periodic payments during the entire lifetime of an injured person, an increased range of assumptions is required to estimate risk exposure. It may be difficult to set accurate reserves due to uncertainties over life expectancy, inflation, investment income, payment patterns or other factors. Though the Group's exposure to PPOs to date has been limited, such claims tend to be large and are expected to pay out over a long period, which increases the uncertainties discussed above.

The Group bears the risk that the cost of claims may ultimately be higher than projected. To compensate for this uncertainty, the Group may have to divert additional funds towards loss provisioning. Further, if the Group has reinsured such exposure, the Group may bear: (i) a credit risk in relation to the reinsurer;

and (ii) the risk that the Group may need to account for excess amounts as a result of the rate of inflation during the term of the PPOs being greater than any cap on indexation contained in any such reinsurance policy's terms.

If personal injury claims are determined or settled with lump sum payments, such payments are calculated in accordance with the Ogden discount rate (the “**Ogden Tables**”). The Ogden Tables contain a discount rate that is set by the UK government and that is applied when calculating lump sum awards in bodily injury cases. The Ogden discount rate was originally reduced from 2.5 per cent. to minus 0.75 per cent in March 2017, regardless of whether the insurance to which the claim relates was priced on that basis. The rate was then increased from minus 0.75 per cent. to minus 0.25 per cent. on 15 July 2019. The new discount rate came into force on 5 August 2019. Although the Association of British Insurers has challenged the original decision to reduce the discount rate and the Lord Chancellor's use of the prudence principle, any change to the discount rate will impact future claims associated with bodily injury claims and as a consequence on claims reserves with a lower discount rating, leading to an increase in claims costs.

A change in the discount rate used in the Ogden Tables, whether as a result of the UK government's current review or any future review, could affect all relevant claims settled after that date, regardless of whether the insurance to which the claim relates was priced on that basis or not (or occurred after that date or not). In particular, a reduction in the Ogden discount rates will increase lump sum payments to UK personal injury claimants. This may have a material adverse effect on the Group's business and the Group's results of operations or financial condition.

The Civil Liability Act 2018 and associated “whiplash reforms”, which were implemented on 31 May 2021 after being delayed due to the COVID-19 pandemic, will influence the way low value personal injury claims following road traffic accidents are managed. The reforms will prevent whiplash claims being settled without a medical assessment and will introduce new fixed compensation amounts. Whilst in theory these reforms should be helpful in limiting fraudulent whiplash claims and have a positive effect on the insurance industry by reducing costs associated with lower-value whiplash claims, uncertainty surrounding the implications of the Civil Liability Act 2018 on the market could affect the Group's operations and financial condition, and it is also unknown how claims management companies (“CMCs”) might try and circumvent the reforms by claiming for injuries other than whiplash.

1.13 The Group may be exposed to fines, penalties, reputational damage and the potential loss or revocation of permissions or authorisations if it fails to identify and eliminate potential mis-selling practices

If the Group, or any third party outsourced services provider used by the Group, fails to identify and eliminate potential mis-selling practices, or to effectively manage and reduce the risk of mis-selling, the Group may be exposed to financial and reputational risk.

If disputes arise in relation to the way in which an insurance policy or product was sold or administered by the Group or in relation to the fair treatment of customers by the Group they may, if not successfully resolved, be dealt with by the FOS and/or the FCA.

The Group may be subject to investigations conducted or commissioned by the FCA, which could result in regulatory fines or penalties and the Group may be required to improve its systems and controls and/or its business policies and practices, which could include making changes to sales processes, withdrawing products, or providing restitution to affected customers. The FCA has powers that could be used to require the Group to make these changes. In addition, the Group's brands and reputation may be affected if such customers seek redress publicly, either through the courts or otherwise or if the FCA decides to publicly censure any member of the Group. The Group may suffer such brand and reputational damage

even in circumstances where allegations of mis-selling by customers and/or consumer groups are not ultimately upheld. The FCA (or the PRA, as appropriate) could also vary or withdraw the Group's permissions or authorisations, or vary or withdraw the permissions held by individual employees of the Group. Any of these could have a material adverse effect on the Group's business and the Group's results of operations and/or financial condition, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.14 The Group may suffer from increased charges, financial loss, penalties and reputational damage if tax rates, tax laws or HMRC's published practice change, or if the Group fails to manage tax risks adequately

Changes in tax rates, tax laws or HMRC's published practice, or changes in or interpretation of or misinterpretation of the law or HMRC's published practice, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may have an adverse effect on the Group's financial condition. In particular, any changes to, withdrawal of or change in the application of, the current UK VAT exemption that applies to insurance activities may affect the Group's outsourcing costs. The Group cannot predict the impact of future changes in tax rates, tax laws or HMRC's published practice on its products or the Group's business. Such changes and/or the introduction of new tax legislation could have a material adverse effect on the Group's business and the Group's results of operations and/or financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.15 The Group's underwriting performance may be affected if it fails to make an accurate assessment of the risks it assumes, including any failure to collect and analyse data, to develop, test and apply accurate rating formulae, to promptly recognise and monitor claim trends, to identify and prevent fraud and/or to project severity and frequency of claims with accuracy

The Group's results of operations and financial condition depend on its ability to underwrite and set rates and prices accurately for its targeted spectrum of risks. Rate adequacy is necessary to generate sufficient premiums to cover losses and underwriting expenses and to earn profit on its own underwriting. If the Group fails to assess accurately the risks that it assumes, it may fail to establish adequate premium rates, which could result in the Group making losses from its underwriting activities. Such losses could have a material adverse effect on the Group's business or the Group's results of operations and/or financial condition.

In order to price its products accurately, the Group must collect and properly analyse a substantial volume of data; develop, test and apply appropriate rating formulae; promptly recognise and closely monitor trends; identify and prevent fraud; and project both severity and frequency of losses with reasonable accuracy. The Group's ability to do these successfully and, as a result, price its products accurately, is subject to a number of risks and uncertainties, including:

- the availability of and ability to use sufficiently reliable data, particularly for electric vehicles and newer types of vehicles that the Group does not have in its policy or claims history (for example, hybrid and hydrogen vehicles);
- appropriate analysis of available data;
- uncertainties inherent in estimates and assumptions generally;
- the selection and application of appropriate rating formulae or other pricing methodologies;
- unanticipated or inconsistent court decisions, legislation or regulatory action;

- changes in the Group's claims settlement practices, which can influence the amount paid on claims;
- changes in frequency, latency or severity of claims; and
- changes over time in consumer behaviour and habits.

Accurate pricing of motor insurance is subject to a number of specific uncertainties, including:

- the effects of the UK's withdrawal from the EU;
- changing driving and other consumer patterns, which could adversely affect both frequency and severity of claims;
- unanticipated increases in the number and severity of bodily injury claims;
- increases in cost of provision of replacement cars due to use of credit hire arrangements; and
- unanticipated inflation in motor repair costs, motor parts prices and used motor prices, adversely affecting motor physical damage claim severity.

Accurate pricing of home insurance is subject to a number of specific uncertainties, including:

- increases in the costs of repairs and building work;
- inflation in home contents goods; and
- unanticipated weather patterns and climatic conditions, as well as catastrophes.

Such risks may result in the Group's pricing being based on inadequate or inaccurate data or inappropriate analyses, assumptions or methodologies, and may cause the Group to estimate incorrectly future increases in the frequency and severity of claims. As a result, the Group could under-price risks, which could negatively affect its loss ratio, or the Group could overprice risks, which could reduce its business volume and competitiveness.

Underwriting is a matter of judgement involving important assumptions about matters that are inherently unpredictable and beyond the Group's control and for which historical experience and probability analysis may not provide sufficient guidance. Notwithstanding the risk mitigation and underwriting controls employed, one or more catastrophic or other loss events could result in claims that substantially exceed the Group's expectations, which may have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.16 The underwriting and/or management of insurance risks is subject to a number of uncertainties and variable factors, and any changes in these factors or any failures in the Group's estimation techniques, assumptions or loss-mitigation actions may result in the Group's claims and premium reserves not adequately covering actual claims

The Group's claims and premium reserves may prove to be inadequate to cover the actual claims made. The Group is subject to underwriting risk, representing the uncertainty in the profitability of business written due to variability in the value and timing of claims and premium rates. The underwriting and/or management of insurance risks is, by its nature, subject to uncertainty and there can be no assurances that the Group's estimation techniques, assumptions or loss-mitigation actions will result in provisions being sufficient. This can impact historic as well as future exposures.

Among other issues, the uncertainties under insurance contracts include:

- uncertainty whether an event has occurred which would give rise to a customer suffering an insured loss;
- uncertainty about the extent of policy coverage and limits applicable;
- uncertainty about the amount of insured loss suffered by a customer as a result of the event occurring;
- uncertainty over the timing of a settlement to a customer for a loss suffered; and
- uncertainty over the level of claims expenses to be incurred.

In addition to the inherent uncertainty of having to make provision for unreported claims, there is also uncertainty regarding the eventual outcome of the claims that have been reported as at the end of the accounting period, but remain unsettled. This includes claims that may have occurred but have not yet been reported to the Group (either in full or at all) and those that are not yet apparent to the customer (either in full or at all). Claims provisions do not therefore represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. As a consequence of these uncertainties, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from initial estimates.

As a consequence of the uncertainty inherent in estimating and providing for insurance liabilities, estimation techniques need to be applied to determine the appropriate provisions. The estimation of insurance liabilities involves the use of judgements and assumptions that are specific to the relevant insurance risks and the particular type of insurance risk covered. These estimates are based on actuarial and statistical projections and assumptions, including the time required to learn of and settle claims, of facts and circumstances known at a given time, as well as estimates of trends in claims severity. The estimates are also based on other variable factors, including changes in the legal and regulatory environment, results of litigation, changes in medical costs, the cost of repairs and replacement and general economic conditions. The Group's earnings depend significantly upon the extent to which the Group's actual claims experience is consistent with the projections and the assumptions it uses in setting claims reserves and subsequent premium levels. Changes in the trends or other variable factors, such as inflation and interest rates, used to produce these estimates could result in claims in excess of relevant claims provisions. Consequently, actual claims and related expenses paid may differ from estimates reflected in the claims provisions in the Group's financial statements.

To the extent claims provisions are insufficient to cover actual losses or loss adjustment expenses, the Group may have to add to these claims provisions and may incur a charge to the Group's earnings. Conversely, if the Group's premiums and claims provisions are too high as a result of an over-estimation of risk, the Group may become uncompetitive, leading to a loss of customers and market share. This could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.17 The Group and its operations are based in the UK and are therefore vulnerable to any deterioration in UK economic, market and fiscal conditions (which may affect sales volumes and lead to increased fraud) or political developments

The Group is based in the UK and only sells its products to customers in the UK. The Group is therefore exposed to the economic, market, fiscal, regulatory, legislative, political and social conditions in the UK and to changes in any of these conditions. In addition, the Group is exposed to the incidence and severity of catastrophic events in the UK, whether natural or man-made, and weather events, even if not rising to

the level of catastrophes, can lead to volatility in the Group's results of operations due to concentration of its home insurance business in the UK.

Economic conditions have been volatile in the UK since 2008, even more so since the UK's withdrawal from the EU in 2020 and pursuant to developments in relation to the global impact of the COVID-19 pandemic, and it is possible that further deterioration in these conditions or a long-term persistence of these conditions might result in a downturn in new business and sales volumes of the Group's products, an increase in claims, and a decrease of its investment return, which, in turn, could have a material adverse effect on the Group's business, prospects, results of operations and financial position.

Under the terms of the EU Withdrawal Agreement, the UK withdrew from membership of the EU on 31 January 2020 and entered into a transition period which expired on 31 December 2020. The EU-UK Trade and Cooperation Agreement entered into force provisionally on 1 January 2021. Most rights and obligations associated with membership of the EU have ceased to apply to the UK, including passport rights provided under the Solvency II regime.

Despite the implementation of the EU-UK Trade and Cooperation Agreement, there remains significant uncertainty as to how the agreement will affect relations between the UK and the EU, including the legal rights and obligations for businesses in certain services industries not covered by the EU-UK Trade and Cooperation Agreement. Such uncertainty could negatively impact business and consumer confidence in the UK.

There is also uncertainty as to what further trade agreements may or may not be agreed with key non-EU countries to supersede such arrangements previously subject to EU trade agreements. A significant amount of EU law in matters ranging from employment law to data protection to competition and financial regulation is currently embedded in UK law either as a result of EU regulation directly applicable in the UK or from UK regulations implementing EU directives. Accordingly, it is also unclear what impact the UK's withdrawal from the EU will have on the UK legal and regulatory landscape in the future, which could in turn have a significant impact on the Group's business.

This could reduce insurance sales and the value of the Group's investment portfolio. Risks surrounding the implementation period negotiations include: the consequences of higher than expected claims inflation; potential increases in UK credit spreads; recruitment and retention of people; potential changes to direct and indirect tax; and the regulatory impact on the Group's capital position. The most significant adverse outcome would be expected to arise in the event that an economic recession is triggered due to ongoing uncertainty. The UK also remains exposed to wider political uncertainty, including in relation to calls for a second referendum on Scotland's independence from the UK, which may impact the Group's business, prospects, results of operations and financial position.

Any deterioration in the UK economic and financial market conditions as a result of COVID-19 or otherwise may:

- cause financial difficulties for the Group's suppliers and reinsurers, which may result in their failure to perform as planned and, consequently, create delays in the delivery of the Group's products and services;
- result in inefficiencies due to the Group's deteriorated ability to forecast developments in the markets in which it operates and failure to adjust its costs appropriately;
- cause reductions in the future valuations of the Group's investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to its historical or projected future results or any significant changes in its use of assets or its business strategy;

- result in increased or more volatile taxes, which could negatively impact the Group's effective tax rate, including the possibility of new tax regulations, interpretations of regulations that are stricter or increased effort by governmental bodies seeking to collect taxes more aggressively;
- result in increased customer requests for reduced pricing and reduced renewal rates;
- result in increased incidences of fraud among both customers and the Group's employees; and
- result in increased consumer indebtedness that results in policyholders not being able to fund insurance products purchased from the Group.

A worsening of economic conditions within the UK may lead to a decrease in subscribers to the Group's insurance products and roadside assistance services, and generally result in customers terminating their relationship with the Group. Therefore, a weak economy or negative economic development could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Spending on recreational travel and roadside assistance services is discretionary and price sensitive. Conditions reducing disposable income or consumer confidence, such as those caused by COVID-19 or an increase in interest rates (which, among other things, could cause consumers to incur higher monthly expenses under mortgages), unemployment rates, direct or indirect taxes, fuel prices or other costs of living, may therefore lead to customers opting for lower cost products and services, or reducing or stopping their spending on recreational travel and roadside assistance services. These conditions may be particularly prevalent during periods of economic downturn or market volatility and disruption, such as amidst the present COVID-19 pandemic, and may be exacerbated when the UK government's furlough scheme ends on 30 September 2021. Furthermore, in circumstances where all travel is curtailed (including for business), as was the case during the UK COVID-19 lockdown periods, demand for motor insurance and roadside assistance services may be similarly diminished. These factors may have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.18 The Group's business is exposed to the effects of climate change, including changing weather patterns, climatic conditions and catastrophes. The unpredictability of these factors may result in differences between actual experience and the Group's assumptions on pricing and risk, leading to unexpected increases in the frequency and severity of claims incurred by the Group

The frequency and severity of claims incurred by the Group is affected by the incidence of adverse weather events and catastrophes.

Climate change may result in the Group's pricing being based on inadequate or inaccurate data or inappropriate assumptions, and may cause the Group to incorrectly estimate future increases in the frequency and severity of claims. As a result, the Group could under-price risks, which could negatively affect its loss ratio, or the Group could overprice risks, which could reduce its business volume and competitiveness.

Severe weather events like rainstorms, flooding, windstorms and storm surge, snowstorms, hailstorms, subsidence and freeze events represent a material risk to the Group and may cause significant damage to vehicles and homes, particularly in heavily populated areas where there is a commensurate concentration of risk. Such extreme weather can lead to an increase in the frequency and severity of motor and home insurance claims suffered by the Group.

Weather-related events cannot be predicted with accuracy, and UK weather patterns and conditions in recent years have created additional unpredictability and uncertainty about risk exposure and future trends. As a result of the uncertainty and unpredictability of weather patterns and climatic conditions, the

Group's assumptions regarding weather-related events may turn out to be incorrect in the future. Since the Group's assumptions on weather-related events and climatic conditions are a factor in the pricing of policy premiums and in its reserving policies and reinsurance arrangements, an increased incidence of such events in any one year or over a number of years could have a material adverse effect on the Group's business and on the Group's results of operations or financial condition. For example, the Group's underwriting loss of £21.3 million in 2020 in relation to its home business reflected several adverse weather events and subsidence following a dry spring. The Group's assumptions on the impact of weather-related events and climatic conditions on the Group's business may also be affected by other external factors beyond its control. For example, in relation to home insurance, government initiatives or policies relating to flood control and the cover offered to properties at risk of flood, and changes to the funding or resourcing of such initiatives or policies, may result in increased pricing risk for the Group.

The Group seeks to reduce its exposure to flood risks by participating in government-sponsored schemes such as "Flood Re", a levy-based system aimed at ensuring flood insurance in flood risk areas remains affordable and available, by guaranteeing cover to high risk properties using a pool of capital from which to settle flood claims. However, the Group's efforts to reduce, appropriately price, or set appropriate underwriting terms for, its exposure may not be successful. In addition, government or industry schemes, such as those relating to flood control, are subject to change which could result in pricing risk if the Group is unable to price its products appropriately or result in reputational risk if the Group is suddenly forced to change its pricing or policy coverage.

Apart from covering adverse weather events, certain of the Group's insurance products also provide cover for losses from catastrophes, including acts of terrorism and civil disorder. While the Group seeks to reduce its exposure to such events through reinsurance, the incidence and severity of catastrophes are inherently unpredictable, and a single catastrophe or multiple severe catastrophes in any one period could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.19 Factors outside the Group's control, including economic conditions, cyclical and social trends and the general business and regulatory environment, may affect revenues from additional services (in particular in relation to additional insurance products)

There are risks that the revenues from additional services may not develop as expected. Economic conditions, cyclical trends and the general business and regulatory environment could also have an impact on the growth of additional services. Customers may be less likely to acquire optional additional insurance products in an economic downturn.

The Group has established procedures and controls designed to ensure that additional insurance products are transparent, offer genuine protection to customers and are sold in compliance with applicable laws and regulations, including regulatory codes of conduct. However, there is no assurance that such procedures and controls will operate effectively or that the FCA will find them to be adequate. If such procedures and controls fail to operate as intended, or if the FCA finds them to be inadequate, the Group may be required to redesign or withdraw one or more of its additional insurance products, to provide customer redress, and to review and improve its procedures and controls and ultimately could be subject to a variation or revocation of its permissions. The Group may also be subject to public censure or other disciplinary action by the FCA. Any of these outcomes may have a material adverse effect on the Group's reputation and results of operations.

Other factors beyond the Group's control that may affect the development of additional insurance products include actions taken by competitors and market and consumer reaction to new products and/or

services. These factors may have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.20 Advances in vehicle technology may impact pricing and disrupt the demand for the Group's products

Advances in vehicle technology, such as electric and autonomous vehicles, and other innovations such as usage-based methods of determining premiums or technologies that facilitate ride-sharing, can impact pricing, and could materially disrupt the demand for the Group's products from current customers. The Group's competitive position could be impacted by its ability to deploy technology that collects and analyses a wide variety of data points so as to make underwriting or claims decisions. If the Group is unable to adapt to changes in technology and the increased competitive risks they create, then it could have a material adverse effect on the Group's business, financial condition and the results of its operations and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.21 The Group's investment returns are exposed to risks including interest rate, equity price and credit risks, as well as the risk of a general economic downturn, and the Group may be unable to realise its investments and other assets in order to settle its financial obligations when they fall due

Investment returns, both positive and negative, affect the Group's overall profitability. The Group is exposed to market risk from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. Certain investments are less liquid than others and the Group's ability to manage its portfolio may be affected by its ability to exit certain positions in a timely basis. The primary risks that the Group faces due to the nature of its investments and liabilities are interest rate risk (arising primarily from investments in fixed interest securities) and equity price risk (as a result of the Group's holdings in equity investments, classified as financial assets at fair value through profit or loss). The Group is also exposed to spread risk and concentration risk. Adverse movements in interest rates or the equity markets and contractual non-performance in respect of, or changes in the creditworthiness of, invested assets could have a material adverse effect on the Group's business or the Group's results of operations and/or financial condition.

Fluctuations in interest rates affect returns on and the market values of the Group's fixed income investments. Generally, investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are redeemed prior to their maturity date, mature or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, prices of fixed income securities tend to fall and realised gains upon their sale are reduced. The Group's investment income has been adversely affected by the low interest rates in the UK over recent years.

The Group's investment returns are also susceptible to changes in general economic conditions, including changes that impact the general creditworthiness of the issuers of debt securities and equity securities held in the Group's portfolios. The short term effects of the UK's withdrawal from the EU on 31 January 2020 have been muted as the Group underwrites policies in Great Britain only, but the longer-term implications are not yet fully known.

The COVID-19 pandemic has disrupted activity in the UK general insurance market and adversely impacted the broader economic environment during 2020, with the effects expected to continue through 2021 and beyond. The Group has experienced some impact on its activities, including lower levels of claim notifications, a reduction in quotes for new business and movements in the value of its investment portfolio.

Investment returns are consequently volatile. The value of the Group's fixed income securities may be affected by changes in the credit rating of the issuer of such securities. When the credit rating of the

issuer of a debt security falls, the value of that debt security may also decline. In addition, changes in the credit rating of an issuer may affect the yield on such debt securities. If the credit rating of the issuer falls to a level that would prevent the Group from holding securities issued by that issuer, pursuant to regulatory guidelines or internal investment policies, the resulting disposal may lead to a significant loss on the Group's investment. Furthermore, it is possible that an issuer may default on such securities, which could lead to a total loss by the Group on its investment.

The Group also has some exposure to credit risk in relation to reinsurers, policyholders, investment counterparties, and debt securities, if there is a loss or adverse change in the financial situation resulting from fluctuations in the credit standing of any counterparties or debtors. The Group is exposed to credit risk through its reinsurance counterparties, its supplier debtors, and its investments in "Direct Lending" funds as part of its wider investment strategy. As part of the Group's supplier management process, credit exposures to third parties are regularly monitored and controlled. However, a counterparty default could create an immediate loss or a reduction in future profits, and such losses could have adverse impacts on the Group's business, financial condition, results of operations and prospects.

Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. This could adversely affect the Group's business, financial condition, results of operations and prospects.

From time to time, the Group uses hedging, forward contracts and derivative instruments to reduce its exposure to adverse fluctuations in interest rates and foreign exchange rates. Any failure by any of the Group's counterparties to discharge their obligations or to provide adequate collateral could have a material adverse effect on the Group's business or the Group's results of operations and/or financial condition, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.22 The Group's brands, reputation and goodwill may be affected by factors including litigation, employee misconduct, operational failures, regulatory investigations, negative publicity, poor performance and changes to its commercial relationships with price comparison websites

The Group's brands and reputation underpin its customer and market perception. The Group operates in an industry where integrity, trust and confidence are paramount and is consequently exposed to risks including: products not performing as expected, litigation, failure or default by counterparties or recommended suppliers, employee misconduct, operational failures, adverse regulatory investigations, negative publicity or press speculation (including widespread adverse social media commentary), disclosure of confidential information and inadequate services, among other factors. In addition, customer perception of the Group's brands and environmental, social and governance ("ESG") factors may vary and adversely affect the Group's reputation, and accordingly, its financial position. Such eventualities could impact the Group's brands or reputation causing loss of consumer confidence and customers which could in turn have a material adverse effect on the Group's results of operations and/or financial condition. In particular, as price comparison sites are a major distribution channel for the Group, any failure of such price comparison sites to perform as expected may also affect the Group's reputation and business and any adverse change in arrangements with such price comparison sites may affect the Group's brand penetration and branding strategy.

1.23 The Group is dependent on its senior management team as well as certain other key personnel and may face operational challenges as well as challenges in recruiting and retaining suitable personnel if such persons leave the Group's business

The Group's success will depend on its ability to attract and retain executives and personnel. In the insurance industry, there is competition for highly qualified professional executives and the Group may

face challenges in recruiting and retaining suitable personnel. The Group's management team have made a significant contribution to the growth and success of the business and are expected to continue to do so.

The unanticipated loss of members of the senior management team, or any delay in replacing any of them, may require substantial expense and may have a material adverse effect on the Group's business.

In addition, the PRA and FCA are responsible for the supervision of individuals with significant influence over the key functions of an insurance business, such as finance, audit, risk and other significant management functions, and such individuals must be approved by the PRA and/or FCA before they may take up those responsibilities. The PRA and/or FCA will only approve individuals for such functions if they are satisfied that they have appropriate qualifications and/or experience and are fit and proper to perform those functions, and may withdraw its approval for individuals whom it deems are no longer fit and proper to perform those functions. If the Group were unable to attract and retain, or obtain PRA and/or FCA approval for, directors and highly skilled personnel, and to retain, motivate and train its staff effectively, this could adversely affect its competitive position, which could in turn result in an adverse effect to its business, prospects, results of operations and financial position.

Moreover, if the Group were to fail to recruit or retain significant numbers of claims, computer and data processing systems ("IT") and data science employees, the ability of the Group's claims department, pricing and underwriting team, and IT infrastructure to handle an increasing workload could be adversely affected, potentially affecting growth in these areas. In addition, the Group may suffer a decrease in the quality of claims handling, which may have a material adverse effect on the Group's results of operations and/or financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.24 The Group is exposed to changes in the behaviour of its customers, changes in the markets in which it operates, and transformational changes within the Group itself

The Group is exposed to changes in the behaviour of its customers and the markets in which it sells its insurance products and its success is dependent to a large extent on management's ability to anticipate, react to and take advantage of such changes. For example, changes in lifestyle, technology (such as home automation, telematics and driverless cars), regulation, or taxation could significantly alter customers' actual or perceived need for insurance and the types of insurance sought. Increases in vehicle technology are also beginning to cause an increase in claims inflation.

Changes in technology could also give rise to new types of entrants into the insurance and/or insurance sales markets, for example, pay-as-you-go motor insurance, electric and vehicle automation, or the development of new distribution channels, such as through social media, may require further adaptation of the Group's business and operations. Such changes could result in reduced demand for the Group's products and require the Group to expend significant energy, resources and expenditure 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. The Group is also exposed to risks arising from transformational changes within the Group itself relating to digital investment and product diversification. Changes to customer behaviour could also result in higher customer turnover. This could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.25 The Group may not be able to manage its underwriting risk successfully through reinsurance arrangements if risk appetites change and reinsurers withdraw their products or increase prices, or if reinsurers fail to meet their payment obligations

An important element of the Group's risk management strategy is to purchase reinsurance, thereby transferring exposure to certain risks to others through reinsurance arrangements. The Group currently uses the reinsurance markets primarily to limit its risk, to support its growth and to manage its capital more efficiently. The Group has historically relied on excess of loss reinsurance agreements to maintain its exposure to loss at or below a level that is within the capacity of its capital resources, and has more recently used loss portfolio transfer combined with adverse development cover (the "LPT") and quota share reinsurance for capital efficiency purposes.

The Group is exposed to the cyclical nature of the reinsurance industry. This may adversely affect the pricing and availability of reinsurance, as well as its terms and conditions. Changes in risk appetite among reinsurers may result in changes in price or willingness to reinsure certain risks, which could have a material adverse effect on the Group's results of operations or financial condition. In private motor reinsurance, an increase in PPOs to settle bodily injury claims could lead to increases in the price of reinsurance. Further changes in the price of motor reinsurance or willingness to provide motor reinsurance may develop if PPOs and the liabilities attached to such orders increase. Increasingly, reinsurers are seeking to mitigate the risks associated with PPOs by introducing policy provisions which force the insurer and reinsurer into a commutation of the claim on pre-agreed terms ("compulsory capitalisation clauses"). The use of compulsory capitalisation clauses can have a negative impact on the amount which the insurer is able to recover from the reinsurer. Such terms may become market standard in the reinsurance industry.

If reinsurers do not offer to renew their products and services, in whole or in part, for any reason, there is a risk that the Group may be unable to procure replacement cover for any reinsurance agreements terminated at rates equivalent to those of the terminated cover and that the Group may be exposed to uninsured losses during any interim period between termination of the existing agreements and the start of any replacement cover.

While reinsurance makes the assuming reinsurer liable to the Group to the extent of the risk ceded, it does not discharge the Group from its primary obligation to pay under an insurance policy for losses incurred. The Group is therefore subject to credit risk with respect to its current and future reinsurers, as the ceding of risk to reinsurers does not relieve the Group of liability to its customers regarding the portion of the risk that has been reinsured, if the reinsurers fail to meet their payment obligations for any reason. The insolvency of any reinsurers or their inability or refusal to pay claims under the terms of any of their agreements with the Group could therefore have a material adverse effect on the Group. Collectability of reinsurance is largely a function of the solvency of reinsurers. While the Group reviews the credit rating of the reinsurers it selects, a reinsurer's insolvency or inability or unwillingness to make payments under the terms of a reinsurance arrangement could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.26 Growing sophistication in fraud techniques and/or any failure by the Group to identify and prevent fraud could affect the profits of the Group if, as a result of such fraud, claims incidence and average payouts increase or policy sales decrease

The Group is exposed to actual and attempted financial crime activity. Insurance fraud may rise during a recession and is an important consideration for the Group's industry. The Group is at risk both from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased, and from customers who fabricate claims and/or inflate the value of their claims.

The Group is also at risk from members of its staff who undertake, or fail to follow procedures designed to prevent, fraudulent activities.

If the Group does not provide effective training to employees working within its claims department, does not continue to work with the UK Insurance Fraud Bureau in developing counter-fraud measures or otherwise fails to implement or sustain an effective counter-fraud strategy, the ability of the Group to combat fraud could be adversely affected. In addition, there can be no guarantee that the Group's proactive anti-fraud measures will be successful in the prevention or detection of fraud. A failure to combat the risks of fraud effectively could adversely affect the profits of the Group as claims incidence and average payouts could increase. Further, such costs may have to be passed on to customers in the form of higher premium levels, which could result in a decrease in policy sales. The costs and losses associated with internal and external fraudulent activities may require higher premiums and lower policy sales, and may therefore have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes.

1.27 The Group's venture into the legal sector makes it vulnerable to legal risks which could negatively impact on the Group's business

The Group entered into a joint venture with law firm Irwin Mitchell LLP in 2014 to form IMe Law. This was granted an Alternative Group's business Structure ("ABS") licence by the Solicitors Regulation Authority (the "SRA") pursuant to its powers under Part 5 of the Legal Services Act 2007. IMe Law is regulated by the SRA and, as such, is subject to the SRA Principles, the SRA Code of Conduct and other SRA Handbook provisions.

There are a variety of risks to which the Group is exposed through this arrangement with Irwin Mitchell. Further to the stringent regulations which the Group (as a financial institution) must adhere to, law firms are also strictly regulated by the SRA which therefore adds another layer of regulation by which the Group must abide and subsequently increases the potential for any breaches of such regulation. Owing to the high potential liability which law firms face, it is standard for professional indemnity insurance to be utilised to cover this risk. However, there is always the risk that the professional indemnity insurance policies which the law firm has in place will not cover every liability claim and therefore there is the risk that IMe Law could incur potential liability and significant costs which may be for the Group to assume. If IMe Law incurs liability (not covered by its professional indemnity insurance), there could be negative implications on the reputation of IMe Law, and therefore the Group. Given that IMe Law is now in run-off, the impact of these implications is increasingly limited due to being applicable to historic cases only, but may nevertheless adversely affect the Group's ability to fulfil its obligations under the Notes.

1.28 The Group's business uses price comparison websites to distribute most of its products. The loss of business provided in this way or a change in the Group's arrangements with price comparison websites could lead to decreased brand visibility and fewer sales of new policies, while the sustained growth of price comparison websites may exert downward pricing pressures on the Group

In common with the majority of its competitors, the Group uses price comparison websites for sales of its products. In 2020 the Group was a top four provider for the UK's four main price comparison websites and 89 per cent. of the Group's new policies for motor and 86 per cent. of the Group's new policies for home insurance in 2020 were generated through these four price comparison websites. The remaining business for motor and home insurance in 2020 was generated through direct telephone and website sales.

On 16 November 2020, the FCA published a letter addressed to the chief executive officers of all price comparison websites, setting out the FCA's view of the key risks of harm that price comparison websites pose to their consumers or the market in which they operate. The FCA noted that price comparison websites should be more proactive in their response to regulatory change and their associated obligations.

As price comparison websites come under increased scrutiny from regulatory bodies, there is a risk that the Group's market will be affected. If competitive pressures compel the Group to reduce prices, its operating margins and underwriting results may be materially adversely affected.

Any failure by the Group to maintain its commercial relationships with existing price comparison websites, or a failure to build relationships with new entrants to the market, could have a material adverse effect on the Group's results of operations and/or financial condition. The Group does not have exclusivity arrangements in place with these price comparison websites and as a result they quote policies and offer products of other insurance companies as well, with no obligation to give priority to the Group's products and services. The successful distribution of the Group's insurance products therefore depends on their placement on price comparison websites, and the Group competes with other insurers and brokers to attract new business on these websites.

The results of the Group's operations could also be adversely affected by changes in the commercial arrangements with price comparison websites, such as increases in the fees charged to the Group, changes in fee charging practices, changes in search algorithms used by the price comparison website, and/or changes in the basis on which renewals of business sourced through price comparison websites have been dealt with to date. As price comparison websites become more dominant in the market, this risk will increase, and competition for home insurance customers is expected to intensify in coming years as a higher percentage of policies are acquired through price comparison websites. This trend mirrors the shift in motor insurance distribution. This trend may be accelerated in a recessionary environment where pressure on consumer spending encourages consumers to shop more for the best price.

In addition, a growth in the number and size of price comparison websites and the increased use of price comparison websites by consumers could lead to downward pricing pressures on the Group. If the Group lowers its premiums to compete with other insurers quoted on price comparison websites, the Group's profitability and results of operations could be adversely affected.

The Group uses price comparison websites to create the initial relationship with its customers. It relies, to some extent, on customers acquired in this way renewing their policies with it directly rather than going back to price comparison websites at renewal. To the extent that this changes and results in the Group paying higher fees to price comparison websites, the Group's results of operations could be adversely affected.

As an industry, price comparison websites themselves face a number of risks to their businesses, including:

- changes in law or regulation making it unlawful or impractical to continue to run their businesses in the current manner. Such changes could result from regulatory investigations into the industry. The enhanced regulatory focus on price comparison websites could have a negative effect on price comparison websites' businesses;
- changes in customer perception of price comparison websites being a trusted market place, for example following the loss or misuse of personal data from any price comparison website;
- insurers ceasing to sell products through price comparison websites resulting in price comparison websites being less popular with consumers;
- insurer retention rates improving, in particular, for renewals;
- the technology used by price comparison websites becoming obsolete or incapable of properly comparing insurance products as they develop in complexity;

- damage or interruption to price comparison websites from power loss, telecommunications failures, computer viruses, attacks or other attempts to harm its systems;
- changes to the current distribution landscape or the emergence of other distribution channels, including, for example, the use of search engines or potential use of social media platforms for sales and distribution;
- competition among price comparison websites and from other insurance intermediaries;
- changes to the information supplied on price comparison websites with increased focus on product coverage and customer reviews and how this could impact the Group;
- changes in internet practices resulting in price comparison websites being less able to market their websites; and
- new rules restricting pricing of renewals of policies and an increased regulatory focus on the way that price comparison websites engage with firms, which may have a negative impact on the commercial relationship between the Group and price comparison websites (see further Section 1.6 of these Risk Factors in the context of the FCA Market Study).

These risks may result in price comparison websites ceasing to be able to operate their businesses or changing the manner in which they operate their businesses. This may in turn affect the ability of the Group to generate sales, result in higher product marketing and distribution costs, lead to decreased brand visibility and loss of market share, exert downward pricing pressures on the Group, or require the Group to review and revise the way it sells or markets its products. This could have a material adverse effect on the Group's results of operations, financial condition and prospects and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.29 Changes to IFRS which affect insurance companies may adversely affect the Group's financial results

The Group's accounts are prepared in accordance with the current IFRS applicable to the insurance industry. Changes to IFRS for insurance companies have been proposed in recent years and further changes may be proposed in the future. Following the UK's withdrawal from the EU the applicability of changes to IFRS will be subject to a UK endorsement process.

On 18 May 2017, the International Accounting Standards Board (the "IASB") published IFRS 17 Insurance Contracts, effective from 1 January 2021. In March 2020 the IASB deferred the effective date to 1 January 2023, and in June 2020, published amendments which are aimed at assisting companies to implement the standard and making it easier for them to explain their financial performance. IFRS 17 does however remain subject to the EU and UK endorsement processes. This new standard introduces significant changes to the statutory reporting of insurance entities that prepare financial statements according to IFRS, changing the presentation and measurement of insurance contracts, including the effect of technical reserves and reinsurance on the value of insurance contracts.

Given the current stage of the Group's implementation of IFRS 17, any change or modification of IFRS accounting policies, such as in connection with the implementation of IFRS 17 requirements to amend the reporting standards for insurance entities who prepare accounts to IFRS, may require a change in the reporting basis of future results or a restatement of reported results. The effect of changes required to the Group's accounting policies as a result of implementing the new standard is currently being considered but these changes can be expected to, among other things, alter the timing of IFRS profit recognition, costs and distributable reserves and impact the Group's reported results of operations and financial position.

These and any other changes to IFRS that may be proposed in the future, may require a change in the reporting basis of future results or a restatement of reported results, and could adversely affect the Group's business, prospects, results of operations and financial position and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.30 Any failure in the Group's websites, computer and data processing systems, whether as a result of actions taken by third parties, failure to develop or adopt necessary technology, malicious attacks or inadequate business continuity planning, could affect the Group's business and the Group's reputation, results of operations and financial condition

The Group's business is dependent upon the successful functioning of the Group's websites as well as the IT underlying its websites and other operations, most of which are supported by third party providers. In addition, the Group's current primary insurance administration system ("TIA") is approaching the end of its working life, and will be replaced by a new system ("EIS"). EIS has no track record of use in the UK and the Group is therefore exposed to the risk that the system will encounter process failures that the Group is not equipped to deal with. In addition, the implementation of EIS could incur costs for the Group which are higher than expected, and there may be risks associated with the implementation timing, causing delays and disruptions within the Group's IT systems, and an adverse effect on the Group's financial position and operations.

These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by failure of a third party supplier, third party supplier error, terrorist acts, natural disasters, telecommunications and network failures, power losses, physical or electronic security breaches, fraud, identity theft, process failures, increases in usage, human error, computer viruses, computer hacking, malicious employee attacks or similar events. Any failure of the Group's IT and communications systems and/or third-party infrastructure on which the Group relies could lead to significant costs and disruptions that could materially adversely affect the overall operational or financial performance of the business as well as harm the Group's reputation and/or attract increased regulatory scrutiny. Certain of the Group's IT, telephony and operational support functions are outsourced to third parties but remain critical to the Group's business, such as the maintenance of applications and systems. The Group is reliant on the continued performance, accuracy, compliance and security of all these service providers. There can be no assurance that third parties will be willing and able to perform their obligations in accordance with the terms and conditions of their contracts and arrangements with the Group. In addition, if the contractual arrangements with any third-party providers are terminated, the 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. Availability of these services may also be impacted by COVID-19. Any such disruption could have a material adverse effect on the Group's results of operations and/or financial condition, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

The Group relies on its computer and data processing systems for critical elements of its business process, including entry and retrieval of individual risk details, pricing and reserving, premium and claims processing, monitoring aggregate exposures and financial and regulatory reporting. No assurance can be given that the Group will be able to continue to design, develop, implement or utilise, in a cost-effective manner, information systems that provide the capabilities necessary for the Group to compete effectively. Any failure to adapt to technological developments could mean that the Group fails to increase or maintain its share of the online insurance market and this may have an adverse effect on the Group's business and future prospects, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Attacks on, or the failure or substantial degradation of, the Group's websites or its computer and data processing systems could interrupt the Group's operations or materially impact its ability to conduct business or otherwise adversely affect its reputation. Such attacks could include, for example, phishing attempts and ransomware. Material flaws or damage to the websites or the system, if sustained or repeated, could result in the loss of existing or potential business relationships, compromise the Group's ability to pay claims in a timely manner or give rise to regulatory implications, which could result in a material adverse effect on the Group's business and the Group's results of operations and financial condition, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

The Group collects, retains and processes confidential information in its systems regarding its business dealings, including personal data of its customers, third-party claimants, business contacts and employees, as part of the operation of its business. The Group must therefore comply with data protection and privacy laws and industry standards in the UK. Those laws and standards impose certain requirements on the Group in respect of the collection, use, processing and storage of such personal information. For example, under UK data protection laws and regulations, when collecting personal data, certain information must be provided to the individual whose data is being collected. This information includes the identity of the data controller, the purpose for which the data is being collected and any other relevant information relating to the processing. If data collected by the Group is not processed accurately and in accordance with notifications made to, or obligations imposed by, data subjects, regulators, other counterparties or applicable law, the Group faces the risk of regulatory censure, fines, reputational damage and financial costs.

The Group is also required to comply with data protection and privacy laws and industry standards in the UK, and in some cases, it might have to comply with overseas data protection and privacy laws that have extra-territorial application, such as those of the EU. This includes compliance with the General Data Protection Regulation (EU) 2016/679 as it forms part of UK domestic law by virtue of the EUWA ("**UK GDPR**"), which came into effect on 25 May 2018. The UK GDPR imposes a higher compliance burden in the industry on companies who retain customer data and may impair ability to use data. Companies and organisations must ensure that they process personal data while having adequate measures in place to protect an individual's rights in respect of that data, which may significantly increase the cost of non-compliance, both in terms of potential financial penalties and broader reputational damage.

In addition, the Group is exposed to the risk that the personal data it controls could be wrongfully accessed, copied, destroyed and/or used, whether by employees, malware groups or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Group or any of the third-party service providers on which it relies fail 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 Group could face liability under data protection laws. This could also result in damage to the Group's brands and reputation as well as the loss of new or repeat business, and/or the Group incurring a large fine, any of which could, to the extent not mitigated by the Group's disaster recovery and business continuity contingency plans, have a material adverse effect on the Group's business, prospects, results of operations and financial position. In addition, in the event of a data loss the Group could also face enforcement action from the FCA, as any loss/unauthorised access to data could be construed as a failure of the Group's systems and controls. A security breach of the Group's computer or other systems could damage its reputation or result in liability or regulatory action. The Group might be required to spend significant capital and other resources to protect against such breaches or to alleviate problems caused by such breaches. Any publicised compromise of security could deter transactions involving the transmission of confidential information, including personal data. There is also a risk that the implications of needing to adhere to the GDPR standard definition of consent in respect to obligations in

privacy and electronic communications regulations could impact the Group's use of cookies in relation to marketing, customer insight and other activities.

Further, the Group's insurance coverage might not adequately compensate it for material losses that could occur due to disruptions to its service as a result of failure of its websites or systems.

These risks have been accentuated as a result of the COVID-19 pandemic, which has necessitated the further use of remote-working by the Group whilst travel has been restricted in the UK. There has consequently been greater reliance on the Group's IT systems. Any failure to manage IT, data privacy or information security risks may have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes.

1.31 The Group is exposed to payment processing risks, including increases in interchange and other fees, actions taken by third parties that disrupt the Group's operations, failure by the Group to fully comply with rules and standards governing payment processing, and system failures and security breaches

The Group pays interchange and other fees for card payments, which may increase over time and raise operating costs and lower margins. The Group relies on third parties to provide payment processing services, and it could disrupt the Group's operations if these companies become unwilling or unable to provide these services. The Group is also subject to payment card association operating rules, certification requirements, Payment Card Industry Data Security Standards, Payment Services Directive identity confirmation requirements and rules governing electronic funds transfers which could change or be reinterpreted to make them difficult or impossible to comply with. Until the Group is fully compliant, or if in the future the Group fails to comply with these rules or requirements, such lack of compliance may result in the Group being subject to fines and/or higher transactions fees, and in extreme cases, the Group may lose its ability to accept credit or debit card payments from customers.

Any failure of the Group's payment processing systems, whether caused by a systems failure or otherwise, will adversely affect the Group's income in the short term and may result in it losing customers which may have an adverse effect on the Group's financial condition and future prospects. In addition, there can be no assurance that advances in computer capabilities or other events or developments will not result in a compromise or breach of the processes used by the Group to protect customer transaction data. If any such compromise or breach were to occur, it could have an adverse effect on the Group's business and the Group's reputation, future prospects, financial condition and/or results of operations, and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

1.32 Protecting the Group's intellectual property could involve costly and time- consuming measures or litigation, and failure to prevent the use of the Group's intellectual property by third parties could adversely affect the Group's business and future prospects of the Group

The Group holds a portfolio of registered UK and European trade marks which protect the names and logos of the *esure*, *Sheilas' Wheels* and *First Alternative* brands along with some related slogans. Although the Group has taken steps to reduce the risks of intellectual property infringement by third parties against the Group, including instructing trade mark attorneys to operate a watch service to identify applications for trademarks similar to those which protect the names and logos of *esure*, *Sheilas' Wheels* and *First Alternative*, such steps may be inadequate. In addition, third parties may independently discover the Group's trade secrets and proprietary information or systems, and, in such cases, the Group may not be able to rely on any intellectual property rights to prevent the use of such trade secrets, information or systems by such parties. Costly and time-consuming litigation could be necessary to determine and enforce the scope of the Group's proprietary rights and the outcome of such litigation could not be

guaranteed. Failure to prevent the use of such secrets, information or systems by such third parties could adversely affect the Group's business and future prospects of the Group.

1.33 The interests of Bain Capital Private Equity may conflict with those of Noteholders

The Group is wholly owned by Blue (BC) Bidco Limited, a wholly owned subsidiary of funds advised by Bain Capital Private Equity ("**Bain**"). Bain is a private investment firm with global private equity funds, which partners with management teams to invest across a number of industries. Bain has, directly or indirectly, the power to affect the Group's legal and capital structure as well as the ability to elect and change the Group's management, to approve other changes to its operations and to influence the outcome of matters requiring action by the Group's shareholders. Bain's interests in certain circumstances may conflict with the interests of Noteholders, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. For example, Bain could vote to cause the Group to incur additional indebtedness. Bain is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with the Group. Bain may also pursue acquisition opportunities that are complementary to the Group's business and, as a result, those acquisition opportunities may not be available to the Group. In addition, Bain has held, holds or may hold interests in suppliers or customers of the Group. Bain and its affiliates could also have an interest in pursuing divestitures (including one or more divestitures of all or part of the Group's business or sales of the Group's shares which would result in changes to the Group's shareholding structure), financings, dividend distributions or other transactions that, in its judgment, could enhance its equity investments, although such transactions might involve risks to holders of the Notes. If such a conflict of interest were to occur, the Group's legal and capital structure and financial position might change, and so affect the ability of the Issuer to fulfil its obligations under the Notes.

2. Risks relating to the Notes

2.1 Risks relating to the structure of the Notes

2.2 The Issuer's obligations under the Notes are 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.

The rights and claims of the Noteholders (and the Trustee on their behalf) will be subordinated to the claims of Senior Creditors (as defined in the Conditions) in that if at any time prior to the occurrence of a Trigger Event 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 of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

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 interest payments 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, or otherwise is unable (or is not permitted to) make payments of interest or principal on the Notes.

Further, 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.

In addition, investors should be aware that, upon the occurrence of a Trigger Event and following an Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and discharged. Therefore, there is a risk that Noteholders will lose the entire amount of their investment in the Notes, 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. See also *"Risks relating to the structure of the Notes - Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes"*.

2.3 The Issuer is a holding company and Noteholders are structurally subordinated to the creditors of the Issuer's subsidiaries

The Issuer is the parent company of the Group. The operations of the Group are conducted by the operating subsidiaries of the Issuer. Accordingly, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary and thereafter (by the payment of dividends to the Issuer) to Noteholders in respect of any payment obligations of the Issuer under the Notes. As the equity investor in its subsidiaries, the Issuer's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries.

The Issuer intends to on-lend the proceeds of the Notes to its operating subsidiary, esure Insurance Limited, on terms substantially similar to the Notes (the **"Intercompany RT1 Capital Loan"**). Whilst the Issuer will be a creditor of esure Insurance Limited pursuant to the Intercompany RT1 Capital Loan, the Issuer's rights as a lender under such loan will be subordinated to the other unsubordinated creditors of esure Insurance Limited and any other subordinated creditors of esure Insurance Limited that rank senior to the Intercompany RT1 Capital Loan.

To the extent that the Issuer is recognised as a creditor of any of its subsidiaries (including esure Insurance Limited), the Issuer's claims may still be subordinated to any security interest in, or other lien on, their assets and to any of their debt or other obligations that are senior to the Issuer's claims.

As a creditor of esure Insurance Limited, the Issuer may also be liable to have the value of any contract with esure Insurance Limited (including the Intercompany RT1 Capital Loan) reduced by the High Court under section 377 of FSMA, in circumstances where esure Insurance Limited has been proved to be unable to pay its debts, as an alternative to the High Court making a winding up order against esure Insurance Limited. HM Treasury is currently consulting on enhancements to the High Court's existing power under section 377 of FSMA which may result in a change to the insolvency/pre-insolvency regime for insurers such as esure Insurance Limited, which may further impact the rights of the Issuer against esure Insurance Limited.

2.4 Upon the occurrence of a Trigger Event, Noteholders will lose all or some of the value of their investment in the Notes

The Notes are being issued for capital adequacy-related regulatory purposes with the intention and purpose of being eligible as restricted tier 1 capital of the Issuer and the Insurance Group under UK Solvency II Legislation. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions.

One of these relates to the ability of the liability represented by the Notes to be permanently released in consideration of the issue of Conversion Shares upon a Trigger Event occurring. A Trigger Event will occur if the Issuer determines at any time 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.¹

Under the terms of the Notes, if at any time a Trigger Event occurs, all accrued and unpaid interest will be cancelled irrevocably and (other than in exceptional circumstances further specified in the Conditions) the Issuer's obligation to repay the principal amount outstanding of each Note shall be irrevocably released and discharged and the Notes will be cancelled in consideration of the issue of Conversion Shares. In such circumstances, the Noteholders will have no rights against the Issuer with respect to repayment of the principal amount of the Notes or any part thereof, the payment of any interest for any period or any other amounts arising under or in connection with the Notes and/or the Trust Deed, whether in an Issuer Winding-Up or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Notes at any time. Accordingly, if a Trigger Event occurs, Noteholders will lose all or part of the value of their investment in the Notes. Following an Automatic Conversion, Noteholders will receive only (i) the Conversion Shares (if the Issuer elects that a Conversion Shares Offer will not be made or the relevant Noteholder elects to receive the Conversion Shares); or (ii) the Conversion Shares Offer Consideration, which shall be comprised entirely of Conversion Shares or cash depending on the results of the Conversion Shares Offer, and the realisable value of any Conversion Shares received is expected to be significantly less than the Conversion Price. In addition, the realisable value of any Conversion Shares received could be substantially lower than that implied by the price paid for the Notes at the time of their purchase.

The Automatic Conversion may occur irrespective of whether the Issuer has sufficient assets available to settle the claims of the Noteholders of the Notes or other securities subordinated to the same or greater extent as the Notes, in winding-up proceedings or otherwise. As a result, Noteholders may have no claim for principal in the event of an Issuer Winding-Up, even though other securities that rank equally in priority may continue to have such a claim and the Issuer may have sufficient assets to satisfy the claims of Noteholders of other subordinated debt of the Issuer.

2.5 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 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

¹ Information on the Solvency II capital position of the Group is set out in the documents incorporated by reference into this Offering Memorandum, including in particular the Group's 2020 Solvency Capital & Financial Condition Report. The Group's Solvency II Ratio was 164 per cent. as at 31 December 2020 and was 149 per cent. as at 31 December 2019.

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, Automatic 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 PRA 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 or perceived indication that the Issuer or the 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.

Investors will not be able to monitor whether or not the Issuer or the Insurance Group will meet their respective Solvency Capital Requirements or Minimum Capital Requirements on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled.

2.6 Changes to UK Solvency II Legislation may increase the risk of the occurrence of a Trigger Event, cancellation of interest payments, suspension of any redemption of the Notes or the occurrence of a Capital Disqualification Event

UK Solvency II Legislation, whether as a result of further changes to the UK Solvency II Legislation or changes to the way in which the PRA interprets and applies these requirements to the United Kingdom 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 Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement, and such changes may make the Issuer's or the Insurance Group's regulatory capital requirements more onerous. Such changes that may occur in the UK Solvency II Legislation 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 Insurance Group's Solvency Capital Requirement and Minimum Capital Requirement and thus increase the risk of cancellation of interest payments, the suspension of any redemption of the Notes or a Trigger Event occurring, which will lead to an Automatic Conversion, as a result of which a Noteholder could lose all or part of the value of its investment in the Notes. Conversely, such changes may increase the risk of the occurrence of a Capital Disqualification Event (and increase the risk of redemption of the Notes by the Issuer).

2.7 As the Conversion Price is fixed at the time of issue of the Notes, Noteholders will bear the risk of fluctuations in the market price of the Conversion Shares

As a Trigger Event will only occur at a time when there is a significant deterioration in the amount of Own Fund Items to cover the Solvency Capital Requirement or the Minimum Capital Requirement, a Trigger Event may be accompanied by a deterioration in the market price of the Issuer's ordinary shares, which may be expected to continue after the occurrence of the Trigger Event. The realisable value of the Conversion Shares is expected to be significantly below the prevailing Conversion Price at such time. The Conversion Price is fixed (subject to limited adjustment in accordance with Condition 6) at the time of issue of the Notes. The Conversion Price does not reflect the market price of the ordinary shares of the Issuer, which is currently and could continue to be significantly lower than the Conversion Price.

In addition, there may be a delay in a Noteholder receiving its Conversion Shares following a Trigger Event (in particular if the Issuer elects that a Conversion Shares Offer be conducted, as the period of the

Conversion Shares Offer may last up to 40 Business Days from the Conversion Date), during which time the market price of the ordinary shares of the Issuer may further decline.

2.8 Noteholders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon an Automatic Conversion following a Trigger Event

If the Issuer elects that a Conversion Shares Offer be conducted by the Conversion Shares Depositary and a Noteholder does not elect to receive the Conversion Shares, then Noteholders may not ultimately receive Conversion Shares upon an Automatic Conversion following a Trigger Event.

The Conversion Shares Offer may be conducted at the election of the Issuer on the terms set out in the Conditions. The Issuer currently expects that in determining whether or not a Conversion Shares Offer shall be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer shall be made, the directors of the Issuer would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of the Issuer's shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on the Issuer's and the Insurance Group's financial stability and potential tax liabilities.

If the Issuer elects that a Conversion Shares Offer be conducted by the Conversion Shares Depositary, Noteholders who do not elect to receive Conversion Shares in accordance with the Conditions shall be entitled to receive, in respect of each Note, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note. The cash component of any Conversion Shares Offer Consideration shall be subject to deduction of any foreign exchange transaction costs and 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 the Conversion Shares to the Conversion Shares Depositary (or its agent (if any)) as a consequence of the Conversion Shares Offer.

Furthermore, the Issuer or the Conversion Shares Depositary will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period. Accordingly, notwithstanding that the Conversion Shares Offer Consideration will be delivered to any Noteholder either fully in cash or fully in Conversion Shares, Noteholders would not know the cash amount (if applicable) of the Conversion Shares Offer Consideration to which they may be entitled until the end of the period of the Conversion Shares Offer.

2.9 Prior to the Share Delivery Date, Noteholders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares

Any pecuniary and other rights with respect to Conversion Shares, in particular the entitlement to dividends shall only arise and the exercise of voting rights and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Share Delivery Date to the Conversion Shares Depositary (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under Condition 6. Prior to such issuance, registration and delivery, Noteholders will be subject to all changes made with respect to the Issuer's ordinary shares.

2.10 Noteholders will have to comply with certain procedures to receive delivery of the Conversion Shares or Conversion Shares Offer Consideration following an Automatic Conversion

In order to obtain delivery of the relevant Conversion Shares or Conversion Shares Offer Consideration following an Automatic Conversion, a Noteholder must comply with certain procedures previously notified to the Noteholders. Such procedures may include providing notices to the Conversion Shares

Depository and providing details of the clearing system account to which any Conversion Shares or Conversion Shares Offer Consideration should be delivered. Any Noteholder taking such action after the cut-off date for such actions notified to the Noteholders will have to provide evidence of its entitlement to the relevant Conversion Shares or Conversion Shares Offer Consideration satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares or Conversion Shares Offer Consideration.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the Conversion Shares Offer Consideration or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depository and the relevant Notes, if applicable, on a timely basis or at all.

2.11 Noteholders may be subject to disclosure obligations and/or may need approval from the Issuer's regulator under certain circumstances.

As the Noteholders may receive Conversion Shares if a Trigger Event occurs, an investment in the Notes may result in Noteholders having to comply with certain disclosure and/or regulatory approval requirements pursuant to applicable laws and regulations following an Automatic Conversion. For example, pursuant to Chapter 5 of the Disclosure Rules 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, exceeds or falls below 3 per cent. and every percentage point thereafter.

Furthermore, as Conversion Shares represent voting securities of a parent undertaking of regulated group entities, under the laws of the UK and other jurisdictions, ownership of the Notes themselves (or the Conversion Shares) above certain levels may require the holder of the voting securities to obtain regulatory approval or subject the holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, each potential investor should consult its legal advisers as to the terms of the Notes, in respect of its existing shareholding and the level of holding it would have if it receives Conversion Shares following a Trigger Event.

2.12 Noteholders may be subject to taxes following an Automatic Conversion

Neither the Issuer nor any member of the Insurance Group shall be liable for 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 delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

2.13 The Conversion Price is fixed at the time of issue of the Notes and will be subject to adjustment only in response to a limited number of events

Subject to certain limited provisions set out in the Conditions, the Conversion Price is fixed on the Issue Date. If the Issuer proposes any Adjustment Event (as defined in the Conditions) the Issuer shall appoint an Independent Adviser (as defined in the Conditions) to make any adjustment that such Independent Adviser determines, without regard to any pre-determined formula, is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders.

The occurrence of a Trigger Event is linked to a deterioration in the regulatory solvency position of the Issuer and/or the Insurance Group and, therefore, its occurrence will likely be accompanied and preceded by a deterioration in the value of the Conversion 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 value of the Conversion Shares is diminished. In addition, there may be a delay in a Noteholder receiving its Conversion Shares (if any) following a Trigger Event, during which time the value of such shares may decline further. As a result, the realisable value of the Conversion Shares may be below the Conversion Price. Although the market value of such shares may increase over time, they may never be equal to the principal amount of the Notes converted. Despite potentially receiving Conversion Shares, it is possible that investors in the Notes may nevertheless lose some or substantially all of their investment in the Notes.

2.14 The Conversion Price may not reflect the current market price of the ordinary shares of the Issuer

The Conversion Price may not reflect the market price of the ordinary shares of the Issuer. As at the date of this Offering Memorandum, the ordinary shares of the Issuer are not listed and there is no market price as such. However, the Conversion Price is £1,000 per Conversion Share (subject to adjustment in accordance with the Conditions) and therefore, following an Automatic Conversion, Noteholders would be expected to receive an amount of ordinary shares which is very small compared to the overall share capital of the Issuer. This approach is different from the approach adopted in many other conversion-style tier 1 instruments that an investor may hold or purchase. Accordingly, following a Trigger Event the number of Conversion Shares potentially to be received by a Noteholder is expected to be very low relative to the nominal amount of the Notes held by such Noteholder and not expected to be representative of the current or future market price of such Conversion Shares.

2.15 The ordinary shares of the Issuer are unlisted and may be subject to limited liquidity and be difficult to trade

Following an Automatic Conversion, a Noteholder will (if they do not instead receive Conversion Shares Offer Consideration, pursuant to the Conditions) receive Conversion Shares (being ordinary shares of the Issuer).

The ordinary shares of the Issuer are unlisted and have no trading market when issued and one may never develop. If a market develops, it may not be liquid. Therefore, investors may not be able to sell such Conversion Shares easily or at prices commensurate with the principal amount of Notes that such Conversion Shares previously represented.

2.16 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 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 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.

2.17 Restricted remedy for non-payment when due

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due and payable in respect of the Notes will be the institution of proceedings for an Issuer Winding-Up and/or proving in any winding-up of the Issuer and/or claiming in the liquidation or administration 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.

2.18 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.

2.19 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, 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, (iii) 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 accordance with the Conditions), in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors or (iv) upon a winding-up, liquidation or administration of the Issuer, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by of the actions described in (iii) and (iv) 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 relating 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.

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

Other than where an Issuer Winding-Up has occurred or is occurring or where a Trigger Event has occurred, all payments (other than any cash component of the Conversion Shares Offer Consideration and subject also to Condition 3(c)) under or arising from the Notes (including any damages for breach of any obligations under 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 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.

2.21 Interest Payments on the Notes are discretionary

Interest payments on the Notes are discretionary and the Issuer may cancel interest payments, in whole or in part, at any time. 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: interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer and is subject to Conditions 3(d), 5(b) and 6. 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. At the time of publication of this Offering Memorandum, it is the intention of the Directors to take into account the relative hierarchy of its ordinary shares and the (more senior) 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 affect the market value of an investment in the Notes.

2.22 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 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 PRA or under the Relevant Rules (as defined in the Conditions). As at 31 December 2020, the Issuer's Distributable Items were £18.7 million (31 December 2019: £8.0 million), with a dividend of £50.0 million being received subsequent to 31 December 2020. Had the dividend been paid immediately prior to 31 December 2020, the Issuer's Distributable Items as at such date would have been £68.7 million.

It is the Issuer's intention 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 Issuer may at any time at its sole discretion depart from this intention in accordance with the Relevant Rules and the Conditions.

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 affect the market value of an investment in the Notes.

2.23 As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer's ability to make interest payments on the Notes

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make interest payments on the Notes, are a function of the Issuer's existing Distributable Items, future Group profitability and performance and the ability to distribute or dividend profits from the Issuer's operating subsidiaries up the Group structure to the Issuer. In addition, the Issuer's Distributable Items will also be reduced by the servicing of other debt and equity instruments.

The ability of the Issuer's operating subsidiaries to pay dividends and the Issuer's ability to receive distributions and other payments from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer's operating subsidiaries, which could in time restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. In particular, in certain circumstances, such as if a Group company was unable to meet applicable regulatory capital requirements or significant threats to policyholder protection were identified, the PRA could intervene in the interests of policyholder security, for example, by imposing restrictions on the fungibility or movement of capital between members of the Group.

2.24 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 and/or a Capital Disqualification Event will depend in part on decisions made by the Issuer and other entities in the Group relating to their businesses and operations, as well as the management of their capital positions.

The Issuer and other entities in the Group will have no obligation to consider the interests of Noteholders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities in the Group and the 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 or a Capital Disqualification 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 or Capital Disqualification 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 Group relating to decisions that affect the capital position of the Group, regardless of whether they result in the occurrence of a Trigger Event or a Capital Disqualification 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.

2.25 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). 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.

2.26 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 may 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 any day falling in the period commencing on (and including) 29 July 2026 and ending on (and including) the First Reset Date or any Reset Date thereafter, (ii) at any time in the event of the occurrence of a Tax Event, or (iii) at any time following the occurrence of (or if there will occur within the forthcoming period of six months) a Capital Disqualification Event.

The Issuer shall only be entitled to redeem the Notes upon the occurrence of a Tax Event or a Capital Disqualification Event, if (amongst other conditions) it was reasonable for the Issuer to conclude, judged at the Issue Date that such event was not reasonably foreseeable.

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 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.

2.27 Variation or substitution of the Notes without Noteholder consent

Subject as provided in Condition 8(j) 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.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying 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 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).

2.28 Modification, waivers and substitution

The Conditions contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) 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.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to subject to the Issuer having first satisfied the Regulatory Clearance Condition (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer in each case in the circumstances described in the Conditions.

In the event of any such modification or substitution, the Trustee shall be entitled to agree to amendments of the terms of the Notes and the Trust Deed without the consent of the Noteholders. Such substitution provisions may be used in a variety of circumstances including (without limitation) at the time of the establishment of a United Kingdom holding company for the Group. If a Newco Scheme occurs, the Issuer may, without the consent of Noteholders, at its option, procure that Newco is substituted under the Notes and the Trust Deed as issuer of the Notes in place of the Issuer. Any such substitution shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

2.29 No limitation on the Issuer issuing further securities

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

2.30 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.

2.31 The Notes are denominated in integral multiples

The Notes have denominations consisting of a minimum principal amount of £200,000 (the “**Specified Denomination**”) plus integral multiples of £1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of the Specified Denomination that are not integral multiples of such Specified Denomination. In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the Specified Denomination in his account with the relevant clearing system at the relevant time would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

2.32 Change of law

The terms of the Notes and the Trust Deed are based on law in effect as at the relevant Issue Date. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of issue of the Notes.

2.33 Legal investment considerations may restrict certain investments

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

2.34 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, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction 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 amounts which would have been receivable 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, except as provided for in the Conditions.

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.

3. Risks relating to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, interest rate risk, exchange rate risk and credit risk:

3.1 The secondary market generally

The Notes may have no trading market when issued and one may never develop. If a market develops, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes as the Notes are publicly traded securities which may 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. 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 any market in the Notes has developed, or does develop, it may become severely restricted, or may disappear, if the financial condition and/or the solvency position of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes or of a Trigger Event occurring.

3.2 Interest rate risk

Investment in the Notes involves the risk that changes in market interest rates after the issue date may adversely affect the value of the Notes.

In particular, a holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). Potential movements in the Market Interest Rate over the life of the Notes are difficult to predict. While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes.

3.3 Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Sterling. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to Sterling would 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.

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

The Notes will be issued in global form. While the Notes are in global form, 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 remain in global form, the Issuer, will discharge its payment obligations under the Notes by making payments to the order of the registered holder as nominee for the common depositary for Euroclear or Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Notes held through Euroclear or Clearstream, Luxembourg.

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 the text 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 £75,000,000 Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the “**Notes**”) was authorised by resolutions of the board of directors of esure Group plc (the “**Issuer**”, which term shall include any substitute therefor from time to time pursuant to the terms of Condition 14) passed on 1 July 2021.

The Notes are constituted by a trust deed dated 29 July 2021 (the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services 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. Copies of the Trust Deed and of the paying agency agreement dated 29 July 2021 (the “**Agency Agreement**”) relating to the Notes between the Issuer, the Trustee, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”, which expression shall include any successor thereto) and The Bank of New York Mellon SA/NV, Dublin Branch as transfer agent (the “**Transfer Agent**”, which expression shall include any successor thereto and any additional transfer agents appointed thereunder), and The Bank of New York Mellon, London Branch as initial agent bank (the “**Agent Bank**”, which expression shall include any successor thereto) and as initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto, and, together with any further paying agents appointed thereunder, the “**Paying Agents**”, which expression shall include any successors thereto) are available for inspection during usual business hours at the specified offices of the Principal Paying 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.

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 or (iii) during the period of seven days ending on (and including) any Record Date (as defined below).

(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 Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (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**

(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 Conditions 6 and 11.

(b) *Issuer Winding-Up*

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 occurrence of a Trigger Event 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 of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

If an Issuer Winding-Up occurs concurrently with or after the occurrence of a Trigger Event, and where an Automatic Conversion has not yet been effected, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment or any issue or delivery of Conversion Shares by the Issuer), such amount, if any, as would have been payable to the Noteholder if, on the day prior to the commencement of the Issuer Winding-Up and thereafter, such Noteholder were the holder of such number of Conversion Shares as that Noteholder would have been entitled to receive upon an Automatic Conversion in accordance with Condition 6, 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 of the Issuer were entitled to claim and recover in respect of their shares to the same degree as in a winding-up or liquidation).

(c) *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.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of Conditions 3(b), 3(d), 5, 6 or 8.

(d) *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 (other than any cash component of the Conversion Shares Offer Consideration and subject also to Condition 3(c)) 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 payable 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(d) shall be cancelled.

For the purposes of this Condition 3(d), 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 Authorised Signatories 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.

(e) *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(d), 5 and 6, 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(d), 5 and 6, 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 Reset Date, of £30 per Calculation Amount if paid in full), in each case as provided in this Condition 4.

Where it is necessary to compute an amount of interest in respect of any Note for any 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(d), 5 and 6, 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(d), 5 and 6, 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(d), 5 and 6, at the rate of 6.000 per cent. per annum (the “**Initial Fixed Interest Rate**”).

(d) Reset Rate of Interest

The Interest Rate will be reset (the “**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 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 Agent, the Registrar, 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(d), 5(b) and 6. 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(d), the cancellation of such Interest Payment in accordance with Condition 5(b), the cancellation of interest upon an Automatic Conversion in accordance with Condition 6 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;
- (v) an Insolvent Insurer Winding-up has occurred or is continuing; or
- (vi) the Issuer is otherwise required by the PRA or under the Relevant Rules to cancel the relevant Interest Payment,

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

A certificate signed by two Authorised Signatories 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 PRA*

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 PRA 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 Authorised Signatories 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(d) or which is cancelled in accordance with Condition 6 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*

If practicable, 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 Authorised Signatories, and the Principal Paying 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.

6. Automatic Conversion

(a) *Automatic Conversion upon Trigger Event occurring*

The Notes are not convertible into Conversion Shares at the option of the Noteholders at any time.

If a Trigger Event has occurred, the Issuer shall:

- (i) immediately inform the PRA of the occurrence of the Trigger Event; and
- (ii) without delay, give the Trigger Event Notice which notice shall be irrevocable.

Upon the determination that a Trigger Event has occurred, an Automatic Conversion shall occur immediately. Following such Automatic Conversion, the Issuer shall deliver the Conversion Shares to the Conversion Shares Depositary (which shall hold the Conversion Shares as nominee on behalf of the Noteholders) (or such other relevant recipient as described below) on the Share Delivery Date.

Following such Automatic Conversion there shall be no reinstatement of any part of the principal amount of, or interest on, the Notes at any time, including where the Trigger Event ceases to occur.

Effective upon, and following, the Automatic Conversion, the Issuer's obligation to repay the principal amount outstanding of each Note shall, without any further action required on the part of the Issuer or the Trustee, be irrevocably released and discharged and Noteholders shall not have any rights against the Issuer in a winding-up or administration of the Issuer or otherwise with respect to:

- (i) repayment of the principal amount of the Notes or any part thereof;
- (ii) the payment of any interest on the Notes for any period; or
- (iii) any other amounts arising under or in connection with the Notes and/or the Trust Deed.

Such Automatic Conversion shall take place without the need for the consent of Noteholders or the Trustee.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer. Any such determination shall be binding on the Trustee and the Noteholders.

Any Trigger Event Notice delivered to the Trustee shall be accompanied by a certificate signed by two Authorised Signatories certifying the accuracy of the contents of the Trigger Event Notice upon which the Trustee shall rely (without further enquiry and without liability to any person).

Any failure by the Issuer to give a Trigger Event Notice or the aforementioned certificate will not affect the effectiveness of, or otherwise invalidate, any Automatic Conversion, or give Noteholders any rights as a result of such failure.

The release of the principal amount of a Note pursuant to and in accordance with this Condition 6 shall be permanent and 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 take any enforcement action under the Notes or the Trust Deed.

To the extent permitted by and in accordance with the Relevant Rules in force as at the relevant time, an Automatic Conversion may be exceptionally waived by the PRA at any time prior to the Conversion Date if such an Automatic Conversion (taking into account the write-down or conversion of any other Own Fund Items on or around the Conversion Date) would give rise to

a tax liability that would have a significant adverse effect on the solvency or capital position of the Issuer and/or the Insurance Group. If the relevant Automatic Conversion is so waived, the relevant Automatic Conversion shall not occur (but without prejudice to the cancellation of any Interest Payment or part thereof pursuant to Condition 5). The Issuer shall give notice to the Trustee, 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 of the grant of any such waiver as soon as practicable following its receipt from the PRA.

Under the Relevant Rules in force as at the Issue Date, the PRA is permitted (but not required) exceptionally to waive an Automatic Conversion in certain limited circumstances (being that it was triggered only by limb (c) of the definition of Trigger Event and not by either of limbs (a) or (b) of such definition) where it has received prior to the Conversion Date (i) projections provided by the Issuer and/or the Insurance Group when it submits its recovery plan required by the Relevant Rules, that demonstrate that triggering the principal loss absorbency mechanism in such case would be very likely to give rise to a tax liability that would have a significant adverse effect on Issuer's and/or the Insurance Group's solvency position; and (ii) a certificate issued by the Issuer's or the Insurance Group's statutory auditors certifying that all of the assumptions used in the projections are realistic.

(b) *Conversion Shares Depositary*

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.

If the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares to the Noteholders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee for the Noteholders or to the Noteholders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations under the Notes as if the Conversion Shares had been issued to the Conversion Shares Depositary.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares as nominee on behalf of the Noteholders) or the relevant recipient as contemplated above, and each Noteholder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

The number of Conversion Shares to be issued to the Conversion Shares Depositary on the Share Delivery Date shall be determined by dividing the aggregate principal amount of the Notes outstanding (as defined in the Trust Deed) immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price prevailing on the Share Delivery Date rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depositary for the benefit of each Noteholder shall be the number of Conversion Shares thus calculated multiplied by a fraction equal to the aggregate principal amount of the Notes held by such Noteholder divided by the aggregate principal amount of the Notes outstanding immediately prior to the Automatic Conversion on the Conversion Date, rounded down, if necessary, to the nearest whole number of Conversion Shares.

The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's 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 the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Noteholder shall not be entitled to receive) any rights, the entitlement to which falls prior to the Share Delivery Date.

The Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Noteholders, who shall be entitled to direct the Conversion Shares Depositary or such other recipient, as applicable, 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 the Conversion Shares until such time (if any) as they have been delivered to Noteholders and in the circumstances in which such delivery may take place.

Neither the Issuer, nor any member of the Insurance Group shall be liable for 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 delivery of Conversion Shares, which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares are delivered.

The Conversion Shares will not be available for delivery (A) to, or to a nominee for, any clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).

(c) *Conversion Shares Offer and delivery of Conversion Shares or Conversions Shares Offer Consideration*

Unless at the time of the appointment by the Issuer of the Conversion Shares Depositary (or the relevant recipient in accordance with these Conditions) the Issuer elects that such an offer should not take place (and subject always to applicable law), the Eligible Conversion Shares will be offered by or on behalf of the Conversion Shares Depositary (acting as agent for the Noteholders) to, in the absolute discretion of the Issuer, some or all of the existing shareholders of the Issuer for purchase at the Current Price (the "**Conversion Shares Offer**"). The Conversion Shares Offer shall commence within 10 Business Days of and be completed or (in the absolute discretion of the Issuer) terminated within 40 Business Days of the Conversion Date. Such purchase shall not be effected unless all of the Eligible Conversion Shares can be sold via the Conversion Shares Offer.

For the purposes of these Conditions, "**Eligible Conversion Shares**" means Conversion Shares which are not subject to an election from the relevant Noteholder as set out in sub-paragraph (B) of the definition of Conversion Shares Offer Consideration.

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 referred to in Condition 6(b) and in the definition of Conversion Shares Offer Consideration).

The Conversion Shares Depositary shall deliver a notice to the Trustee, 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 setting out the procedures for each Noteholder to receive the Conversion Shares Offer Consideration or (whether following termination or non-commencement of the Conversion Shares Offer or as a result of the operation of sub-paragraph (B) of the definition of Conversion Shares Offer Consideration) the relevant Conversion Shares and the date up to which the Notes shall remain in existence for the sole purpose of evidencing each relevant Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary.

Following such cancellation of the Notes, each Noteholder will have to provide evidence of its entitlement to the relevant Conversion Shares satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of Conversion Shares or the Conversion Shares Offer Consideration and the Conversion Shares Depositary may include such conditions to delivery as it considers to be appropriate.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares or the Conversion Shares Offer Consideration or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit any notice and/or evidence of entitlement required by the Conversion Shares Depositary and the relevant Notes, if applicable, on a timely basis or at all.

If any Conversion Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Conversion Date, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Conversion Shares and any such cash proceeds from such sale(s) and any cash representing the 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. 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).

The Trustee shall not be responsible for monitoring or enforcing the obligations of the Conversion Shares Depositary. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depositary, Noteholders must look to the Conversion Shares Depositary (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

(d) Adjustments to the Conversion Price

If the Issuer proposes any Adjustment Event, the board of directors of the Issuer shall (in its sole discretion, acting in good faith) determine and (conditional upon such Adjustment Event occurring) appoint an Independent Adviser to make any adjustment that such Independent Adviser determines is appropriate or necessary to the Conversion Price to account for the Adjustment Event, which determination shall be final and binding on the Issuer, the Trustee and the Noteholders. The Issuer shall give notice to the Trustee, 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 of any adjustment to the Conversion Price as soon as practicable following such

determination. The Conversion Price shall not in any event be reduced to below the nominal value of an ordinary share of the Issuer at such time. The Issuer further undertakes that it shall not take any action, and shall procure that no action is taken, that would result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by law and regulation.

(e) *Undertakings*

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) in the event of a Newco Scheme, save with the approval of an Extraordinary Resolution:

- (i) take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and (unless the Issuer effects a substitution of the Issuer pursuant to Condition 14(b) with effect from the completion of the Scheme of Arrangement) that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions and the Trust Deed as are necessary to ensure that the Notes may 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 and the Trust Deed. The Trustee shall (at the request and expense of the Issuer) be bound to concur in effecting such amendments, provided that the Trustee shall not be bound to concur if to do so would, in the opinion of the Trustee, (x) expose the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (y) change, increase or add to the obligations or duties of the Trustee or (z) remove or amend any protection or indemnity afforded to, or any other provisions in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes;
- (ii) use all reasonable endeavours to ensure that the Conversion Shares shall be admitted to listing and trading on the principal stock exchange or securities market (if any) on which the ordinary shares of the Issuer are then listed or admitted to trading; and
- (iii) 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.

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 required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

(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. Subject as provided in the Agency Agreement, the Principal Paying Agent and the Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. 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 Agent, an Agent Bank, 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 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) in the case of a redemption or purchase of the Notes prior to the fifth anniversary of the Issue Date, either
 - (1) such redemption or purchase being funded out of the proceeds of a new issuance of, or the Notes being exchanged into, Tier 1 Own Funds of the same or a higher quality than the Notes; or
 - (2) in the case of any redemption pursuant to Condition 8(g) or 8(h), the PRA being satisfied that the Solvency Capital Requirement will be exceeded by an appropriate margin immediately after such redemption (taking into account the solvency position of the Issuer and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans); and
 - (A) in the case of any such redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the PRA that the applicable change in tax treatment is material; or
 - (B) in the case of any such redemption following the occurrence of a Capital Disqualification Event, the PRA considering that the relevant change in the regulatory classification of the Notes is sufficiently certain; and
 - (C) in either case, the Issuer having demonstrated to the satisfaction of the PRA that such change was not reasonably foreseeable as at the Issue Date;
- (ii) in respect of any redemption or purchase of the Notes occurring (A) on or after the fifth anniversary of the Issue Date and (B) before the tenth anniversary of the Issue Date, the PRA 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 and the Insurance Group, including by reference to the Issuer's and the Insurance Group's medium-term capital management plans) at the time of and immediately following such redemption or purchase unless such redemption or

purchase is funded out of the proceeds of a new issuance of, or the Notes are, or are to be, 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 Trigger Event has occurred and 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 PRA 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 PRA*

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 PRA 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, or are to be, exchanged for a new issue of Tier 1 Own Funds of the same or higher quality than the Notes (which, for the avoidance of doubt, will include (without limitation) a redemption or purchase funded out of the proceeds of one or more issues of Tier 1 Own Funds of the same or a 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 Authorised Signatories 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 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 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 previously been cancelled pursuant to these Conditions), upon the earlier of:

- (i) the date falling ten 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 sub-paragraph (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 a Trigger Event).

The Issuer shall notify the Trustee, the Principal Paying 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 Authorised Signatories 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 Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(n) below) be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Notes, on (A) any day falling in the period commencing on (and including) 29 July 2026 and ending on (and including) the First Reset Date or (B) 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(j) 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 Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(n) 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 Authorised Signatories referred to in Condition 8(j) 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) (i) with respect to limb (a) of the definition of Tax Event, the Issuer would be obliged to pay such Additional Amounts; (ii) with respect to limb (b) of the definition of Tax Event, the Issuer would not be able to claim such a deduction or such a deduction is reduced; or (iii) with respect to limb (d) of the definition of Tax Event, the Issuer would not to a material extent be able to have losses or deductions set against the profits or gains in the manner set out therein, in each case were a payment in respect of the Notes then due; or (B) (i) with respect to limbs (c), (e) and (f) of the definition of Tax Event, such change in treatment is effective; or (ii) with respect to limb (g) of the

definition of Tax Event, the relevant adverse tax consequence would arise or be suffered; 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 subparagraph (1) applies or (where applicable) will apply on the next Interest Payment Date (save that 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(j) are met, if a Capital Disqualification Event has occurred and is continuing or, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so), 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 Agent, the Registrar and, in accordance with Condition 13, the Noteholders (which notice shall (save as provided in Condition 8(n) 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 Authorised Signatories referred to in Condition 8(j) 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) *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), 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 written notice 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 without liability to assume that no such event or circumstance exists or has arisen.

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

- (i) Prior to the publication of any notice of redemption, variation or substitution pursuant to Condition 8(g) or 8(h), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories 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 or a Capital Disqualification Event has occurred and is continuing as at the date of the certificate or, as the case may be (in the case of a Capital Disqualification Event) will occur within a period of six months and that it would have been reasonable for the Issuer to conclude, judged at the Issue Date, that the relevant Tax Event or Capital Disqualification Event was not reasonably foreseeable.
- (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 PRA in writing of its intention to do so not less than one month (or such other period as may be required by the PRA 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 Authorised Signatories 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.

(k) *Compliance with stock exchange rules*

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

(l) *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.

(m) *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(l), 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.

(n) *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(n), 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 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 subject to Automatic Conversion in accordance with Condition 6.

9. Taxation

(a) *Payment without withholding*

All payments of principal and interest 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, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts in relation to Interest Payments (“**Additional Amounts**”) (but not in respect of any payments of principal) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (i) *Other connection*: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such 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*: held by, or by a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Certificate is presented for payment; or

- (iii) *Surrender more than 30 days after the Relevant Date:* where (in the case of an Interest Payment payable on redemption) the relevant Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or
- (iv) Any combination: where such withholding or deduction arises out of any combination of paragraphs (i) to (iii) above.

“**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*

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 fifth 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.

Subject to Condition 6, in the event of a winding-up or administration of the Issuer (whether or not instituted by the Trustee), the Trustee may 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), 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.

(b) *Enforcement*

Without prejudice to Condition 11(a), the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions 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 or the taking of such steps or actions, 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, the Notes or any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one fifth in principal amount of the Notes then outstanding and (b) 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 administration of the Issuer or claim in the liquidation or administration of the Issuer or to prove in such winding-up or administration of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or administration of the Issuer or claim in such liquidation or administration, fails or is unable to do so within 60 days and such failure and/or inability 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.

If the Issuer fails to issue and deliver the Conversion Shares to be issued and delivered on an Automatic Conversion to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, a Noteholder's only right under the Notes against the Issuer for any such failure will be to claim to have such Conversion Shares issued and delivered in accordance with Condition 6.

Provided that the Issuer issues and delivers the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient as contemplated in Condition 6) in accordance with these Conditions, with effect from the Share Delivery Date Noteholders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of the Conversion Shares or the Conversion Shares Offer Consideration to which such Noteholders are entitled.

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 (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register. 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 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

(a) *Discretion to agree to substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to (a) such substitution not being, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders and (b) certain additional conditions set out in the Trust Deed being satisfied, but without the consent of the Noteholders:

- (i) to the substitution of a successor in business (as defined in the Trust Deed) of the Issuer in place of the Issuer or any previous substitute under this Condition 14 as principal debtor under the Trust Deed and the Notes; or
- (ii) if the Issuer is not or ceases to be the Insurance Group Parent Entity, to the substitution of the Insurance Group Parent Entity in place of the Issuer or any previous substitute under this Condition 14 as principal debtor under the Trust Deed and the Notes,

any such substitute, and any substitute pursuant to a Newco Scheme as described below, being a “**Substituted Obligor**”.

Any such substitution shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

(b) *Mandatory substitutions*

If a Newco Scheme occurs, the Issuer may, without the consent of the Noteholders, at its option, procure that (pursuant to the Newco Scheme or otherwise) Newco is substituted under the Notes and the Trust Deed as Issuer in place of the Issuer (or any previous substitute therefor under this Condition 14), and upon such substitution all references to “the Issuer” hereunder will be construed as references to Newco and the obligations of the Issuer (or the relevant previous substitute) as issuer under the Notes and the Trust Deed will, without any further formality (including, without limitation, the execution of any agreement or deed) be terminated.

Subject to the provisions of the Trust Deed, 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 (if any) as may be necessary) to give effect to such substitution.

Any such substitution shall be subject to the Issuer having complied with the Regulatory Clearance Condition.

(c) *Change in law*

In the case of any substitution pursuant to this Condition 14, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed, provided that such change or the substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Notice to Noteholders*

The Issuer will give notice of any substitution pursuant to this Condition 14 to Noteholders in accordance with Condition 13 as soon as reasonably practicable following such substitution.

15. Meetings of Noteholders, Modification, Waiver and Authorisation

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of the Noteholders (including by way of conference call or by use of a videoconference platform) 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 a clear majority 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 falls within the proviso to paragraph 3 of Schedule 3 to 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, 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 75 per cent. in principal amount of the Notes outstanding or consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 75 per cent. 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. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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 required to be made in connection with the substitution or variation of the Notes pursuant to Condition 8(g) or 8(h) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 14 or any amendments to these Conditions and/or the Trust Deed pursuant to Condition 6(e).

(b) *Modification, waiver, authorisation and determination*

Without prejudice to Conditions 6(e), 8(g), 8(h) and 14, 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: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) 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. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 3 of Schedule 3 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 8(g) or 8(h), or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer or upon the substitution of a Newco pursuant to Condition 14 or any amendments to these Conditions and/or the Trust Deed pursuant to Condition 6(e).

(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 subdivision 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 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 pursuant to 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) *Notice to the PRA*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have first satisfied 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 and liability towards the Issuer and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given

circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

Nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Condition 3 or Condition 11) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

(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/or any Substituted Obligor 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 and/or any Substituted Obligor, (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) Reports and certificates

The Trust Deed provides that the Trustee may rely and act upon the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant (including the auditors of the Issuer), surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee may also rely and act upon certificates and/or information addressed to it from, or delivered by, the Issuer, any Substituted Obligor or any one or more Authorised Signatories or any Substituted Obligor or any of their respective auditors, liquidators, administrators or other insolvency officials. The Trustee will not be responsible to anyone for any liability occasioned by so relying and acting. Any such advice, opinion, information or certificate may be sent or obtained by letter, electronic communication or fax and the Trustee shall not be liable for acting in good faith on any advice, opinion, information or certificate purporting to be conveyed by such means even if it contains an error or is not authentic.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 3(d), 5, 6 or 8. Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with the foregoing.

(d) Trustee may refrain from acting

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking

such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

17. Further Issues

The Issuer is not permitted to create and issue further notes that are intended to be consolidated and form a single series with the outstanding Notes.

18. Governing Law and Jurisdiction

(a) 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.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (but this is without prejudice to the rights of the Trustee or the Noteholders to commence Proceedings in any jurisdiction and/or concurrent Proceedings in one or more jurisdictions to the extent permitted by 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

In these Conditions:

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

“**Adjustment Event**” means the occurrence or existence at any relevant time of a subdivision, redesignation, consolidation or reclassification of any ordinary shares of the Issuer or a free distribution or dividend of any ordinary shares of the Issuer to existing holders of ordinary shares by way of bonus, capitalisation or similar issue;

“**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 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 contingencies and subsequent events, all in such manner as the Directors may determine;

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

“Automatic Conversion” means the irrevocable and automatic (without the need for the consent of Noteholders or the Trustee) release by the Noteholders of all of the Issuer's obligations under the Notes including, without limitation, the release of the full principal amount of each Note on a permanent basis in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary on behalf of the Noteholders (or to such other relevant recipient as contemplated in Condition 6) at the then prevailing Conversion Price, the cancellation of all accrued and unpaid interest and any other amounts (if any) arising under or in connection with the Notes and/or the Trust Deed;

“Benchmark Gilt” means, in respect of a Reset Period, such United Kingdom government security customarily used at the time of selection in the pricing of new issues with a similar tenor having an actual or interpolated 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 (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

“Business Day” means (i) except for the purposes of Conditions 2 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, (ii) 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 and (iii) 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;

a **“Capital Disqualification Event”** shall be deemed to have occurred if at any time, as a result of any change to the Relevant Rules (or change to the interpretation of the Relevant Rules by any court or authority entitled to do so) the whole or any part of the principal amount of the Notes is no longer capable of counting as Tier 1 Capital for the purposes of (i) the Issuer on a solo, group or consolidated basis or (ii) the Insurance Group on a group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than a limitation derived from any transitional or grandfathering provisions under the Relevant Rules)²;

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

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

“Conversion Date” means the date specified in the Trigger Event Notice as the date on which the Automatic Conversion has taken place;

“Conversion Price” means £1,000 per Conversion Share, subject to adjustment in accordance with Condition 6;

“Conversion Shares” means the ordinary shares of the Issuer currently with a nominal value £0.00083333 each to be issued on the Share Delivery Date to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions) and following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Notes outstanding immediately

² As at the date of this Offering Memorandum, the Notes do not count as Tier 1 Capital for the purposes of the Issuer on a solo basis as the Issuer currently has no solo Minimum Capital Requirement or solo Solvency Capital Requirement pursuant to the Relevant Rules.

prior to the Automatic Conversion on the Conversion Date by the Conversion Price on the Share Delivery Date rounded down, if necessary, to the nearest whole number of ordinary shares;

“**Conversion Shares Depositary**” means a financial institution, trust company, depositary entity, nominee entity 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 which as a condition of such appointment, will be required to undertake, for the benefit of the Noteholders, to hold the Conversion Shares on behalf of such Noteholders in one or more segregated accounts and, in any event, on terms consistent with these Conditions;

“**Conversion Shares Offer**” has the meaning given to it in Condition 6(c);

“**Conversion Shares Offer Consideration**” means, in respect of each Note and as determined by or on behalf of the Conversion Shares Depositary, (A) save where sub-paragraph (B) below applies, 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 a then prevailing rate of exchange on the last day of the Conversion Shares Offer (less any foreign exchange transaction costs) subject 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 any interest in such Conversion Shares to the Conversion Shares Depositary (or its agent (if any)) as a consequence of the Conversion Shares Offer and (B) if following delivery of the Trigger Event Notice and prior to the commencement of the Conversion Shares Offer, a Noteholder duly gives notice to the Conversion Shares Depositary that it elects to receive the relevant Conversion Shares such that they are not eligible for inclusion in the Conversion Shares Offer, the Conversion Shares attributable to such Note (rounded down, if necessary, to the nearest whole number of Conversion Shares);

“**Current Price**” means, in respect of a Conversion Share, (a) the average of the daily volume weighted average prices of an Ordinary Share on each of the five consecutive dealing days 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 on such 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 the Conversion Shares Depositary or (b) if the ordinary shares of the Issuer are not admitted to trading on the London Stock Exchange's UK regulated market (as defined in the Markets in Financial Instruments Regulation ((EU) No 600/2014) as it forms part of UK domestic law by virtue of the EUWA) or (in the sole determination of the Conversion Shares Depositary) another regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA at such time, the fair market value of such ordinary shares 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 and prevailing interest rates;

“**Directors**” means the directors of the Issuer or a Substituted Obligor (as the case may be) from time to time;

“**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 (where any Substituted Obligor is not a United Kingdom company) the relevant provision under the law of the jurisdiction of incorporation of the Issuer or (in each case) any equivalent or replacement provision;

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

“EUWA” means the European Union (Withdrawal) Act 2018;

“Eligible Conversion Shares” has the meaning given to it in Condition 6(c).

“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 admitted to trading on the London Stock Exchange's UK regulated market (as defined in the Markets in Financial Instruments Regulation ((EU) No 600/2014) as it forms part of UK domestic law by virtue of the EUWA) or such other regularly operating, internationally recognised stock exchange as nominated by the Issuer or Newco;

“Existing Shareholders” has the meaning ascribed to it in the definition of Newco Scheme;

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

“First Reset Date” means 29 January 2027;

“Group Insurance Undertaking” means an insurance undertaking or reinsurance undertaking 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 other independent financial adviser experienced in the international capital markets, in each case 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 Reset 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 all Policyholder Claims of the policyholders or beneficiaries under contracts of insurance of that Group Insurance Undertaking may or will not be met in full;

“Insurance Group” means the Insurance Group Parent Entity and its Subsidiaries;

“Insurance Group Parent Entity” means the Issuer or any Subsidiary or parent company of the Issuer which from time to time constitutes the highest entity in the relevant insurance group for which supervision of group capital resources or solvency is required pursuant to the Regulatory Capital Requirements in force from time to time;³

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

³ As at the date of this Offering Memorandum, the Insurance Group Parent Entity is the Issuer.

“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 29 January and 29 July in each year, commencing on 29 January 2022;

“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 29 July 2021;

“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) a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution and do not provide that the Notes or any amount in respect thereof shall thereby become payable or (B) the substitution in place of the Issuer of a successor in business of the Issuer in accordance with the provisions of Condition 14); or
- (b) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend or other distribution of the assets of the Issuer;

“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;

“London Stock Exchange” means the London Stock Exchange plc;

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

“Margin” means 5.683 per cent.;

“Minimum Capital Requirement” means the Minimum Capital Requirement of the Issuer, the minimum consolidated group Solvency Capital Requirement or other minimum capital requirements relating to the Issuer or the Insurance Group (as applicable) referred to in the Relevant Rules in each case to the extent applicable to the Issuer or the Insurance Group at the relevant time pursuant to the Relevant Rules;

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

“Newco” has the meaning ascribed to it in the definition of Newco Scheme;

“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 (i) 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; (ii) 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, are Existing Shareholders holding in the same proportions as immediately prior to

completion of the Scheme of Arrangement; (iii) 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; (iv) 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 (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) 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;

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

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

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

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

“**PRA**” means the Bank of England acting as the United Kingdom Prudential Regulation Authority through its Prudential Regulation Committee or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer, the Insurance Group and/or the Insurance Group Parent Entity;

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

“**Proceedings**” has the meaning given to it in Condition 18(b);

“**Qualifying Securities**” means securities issued by the Issuer or another entity 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 or independent financial adviser of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank or independent financial adviser and in respect of the matters specified in (b) below) signed by two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue or, as appropriate, variation of the relevant securities);
- (b) (subject to (a) above) shall (1) contain terms which comply with the then current requirements of 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) rank *pari passu* with the ranking of the Notes; (4) preserve the obligations of (including obligations arising from the exercise of any rights of) the Issuer as to redemption of the Notes, including as to the timing of, and amounts payable upon redemption of the Notes and provided that such Qualifying Securities may not be redeemed by the Issuer prior to 29 July 2026 except in circumstances analogous to those referred to in Condition 8(g) or 8(h) of the Notes; (5) contain terms providing for the cancellation and/or suspension of payments of interest or

principal only if such terms are not materially less favourable to an investor than the cancellation and/or suspension provisions, respectively, contained in the terms of the Notes and (6) preserve any existing rights under these Conditions to any accrued interest which has accrued to Noteholders but not been 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 or admitted to trading on the Global Exchange Market of the Irish Stock Exchange plc trading as Euronext Dublin or such other regularly operating, internationally recognised stock exchange in the United Kingdom or the EEA as selected by the Issuer and approved by the Trustee;

“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;

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

“Regulatory Clearance Condition” means, in respect of any proposed act on the part of the Issuer, the PRA having approved, granted permission for, consented to, or provided a non-objection to and having not withdrawn its approval, permission or consent to, such act (in any case only if and to the extent such approval, permission, consent or non-objection is required by the PRA, the Relevant Rules or any other applicable rules of the PRA at the relevant time);

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

“Relevant Date” has the meaning given in Condition 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 Rules” means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applying to the Issuer, the Insurance Group Parent Entity or the Insurance Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) the UK Solvency II Legislation and any legislation, rules or regulations of the PRA 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;

“Reset Date” means the First Reset Date and each fifth anniversary of the First Reset 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 Reset 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 Reference Banks” means five brokers of gilts and/or gilt-edged market makers selected by the Issuer;

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

“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) 0.317 per cent.;

“Scheme of Arrangement” has the meaning ascribed to it in the definition of Newco Scheme;

“Senior Creditors” means creditors of the Issuer:

- (a) who are unsubordinated creditors including all policyholders (if any) or beneficiaries under contracts of insurance of the Issuer (if any);
- (b) whose claims constitute upon issue or would, but for any applicable limitation on the amount of such capital, constitute, Tier 2 Capital or Tier 3 Capital of the Issuer;
- (c) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
- (d) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Notes in a winding-up or administration of the Issuer occurring prior to a Trigger Event;

“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 Depositary in accordance with these Conditions, which date is expected to be no more than fifteen Business Days following the Conversion Date and which will be notified to Noteholders in the Trigger Event Notice;

“Solvency Capital Requirement” means the solvency capital requirement of the Issuer or the group solvency capital requirement of the Insurance Group referred to in the Relevant Rules (howsoever described or defined in the Relevant Rules) or any other solvency capital requirement, group solvency capital requirement or any other equivalent capital requirement relating to the Issuer or the Insurance Group (other than the Minimum Capital

Requirement) howsoever described or defined in the Relevant Rules in each case to the extent applicable to the Issuer or the Insurance Group at the relevant time pursuant to the Relevant Rules;

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

“**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;

“**Substituted Obligor**” has the meaning given in Condition 14(a);

“**successor in business**” has the meaning, with respect to the Issuer, given in the Trust Deed;

a “**Tax Event**” is deemed to have occurred if as a result of a Tax Law Change:

- (a) in making any Interest Payments on the Notes, the Issuer will or would on the next Interest Payment Date be required to pay Additional Amounts; or
- (b) the Issuer is no longer entitled to claim a deduction in respect of any Interest Payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is reduced in the Relevant Jurisdiction; or
- (c) the Notes are prevented from being treated as loan relationships for United Kingdom tax purposes; or
- (d) in respect of an Interest Payment, the Issuer would not to any material extent be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Notes or any similar system or systems having like effect as may from time to time exist); or
- (e) the Notes or any part thereof are treated as a derivative or an embedded derivative for United Kingdom tax purposes; or
- (f) the Issuer would be subject to a tax liability in a Relevant Jurisdiction if a Trigger Event or an Automatic Conversion were to occur; or
- (g) the Issuer suffers or would suffer any other material adverse tax consequence in connection with the Notes in a Relevant Jurisdiction,

and, in any such case the Issuer could not avoid the foregoing by taking measures reasonably available to it;

“**Tax Law Change**” means a change in, or 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 of official or generally published interpretation of such laws, 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, which change or amendment (x) (subject to (y)) becomes effective on or after the Issue Date, or (y) in the case of a change in law, is enacted on or 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 Agent and the PRA, and which shall state with reasonable detail (i) the nature of the relevant Trigger Event, (ii) the basis of its calculation, (iii) the prevailing Conversion Price, (iv) the relevant Conversion Date (which may be a date prior to the date of the Trigger Event Notice), (v) details of the Conversion Shares Depositary, (vi) details of the Conversion Shares Offer (if one is to occur), (vii) details of how to give notices required or permitted by these Conditions to the Conversion Shares Depositary and (viii) the Share Delivery Date or expected Share Delivery Date;

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

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

“UK Solvency II Legislation” means the Commission Delegated Regulation (EU) No. 2015/35 as retained in the United Kingdom, with certain amendments, under EUWA and related legislation, the Solvency 2 Regulations 2015/575 as amended (including by the Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019/407) and the Financial Services and Markets Act 2000 as amended, and any other applicable legislation of the United Kingdom relating to the prudential regulation and supervision of insurance and reinsurance firms and insurance groups, and any legislation modifying, supplementing or replacing any such legislation from time to time, in force and applicable to the Issuer and/or the Insurance Group.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

The following provisions apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions.

1 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative 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 Alternative Clearing System (as the case may be). Such persons 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 the holder of the Global Certificate in respect of each amount so paid.

2 Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of the subsidiaries of the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and shall be duly endorsed (for information purposes only) on the schedule to the Global Certificate.

3 Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made to the registered holder of the Global Certificate. Upon payment of any principal or interest, the amount so paid shall be endorsed by or on behalf of the Registrar on behalf of the Issuer on the schedule to the Global Certificate.

Principal and interest shall be payable in accordance with the Conditions, save that the calculation of interest will be made in respect of the total aggregate principal amount of the Notes represented by this Global Certificate.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent required by the Registrar, to the cash accounts of participants in Euroclear, Clearstream, Luxembourg or any Alternative Clearing System in accordance with the relevant clearing system's rules and procedures.

All payments in respect of the Notes whilst they are represented by the Global Certificate will be made to, or to the order of, the person whose name is entered in the Register at the close of business 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.

4 Meetings

The registered holder of the Global Certificate shall be treated as having one vote in respect of each £1,000 principal amount of Notes represented by the Global Certificate. The Trustee may allow to attend and speak (but not to vote unless such person is a proxy or a representative) at any meeting of Noteholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Notes represented by the Global Certificate on confirmation of entitlement and proof of his identity.

5 Notices

So long as all of the Notes are represented by the Global Certificate and it is held by or on behalf of a clearing system, notices to Noteholders will be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to the relevant clearing system for delivery to entitled accountholders.

Whilst any of the Notes are represented by the Global Certificate, notices to be given by a Noteholder will be given by such Noteholder (where applicable) through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and otherwise in such manner as the Trustee and the relevant clearing system may approve for this purpose.

6 Exchange

Owners of beneficial interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual Certificates if Euroclear, Clearstream, Luxembourg or any Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer will cause sufficient Certificates to be executed and delivered to the Registrar and the Transfer Agent for completion, authentication and despatch to the relevant Noteholders within 14 days following a request therefor by the registered holder of the Global Certificate. A person with an interest in the Notes represented by the Global Certificate must provide the Registrar and the Transfer Agent with (A) a written order containing instructions and other such information as the Issuer, the Transfer Agent and the Registrar may require to complete, execute and deliver such Certificates; and (B) a certificate to the effect that such person is not transferring its interest in the Global Certificate.

7 Transfer

Notes represented by the Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

8 Trustee's Powers

In considering the interests of Noteholders, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (A) have regard to such information as may have been made available to it by or on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Notes and (B) consider such interests on the basis that such accountholders were the holders of the Notes represented by the Global Certificate.

9 Enforcement

For the purposes of enforcement of the provisions of the Trust Deed, the persons named in a certificate of the holder of the Notes represented by the Global Certificate shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

10 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, then:

- (a) 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**” as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting which is a special quorum resolution), 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. The Principal Paying Agent shall confirm the result of voting on any Electronic Consent in writing to the Issuer and the Trustee (in a form satisfactory to the Trustee) (which confirmation may be given by email), specifying (as of the deadline for the Electronic Consent): (i) the outstanding principal amount of the Notes and (ii) the outstanding principal amount of the Notes in respect of which consent to the resolution has been given in accordance with this provision. The Issuer and the Trustee may rely and act without further enquiry on any such confirmation from the Principal Paying Agent and shall have no liability or responsibility to anyone as a result of such reliance or action. The Trustee shall not be bound to act on any Electronic Consent in the absence of such a confirmation from the Principal Paying Agent in a form satisfactory to it; and
- (b) 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 has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any Alternative 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.

DESCRIPTION OF THE ISSUER

1. Introduction

The Issuer was incorporated and registered in England and Wales on 3 November 2009 under the Companies Act as a private company limited by shares with the name Yellow Buyer Limited and was registered under number 07064312. On 15 February 2010, the Issuer changed its name to esure Group Holdings Limited. On 26 February 2013, the Issuer was re-registered as a public limited company and changed its name to esure Group plc.

The principal legislation under which the Issuer operates is the Companies Act, FSMA and the rules, regulations and guidance made thereunder, including (but not limited to) the rules and guidance contained in the PRA and FCA Handbooks and the PRA Rulebook (for further detail, please see “*Regulatory Overview*”).

The head office and registered office of the Issuer is The Observatory, Castlefield Road, Reigate, Surrey RH2 0SG. The telephone number is +44 (0)173 722 2222.

The Group is an efficient, customer-focused personal lines insurer, founded in 2000 and focused on delivering motor and home insurance products to over 2.1 million United Kingdom (“UK”) personal customers. The Group is one of the UK’s leading providers of motor and home insurance products through the *esure*, *Sheilas’ Wheels* and *First Alternative* brands.

The table below provides certain information with respect to the Group as at and for each of the years ended 31 December 2019 and 31 December 2020:

	FY 2020	FY 2019
Gross written premiums (£ million)	841.0	834.5
In-force policies (thousands) ⁴	2,453	2,380
Trading profit (£ million) ⁵	82.6	57.7
Profit before tax (£ million)	34.2	3.3
Dividend per share (pence)	0.012	Nil
Solvency II Ratio (per cent.)	164	149

The Group’s business is presented in two reportable segments: Motor and Home. The Group also provide additional insurance products underwritten by the Group and related non-underwritten additional services, including travel insurance.

Motor

The Group’s principal underwriting business is the sale of motor insurance policies in the UK, and motor underwriting makes up 88 per cent. of the Group’s premium income. Policies are sold primarily under the Group’s strong and widely recognised “*esure*” and “*Sheilas’ Wheels*” brands, and distributed through a wide range of retail channels, i.e. direct phone, direct website and in particular via the four principal UK price comparison websites.

The Group has historically taken a conservative approach to insurance underwriting targeting customers with a statistically low underwriting risk profile and placing a strong emphasis on measures to monitor the underwriting risk exposure and overall risk profile of the Group’s in-force policy books. In recent years, cautious expansion of the underwriting footprint has been undertaken using internal and external data sources and sophisticated modelling techniques. Extensive management information is examined and tracked by the Group’s management team and this analysis underpins a highly focused and disciplined approach to underwriting, pricing and decision

⁴ In-force policies constitutes an alternative performance measure (“APM”).

⁵ Trading profit constitutes an APM.

making. The Group's average premium per policy for motor insurance was below the market average, at £399 per policy.⁶

This segment incorporates the revenues and expenses directly attributable to the Group's motor insurance underwriting activities inclusive of additional insurance products underwritten by the Group and related non-underwritten additional services.

For the year ended 31 December 2020, trading profit for the business segment was £91.4 million and gross written premiums were £737.1 million. Contribution from additional services revenue was £80.0 million.⁷

Home

The Group has offered home insurance since September 2001 (shortly after the launch of the motor insurance business) and is a key part of the Group's strategy to place a greater focus on diversifying beyond motor insurance. The development of the Group's home insurance business has increased in part due to the significant growth of price comparison websites as a distribution channel for home insurance policies, together with the Group's own focus on the price comparison website channel. Home underwriting makes up 12 per cent. of the Group's premium income.

The Group targets home market segments with a statistically low underwriting risk profile, seeking to minimise exposure to avoid flood, subsidence and storm risks. The Group's average premium per policy for home insurance was below the market average, at £184 per policy.⁸

The Group has also developed a specific range of home additional insurance products to supplement the core home insurance cover provided by its home insurance policies, including home emergency cover. As with its motor insurance business, the Group also generates revenues from the provision of other additional services to its home insurance policyholders, including via income from interest on policies that pay by instalments, and administration and cancellation fees.

For the year ended 31 December 2020, trading loss for the business segment was £8.8 million, and gross written premiums were £103.9 million. Contribution from additional services revenue was £10.9 million.

History

The Group was founded in 2000 with financial backing from Halifax plc (which became part of HBOS Group in 2001). In July 2001, the Group launched the *esure* brand, which focused on low risk customers (such as those with at least four years' "no claims discount") who were targeted through a dual focus on direct internet and telephone sales. The Group's *esure*-branded home insurance offering was also launched in September 2001.

The Sheilas' Wheels brand was launched in 2005 through its well-recognised commercials featuring three pink-clad singers and the "Sheilamobile". Sheilas' Wheels-branded home insurance was subsequently launched in 2008.

The Group started to distribute its products through confused.com and moneysupermarket.com from 2006 onwards, and made a strategic investment in gocompare.com in March 2015. In November 2016, Gocompare.com demerged from the Group and listed separately on the London Stock Exchange.

⁶ **Premium per policy** for the motor segment is calculated as the FY 2020 gross written premiums (£737.1 million) divided by an average of FY 2019 and FY 2020 in-force policies (1.846 million). Market average data is sourced from "ABI Quarterly Motor Premiums".

⁷ **Additional services revenue** means instalment interest income plus other income, less other operating expenses.

⁸ **Premium per policy** for the motor segment is calculated as the FY 2020 gross written premiums (£103.9 million) divided by an average of FY 2019 and FY 2020 in-force policies (0.565 million). Market average data is sourced from "ABI Home Property Income and Outgoings and Quarterly Premiums".

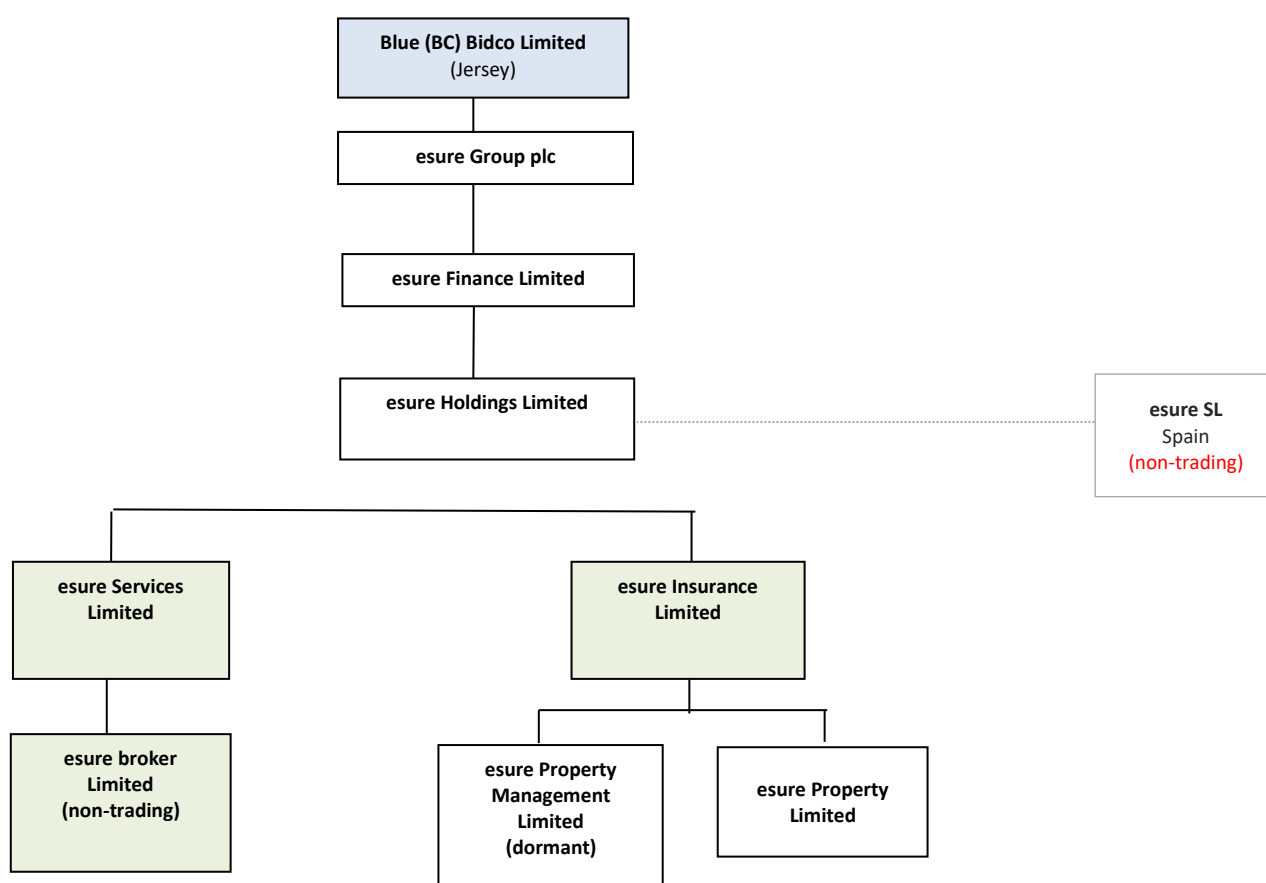
HBOS Group (which itself became part of Lloyds Banking Group in January 2009) continued to own 70 per cent. of the Group until February 2010, when a management team led by Sir Peter Wood, together with an outside investor (Tosca Penta Investments LP), acquired the Group through a Management Buy-out. On 27 March 2013, the Issuer was listed on the London Stock Exchange, and in 2014 the Group entered into a joint venture with the law firm, Irwin Mitchell, to offer a range of legal services to customers.

In December 2018, the Group was acquired by Blue (BC) Bidco Limited for £1.2 billion, a wholly owned subsidiary of funds advised by Bain Capital Private Equity.

2. Organisational Structure of the Group

The Issuer is the holding company of the Group. Included within the Group's assets are its investments in Group companies. Its income and profits principally derive from subsidiary companies in the form of dividends.

The following table shows the Group structure including all operating companies. All ownerships shown are 100%:



3. Motor insurance

Under the Road Traffic Act 1988, it is a criminal offence to drive a car for personal purposes on public roads in the UK without having insurance to cover legal liabilities for injuries to others and damage to third party property. Despite the relatively limited statutory requirement of “third party liability” insurance, the vast majority of private drivers in the UK opt for comprehensive cover.

The performance of the UK private motor insurance market as a whole has tended to fluctuate in cyclical patterns characterised by periods of significant competition in pricing and underwriting terms followed by periods of lessened competition and increasing premium rates. In 2020, motor vehicle insurance premiums fell in the UK as

shop closures and lockdowns introduced as a result of the COVID-19 pandemic reduced the use of cars with a reduction in miles driven and, as a consequence, the numbers of accidents generating insurance claims.

In the UK, private motor insurance products are marketed and distributed to the public either directly or through some form of intermediary. The internet is one of the most important distribution channels for private motor insurance, in particular as a result of the growth of price comparison websites. The relatively commoditised nature of motor insurance products make them well suited to internet sales and the speed of the process, ease of usage and competitive pricing make using the internet and, in particular, price comparison websites, attractive to customers, with an estimated 81 per cent. of motor insurance customers in the market gained through price comparison websites in 2020⁹.

The motor insurance market and its market participants are overseen and supervised by various regulatory bodies (predominantly the FCA, the PRA and the CMA). Further information on the regulatory regime applicable to the Group can be found in the section entitled “*Regulatory Overview*”.

4. Home insurance

Historically, home insurance customers have been less price conscious and less likely to change their insurance provider than personal motor insurance customers. However, in recent years, there has been greater consumer awareness of the availability of, and value benefits on offer from, alternative providers of home insurance and increased distribution of home insurance products through price comparison websites (with an estimated 63 per cent. of home insurance customers in the market gained through price comparison websites in 2020).¹⁰

Home insurance performance has not typically experienced similar cyclicalities as motor insurance. Instead, profitability is more correlated with the occurrence of severe weather events which are unpredictable. Premium rates are set with an expectation of a certain level of weather-related claims, but claims costs will tend to be higher when severe weather occurs. The UK experienced several severe weather events in 2020 and subsidence following a dry spring, reflected in the Group’s underwriting loss of £21.3 million in 2020 compared to a loss of £8.2 million in 2019.¹¹

The home insurance market and its market participants are overseen and monitored by various regulatory bodies (predominantly the FCA, the PRA and the CMA). Further information on the regulatory regime applicable to the Group can be found in the section entitled “*Regulatory Overview*”.

5. Competitive Strengths

The Group has a number of key strengths which underpin the Group’s core motor and home underwriting businesses.

5.1 Group

Focussed Business Model

The Group’s business is underpinned by a focussed and efficient business model, together with a strong level of expertise in its senior management team.

Experienced management team

The Group has a strong senior management team with experience from both the insurance sector and other consumer and digital businesses. The senior management team is supported by its Board, which is led by Andy

⁹ Source: ABI 2020 data.

¹⁰ Source: ABI 2020 data.

¹¹ **Underwriting loss** means a net earned premium less net incurred claims less claims handling costs less insurance expenses.

Haste, the Group's Chairman, who has over 35 years' experience in financial services. David McMillan, the Group's Chief Executive Officer, has over 19 years' experience in the UK insurance industry, and Peter Bole, the Group's Chief Financial Officer has over 20 years' experience in finance leadership roles within the Banking and Insurance sectors.

Innovation and technology

The Group is establishing a modern and modular technology platform to introduce new functionality, event-based architecture, simple configuration and cost-effectiveness. The Group also takes an innovative and entrepreneurial approach to take advantage of changes to market dynamics and customer behaviours. Examples of this include implementing new revenue growth strategies to diversify its revenue streams and manage the Group's exposure to market cyclicality of the motor insurance sector, including targeted growth of home insurance underwriting business. The Group also makes investments in research and development in a number of customer focused additional insurance products to enhance the Group's core motor and home insurance products and meet customer needs.

Strong and widely recognised brands

The *esure* and *Sheilas' Wheels* brands are well established personal lines brands in the UK. The *esure* brand was launched in 2001 and became one of the UK's fastest growing motor insurance brands through its iconic "Calm Down Dear" advertising campaigns and its focus on offering cheaper premiums to customers with higher accumulated "no claims discounts". The *Sheilas' Wheels* brand was launched in 2005 and was initially aimed at female policyholders.

Strong financial and capital position

The Group's financial position reflects a prudent reserving policy, a conservative investment portfolio and capital in excess of the minimum regulatory requirement.

In addition, the Group meets the requirements of the Solvency II regime Directive (2009/138/EC) ("**Solvency II**") as amended, which sets out a prudential framework for the regulation and supervision of insurance companies, and is described further in the section entitled "*Regulatory Overview*").

6. Business Model and Strategy

The business model and strategy are designed to deliver sustainable value over the long term. The objective is to build and safeguard value for stakeholders; to develop strong relationships with customers, suppliers and staff; and to promote and protect the reputation of the Group. The Group's "Game Changer" strategy, as described further below, comprises two main initiatives to deliver best practise insurance fundamentals and build a pre-eminent pure-play digital insurer. These objectives are delivered through a customer-focused business model and promoted via a strategy of disciplined underwriting, targeted growth and continued diversification of our income streams. This strategy is bolstered by a number of strengths including prudent reserving, efficient business processes and innovative development.

6.1 Business Model

The Group provides motor and home insurance products and services to mainland UK customers through two core brands – *esure* and *Sheilas' Wheels*. The business model has been developed and enhanced over the past 20 years and includes:

Customer focus

Customers are at the heart of the business model. The Group attracts and retains them with products sold effectively and compliantly through strong brands at competitive prices. The Group then seeks to service its customers with integrity and fairness throughout their relationship with the Group.

The Group recognises the increasing desire from customers to engage digitally and has delivered new digital customer journeys such as live chat and online policy adjustments during the course of 2020. The Group received more than half a million logins per month into customers' 'My Account' and had over 1.5 million customers interacting with its chatbot.

Technology

In 2020, the Group began establishing a modern and modular technology platform to introduce new functionality, event-based architecture, simple configuration and cost effectiveness.

Pricing and underwriting

The depth of the Group's pricing analytics, underwriting and statistical capability allow it to deliver value to customers while ensuring effective understanding, pricing and management of underwriting risk. A diversified suite of additional insurance products and services provide further opportunities to deliver profitable product and service to customers, in addition to the Group's sophisticated modelling techniques. During 2020 the Group continued to add new data sources and build new algorithms, which improve pricing accuracy and enabled it to quote for, and service, new segments of the market.

Claims

The Group's claims team is responsible for supporting the Group's customers at their time of need, handling over 250,000 claims per year. The team delivers strong net promoter scores¹² (FY 2020: 56; FY 2019: 54), and top quartile benchmarking on cost control and aims to lead the market on counter fraud capability. Delivery is through a combination of qualified and experienced specialists using data and analytics, working in partnership with specialist suppliers to seek to deliver strong and fair customer outcomes.

Culture

The Group works hard to encourage and promote the highest standards of professionalism and customer service which is embedded into its culture for the benefit of all of its customers.

It recognises that it is its people who make the Group a success and it strives to provide a rewarding place to work. The Group invests time in training staff and encouraging them to support and serve customers accordingly. The Group currently has an employee net promoter ("ENPS") score of 30, which is above the ENPS benchmark of 17.

6.2 Strategy

The Group's "Game Changer" strategy has four key pillars:

1. Magnetic Value: attracting new customer and serving them with propositions and experiences that provide lasting value;
2. Unbeatable Platform: building a platform to allow the Group to deliver a personalised service at low cost;

¹² **Net Promoter Score** is an index that measures the willingness of customers to recommend products or services to others. Out of a theoretical sample of 100 customers, the score represents the number of "promoters" less the number of "detractors".

3. Data Magic: building the Group's data science capability, generating powerful insights and enable a smarter service; and
4. Driving Good: starting with driving, making life greener and safer by leveraging the Group's expertise and scale

The "Game Changer" strategy also encompasses two main programmes:

1. the "Brilliant Basics" programme, which is dedicated to the continuous improvement of best practice insurance fundamentals across pricing, underwriting, claims, and customer service; and
2. the "Blueprint" programme, which was launched in late 2020 in order to build the pre-eminent "pure-play" digital insurer in the UK market, with the aim of improving the Group's cost-efficiency.

The Group expects to incur a heightened level of non-trading investment spend while the Blueprint programme is being implemented.

Focus on underwriting performance

The Group prices products for technical risk which, combined with its efficiency in running the business, translates as "competitive pricing" within its target markets and intends to deliver a positive contribution to the Group.

Underwriting discipline is founded on:

- A highly experienced insurance underwriting team, deep analytical capability, extensive data and advanced modelling tools and techniques;
- The active monitoring and management of underwriting risk exposure;
- Continued data development and enrichment; and
- Tight risk control at policy inception and renewal, including:
 - anti-fraud measures in the Group's sales, policy management and claims functions;
 - active management of segment exposure; and
 - efficient claims management.

Underwriting performance is a key driver of the Group's capital requirements, and its control is therefore a key foundation for delivering value.

Targeted growth

The number of licensed cars for use on the roads in the UK was approximately 38.6 million at the end of 2020,¹³ and the Group insured approximately 5.8 per cent. of the market and was ranked seventh in the market¹⁴ In 2020, the Group had a market share of approximately 1.7 per cent. of the home insurance market,¹⁵ and was ranked ninth in the market.¹⁶

The Group seeks to acquire and retain customers via excellent customer service, keen pricing and its strong brands.

¹³ Source: ABI 2020 data.

¹⁴ Sources: ABI 2020 data.

¹⁵ Source: ABI 2020 data. Market share is a combination of ABI Quarterly Motor Premiums and ABI Home Property Income and Outgoings and Quarterly Premiums.

¹⁶ Source: ABI 2020 data.

The Group pursues targeted growth within market segments where it sees the opportunity for profitable expansion.

Environmental, Social and Governance Matters (“ESG”)

The Group implemented an ESG policy in 2020, which among other things:

- ensures ESG factors are considered in all strategic decisions to ensure the sustainability of the Group’s business model;
- promotes clear and transparent ESG reporting;
- monitors ESG factors in the Group’s risk appetite statements to ensure appropriate risk management of ESG factors; and
- links remuneration to ESG factors to ensure accountability.

The Group has invested in a range of programmes for its people, including apprenticeship opportunities and talent programmes. The Group is also a supporter of several charities whose work directly impacts the insurance industry, including AutoRaise, a charity that helps develop talent and reverse the skills shortage within the vehicle repair industry. The Group incorporated its “Driving Good” initiative as part of its business strategy, and is taking steps to explore how to minimise its impact on the environment, for example, a pilot scheme to use recycled auto parts to repair customers’ vehicles. The Group is also installing electric car charging points at the car parks that service the Group’s offices.

7. The Group’s business

The table below provides certain information with respect to the Group as at and for each of the years ended 31 December 2019 and 31 December 2020:

	FY 2020	FY 2019
Underwriting profit including instalment income (£ million) ¹⁷	32.7	12.6
Adjusted post-tax profit (£ million) ¹⁸	60.2	41.7
Adjusted return on equity (“ROE”) (per cent.) ¹⁹	21.8	16.1

Motor

	FY 2020	FY 2019
Gross written premiums (£ million)	737.1	736.4
Trading profit (£ million).....	91.4	54.4
In-force policies (thousands)	1,868	1,823

The Group’s principal underwriting business is the sale of motor insurance policies in the UK. Policies are sold primarily under the Group’s strong and widely recognised “*esure*” and “*Sheilas’ Wheels*” brands, and distributed through a wide range of retail channels.

¹⁷ *Underwriting profit including instalment income* is calculated as the net earned premium (FY 2020: £521.5m; FY 2019: £685.3m) plus instalment income (FY 2020: £55.6m; FY 2019: £56.1m) less net incurred claims (FY 2020: £379.7m; FY 2019: £550.1m), claims handling costs (FY 2020: £30.0m; FY 2019: £31.3m) and insurance expenses (FY 2020: £134.7m; FY 2019: £147.4m). This constitutes an APM.

¹⁸ *Adjusted post-tax profit* is calculated as statutory post-tax profit (FY 2020: £29.0 million; FY 2019: £5.6 million), adjusted for non-trading expenses (FY20: £38.5 million; FY 2019: £44.6 million), net of tax at 19 per cent. This constitutes an APM.

¹⁹ *Adjusted return on equity* is calculated as the adjusted post-tax profit (FY 2020: £60.2m; FY 2019: £41.7m) as a percentage of the average of the opening and closing shareholders equity (2020: £275.9m; 2019: £259.3m). This constitutes an APM.

The Group takes a conservative approach to insurance underwriting. It targets customers with a statistically low underwriting risk profile and places a strong emphasis on measures to monitor the underwriting risk exposure and overall risk profile of the Group's in-force policy books.

The Group also generates revenues through the provision of additional services alongside the core motor insurance policy itself, including, for example, breakdown cover.

Home

	FY 2020	FY 2019
Gross written premiums (£ million).....	103.9	98.1
Trading profit (£ million).....	(8.8)	3.3
In-force policies (thousands).....	573	557

The Group has offered home insurance since September 2001 (shortly after the launch of the motor insurance business and is a key part of the Group's strategy to place a greater focus on diversifying beyond motor insurance. The growth of the Group's home insurance business has increased in part due to the significant growth in recent years of price comparison websites as a distribution channel for home insurance policies, together with the Group's own focus on (and experience in) the price comparison website channel.

The Group has historically taken a conservative approach to insurance underwriting, targeting customers with a statistically low underwriting risk profile and placing a strong emphasis on measures to monitor the underwriting risk exposure and overall risk profile of the Group's in-force policy books. In recent years, cautious expansion of the underwriting footprint has been undertaken using internal and external data sources and sophisticated modelling techniques. Extensive management information is examined and tracked by the Group's management team and this analysis underpins a highly focused and disciplined approach to underwriting, pricing and decision making.

Investment income

The Group derives income from its investment portfolio. The Group deploys a conservative investment strategy with the primary objective of capital preservation, and held 84 per cent. of its investments bearing credit risk and cash and cash equivalents in funds rated "A" and above as at 31 December 2020.

The Group has total investments of £1.2 billion, which are allocated as follows:

Asset	FY 2020 (per cent.)
Government bonds.....	34
Corporate bonds ²⁰	33
Deposits with credit institutions	22
Equities.....	7
Cash.....	4
Derivatives.....	0

Of the Group's total investment portfolio, £1.1 billion is invested in assets that are exposed to credit risk or are cash and cash equivalents. The credit ratings of these assets are as follows:

Rating	FY 2020 (per cent.)
AAA.....	45
AA.....	27

²⁰ The corporate bonds allocation also includes corporate bonds included within the Group's collective investment undertakings.

A.....	13
BBB.....	8
Below BBB / Not Rated	7

The Group's trading profit from its investment portfolio was £14.6 million as at 31 December 2020 (2019: £22.0 million).

8. Financial Information

8.1 Summary Financial Information

Group results for the period ended 31 December 2020:

- Profit before tax up 936 per cent. to £34.2 million (FY 2019: £3.3 million). The Group's increase in profit before tax reflects lower accident numbers due to nationwide lockdowns during 2020 as a result of the COVID-19 pandemic.
- In-force policies up 3 per cent. to 2.453 million (FY 2019: 2.380 million).
- Gross written premiums grew 0.8 per cent. to £841.0 million (FY 2019: £834.5 million).
- Combined operating ratio decreased 1.9 percentage points to 104.4 per cent. (FY 2019: 106.3 per cent.).
- A dividend of 0.012 pence per share was recommended (FY 2019: dividend nil).
- Underwriting profit including instalment income increased 159.5 per cent. to £32.7 million (FY 2019: £12.6 million).
- Adjusted post-tax profit increased 44.2 per cent to £60.2 million (FY 2019: £41.7 million).
- The Group's adjusted ROE up 5.7 per cent to 21.8 per cent (FY 2019: 16.1 per cent).
- Non-underwritten revenue streams totalled £105.5 million (FY 2019: £101.2 million).²¹

8.2 Investments and Cash

Investment strategy

The Group deploys a conservative investment strategy with the primary objective of capital preservation.

The Group's Financial Risk Committee, chaired by the Chief Financial Officer, performs regular reviews of the strategy and the strategic asset allocations to ensure that it remains appropriate. Oversight of the Investment Strategy is undertaken by the Board Risk Committee which is chaired by an Independent Non-Executive Director.

Investment and Cash Analysis

Investment holdings as at:

²¹ *Non-underwritten revenue streams* are calculated as the sum of instalment income (FY 2020: £55.6 million; FY 2019: £56.1 million), other income (FY 2020: £51.9 million; FY 2019: £49.8 million), investment income (FY 2020: £14.6 million; FY 2019: £22.0 million), and non-insurance expenses (FY 2020: £(16.6) million; FY 2019: £(26.7) million). The main components of other income include: brokerage and commission income (FY 2020: £12.0m; FY 2019 £13.8m); claims and related income (FY 2020: £6.4m; FY 2019: £9.2m); profit commission from reinsurers (FY 2020: £12.3m; FY 2019 £1.2m); and policy administration fees and other income (FY 2020: £21.2m; FY 2019: £25.6m). This constitutes an APM.

	<u>As at 31 Dec 20120</u>	<u>As at 31 Dec 2019</u>
	£ million	£ million
Financial investments designated at Fair Value through Profit or Loss (“FVTPL”)		
Shares and other variable-yield securities and units in unit trusts.....	74.3	70.4
Debt securities and other fixed income securities	132.7	143.7
Deposits with credit institutions.....	261.2	200
Financial investments held for trading		
Derivative financial instruments	4.5	4.6
Financial investments at FVTPL	472.7	418.7
AFS financial assets		
Debt securities and other fixed income securities.....	658.5	632.1
Shares in unquoted equity investments	4.4	8.2
Loans and receivables		
Insurance and other receivables	258.7	265.5
Cash and cash equivalents.....	45.3	24.4
Total financial assets	1,439.6	1,348.9
<i>Cash flow</i>		

	<u>FY 2020</u>	<u>FY 2019</u>
	£ million	£ million
Profit after tax	29.0	5.6
Net cash generated from:		
Operating activities.....	54.2	0.3
Investing activities.....	(16.8)	(15.1)
Financing activities.....	(16.5)	(11.6)
Net increase/(decrease) in cash and cash equivalents	20.9	(26.4)
Cash and cash equivalents at the end of the period	45.3	24.4

8.3 Capital

Capital Management

The Group maintains a capital structure consistent with the Group’s risk profile and the regulatory and market requirements applicable to its business.

The Group’s objectives in managing capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support business growth;

- to satisfy its obligations to policyholders and applicable regulatory requirements; and
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

The Group's capital resources consist solely of items that are eligible to be treated as capital for regulatory purposes.

Solvency

The Group's Solvency II ratio was 164 per cent. at 31 December 2020 (2019: 149 per cent.).²² The Group's eligible own funds at 31 December 2020 were £383.3 million (2019: £360.7 million). The increase is largely driven by profits in the period. The Solvency Capital Requirement has decreased to £233.1 million (2019: £242.2 million), due to the Group's use of reinsurance and a higher level of quota share reinsurance used throughout the year.

	FY 2020	FY 2019
Own funds (£ million)	383.3	360.7
Tier 1 (£ million)	266.7	239.6
Tier 2 (£ million)	116.6	121.1
Solvency Capital Requirement (£ million)	233.1	242.2
Solvency II Ratio (per cent.)	164	149

The Group uses a variety of metrics to monitor its capital position, including Solvency II ratio, a measure which compares the Group's own funds to its regulatory solvency capital requirement. Own funds consist of Tier 1 capital, which is driven by shareholder's funds and Tier 2 capital, which is driven by subordinated debt. From time to time, the Group's own funds may benefit from a profit commission receivable under the Group's quota share contracts with third parties. As at 31 December 2020, the Group's own funds included a profit commission related to reinsurance contracts which was £15.8 million (2019: £1.8 million).²³

As at 31 December 2020, the Group's Solvency II Ratio was 164 per cent. Had the Notes been issued prior to 31 December 2020, the Solvency II Ratio would have been 193 per cent.

9. Pricing

The pricing of premiums for new and renewal business is overseen by a multi-disciplinary pricing team, which monitors premium levels, the risk mix and loss ratios of the Group's in-force books, new and renewal business volumes, and market and general business trends.

Pricing levels are determined based on a wide range of data, both internal and external, which is analysed through the Group's internally developed risk and pricing models. The output of this analysis is used by the pricing team to make judgements regarding the risk weighting of the various factors within the rating algorithms that are ultimately used to generate premium quotes. The data used is continually refined and adapted to meet changing business needs and market trends.

²² **Solvency II Ratio** means total own funds as a percentage of the Solvency Capital Requirement.

²³ Own funds are as stated in Group's Solvency II balance sheet.

A key part of the pricing process is the constant review of modelled and actual outcomes of business written (new and renewal), both at rating factor level and at segmental level. Regular updates of risk and pricing models and rating relativities are undertaken to ensure that the pricing team has an up-to date view of risk. This enables the pricing team to quickly identify opportunities and potential issues. The Group has a rating engine that enables changes to be made to the rating algorithm on a daily basis, when required. This enables the pricing team to reduce the time to market of pricing changes, and is currently being updated to take account of the FCA Market Study (see “*Regulatory Overview*” below).

10. Claims Management

The Group employs strategies to ensure the correct claims are paid in a timely manner, including:

- delivering top quartile benchmarking on cost control;
- a combination of qualified and experienced specialists who use data and analytics and work in partnership with specialist suppliers to seek to deliver strong and fair customer outcomes;
- a network of motor repairers and dedicated teams offering services to “not at fault” third parties to control credit hire cost and legal fees; and
- anti-fraud strategies to check fraudulent claims and new business applications.

11. Reserving

The Group holds claims reserves, to cover the future cost of settling claims that have occurred prior to and at the balance sheet date, whether already known to the Group or not yet reported, net of associated reinsurance recoveries. The Group’s reserves are assessed by an internal actuarial function and independently benchmarked by an external third party.

The ultimate costs and expenses of the claims for which these reserves are held are subject to a number of material uncertainties. As time passes between the reporting of a claim and the final settlement of the claim, circumstances can change that may require established reserves to be adjusted either upwards or downwards. Factors such as changes in the legal environment, results of litigation, propensity of personal injury claims, changes in medical and care costs, and costs of vehicle and home repairs can all substantially impact overall costs and expenses of claims, and cause a material divergence from the bases and assumptions on which the reserves were calculated. These factors can cause actual developments to vary materially from the projections and assumptions on which the Group’s technical reserves were calculated. The impact of the COVID-19 pandemic has been unprecedented and there has therefore inevitably been an increase in the level of uncertainty around the reserve held for that accident year.

Given this uncertainty, the Group looks to maintain a consistent and prudent reserving philosophy and the Group’s policy is to hold sufficient provisions, including those to cover claims which have been Incurred But Not Reported (“**IBNR**”) to meet all liabilities and pay these as they fall due, with an appropriate margin over projected ultimate claims costs.

12. Reinsurance

The Group purchases reinsurance as a risk transfer mechanism to mitigate risks that are outside the Group’s appetite for individual claim or event exposure and to reduce the volatility caused by large individual and accumulation losses. By doing so, the Group protects its capital and the underwriting result of each line of business.

The Group has in place non-proportional excess of loss reinsurance programmes for its Motor and Home underwriting activities. The purpose of these programmes is to provide cover for both individual large losses for Motor and accumulation losses arising from natural and other catastrophe events for Home. Motor and Home reinsurance treaties are in place covering all years in which the Group has underwritten policies.

In 2019, the Group introduced new reinsurance arrangements to enhance capital availability, including the use of the LPT and a quota share agreement. These arrangements still remain in place, with new annual quota share arrangements entered into for 2020 and 2021. The quota share arrangements are beneficial for the Group's ROE, as the Group retains 100 per cent. of higher margin non-underwritten revenue streams. The LPT relates to a number of accident years and has protected 85 per cent. of the Group's liabilities prior to the half year ending 30 June 2019. The LPT is not considered to be part of the trading activities of the Group. The Group's current quota share agreement accounts for 40 per cent. of business in each of the Group's Motor and Home segments for 2021, and has reduced the Group's overall capital requirement. The Group also has an excess of loss programme to protect against downside risk, which (for 2021) includes deductibles of £1 million for the Group's motor segment and 10 per cent of gross written premiums for the home segment. The motor excess of loss programme covers risks attaching during the twelve month period from January 2021 to December 2021, and is unlimited, and the home programme, which covers losses during the twelve month period from July 2021 to June 2022, has a limit of 200 per cent of gross written premiums in the Group's home segment. The home programme retention is the equivalent of a one-in-five year event. Both programmes are 100 per cent. placed, meaning there are no gaps in cover.

The Group's reinsurance programmes are reviewed on an annual basis and capital modelling is used to identify the most appropriate structure and risk retention profile, taking into account the Group's business objective of minimising volatility and the prevailing cost and availability of reinsurance in the market.

Counterparty credit risk is a key consideration when the Group enters into reinsurance treaties, with a risk appetite that no more than 20 per cent. of the programme is below the credit rating of A- and there are internal policies on the level of ceded premium by credit rating, and also for reinsurers in the same corporate group or otherwise linked.

The credit ratings of the Group's reinsurers are actively monitored for any deterioration in outlook or rating, and the Group has the option of removing a reinsurer from its property catastrophe reinsurance treaties if their credit rating falls below the minimum requirement.

13. Risk Management

The Group's board of directors (the "**Board**") is responsible for prudent oversight of the Group, ensuring that it is conducted in accordance with sound business principles and within applicable law and regulation. The Board is responsible for agreeing the strategic risk statements and setting the risk appetite for the Group's business. It ensures that an appropriate framework of identification, measurement, control and acceptance of risks is in place.

The Group's risk management framework and Own Risk & Solvency Assessment ("**ORSA**") processes are proportionate to the risks that the business faces. The risk strategy, appetite and framework are articulated in a suite of policies covering material risks within the business. Each of these policies is subject to annual review and approval.

The Group's risk management strategy integrates risk assessment and evaluation into the Group's business operations, planning and capital management. The risk appetite statements are aligned to the Group's current strategy and business model and form a key element of the Group's business monitoring, planning and strategic decision making.

Risk Governance

In accordance with recognised good practice, the Group operates a “three lines of defence” governance framework, with the operational business area in the first line, responsible for day- to-day management of risks and controls. The risk management function and an associated regulatory risk and compliance function sit in the second line, responsible for the maintenance of the risk management framework, for the independent oversight and challenge of the Group’s business’ assessment and reporting of risk exposures within that framework and for independent and objective reporting of risk exposures. The third line is provided by an independent internal audit function. The Group’s risk governance is overseen by a Risk function headed by the Chief Risk Officer, a member of the Group Executive Team reporting to the Chief Executive Officer, with independence assured through direct and separate access to the Chair of the Risk Committee.

The Group has a number of committees which address specific aspects of prudent management:

- the Audit Committee: responsible for review of the effectiveness of the Group’s internal controls and of the assurance processes, based on reports from functions which are themselves independent: Internal Audit, Risk Management and Compliance;
- the Remuneration Committee: responsible for determining the terms and conditions of employment, remuneration and benefits of each of the Chairman, executive directors, senior executives and other members of the executive (senior management);
- the Risk Committee: responsible for oversight of the Group’s risk and control management framework, including the composition and performance of the risk management function and of adherence to the Board’s stated risk strategy and appetite.

The risk strategy, framework and appetite are articulated in a suite of policies covering all risk types and supported by detailed procedural documents. Each of these documents is subject to annual review and approval by the Board.

The senior management of the Group are responsible for the day-to-day management of the business operations of the Group and for ensuring that the risk and control strategy, framework and culture are understood and observed at every level of the organisation.

The Group also has:

- a performance committee chaired by the Chief Executive Officer, charged with monitoring the key performance indicators affecting pricing and profitability of the Group;
- a financial risk committee, chaired by the Chief Financial Officer, charged with oversight of the capital and financial risks including regular reviews of the investments strategy and the strategic asset allocations to ensure that it remains appropriate, reviewing existing and proposed reinsurance arrangements and monitoring financial risks that the Group is exposed to; and
- a reserving committee, chaired by the Chief Financial Officer, which provides oversight of the internal and external reserving process, and recommends reserve levels and reserving policy to the Group’s Audit Committee.

Risk reporting

The risk management framework is designed to ensure that the Board and the Group’s various risk committees can receive timely and appropriate reporting on the Group’s exposure to existing and emerging risks in each of the core risk categories – underwriting, market, credit, solvency and liquidity, operational, change and conduct risk. Strategic risks and the reputational consequences of other risk exposures are considered alongside this risk reporting.

In order to set boundaries to the acceptance of risk exposures, the Board have set out a Group risk appetite statement, incorporating a range of quantitative measures of risk appetite, expressed as tolerances against which the actual or planned exposures can be monitored. This monitoring will be reflected in regular reporting to both the Group Executive Committee and the Board's Risk Committee.

Such reporting is supported, *inter alia*, by: updates to the Group's risk registers covering current and emerging risks; reports on events that have resulted in actual or potential financial or reputational losses to the Group's customers; the results of stress, scenario and sensitivity testing and the findings, recommendations and management actions arising from reviews conducted by the compliance and internal audit functions.

A key strand of the Group's risk management strategy is the integration of risk assessment and evaluation into the Group's business planning and capital management processes. The Group's capital model has been used for several years both to calibrate the Group's view of the capital required to protect the business and to provide decision support for such exercises as the annual reinsurance renewals.

The Group also implements an ORSA policy, which outlines the Group's approach to the management of risk and solvency on a forward-looking basis. It is supported by a number of processes and procedures. Key elements include:

- Risk Strategy and Appetite: defining how the Group considers the risks that it faces in delivering on its strategic objectives;
- Capital Management: maintaining a capital structure consistent with the risk profile and the regulatory and market requirements of the business; and
- Risk Management and Internal Control Framework: confirming that the overall risk management and control framework is operating adequately and effectively, allowing the Group to identify, assess, manage, monitor and report on risks across the business.

14. Employees

The average number of employees, including Directors, and excluding temporary employees and contractors, during each period was:

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Operations.....	1,342	1,425
Support.....	453	493
Total average number of employees	1,795	1,918

The Group's primary asset is its people. The service the Group provides to its customers rests in the hands of the employees and is improved when they are engaged and motivated. This starts with the Group's recruitment approach and the environment, rewards, training and policies offered to employees in making the Group a great place to work.

The Group recognises and rewards its employees with a wide range of benefits and initiatives that include: performance related variable pay schemes for all eligible staff, a subsidised on-site canteen, season ticket loans, flexible working practices and long service awards for staff. During the COVID-19 pandemic, colleague wellbeing has been a key area of focus. The Group launched initiatives to help support colleagues working from home including an employee assistance programme to build emotional resilience and provide access to mental health campaigns.

15. Information Technology Infrastructure

Customers increasingly engage digitally, with approximately 40 per cent. of the Group's services now handled online. The Group's information technology infrastructure and systems therefore underpin the Group's business. As such, the Group strives to ensure that its information technology infrastructure and systems are kept up to date with evolving technology and meet the requirements and needs of the Group's staff and customers.

The availability and performance of all the Group's core information technology systems, including the primary insurance administration system ("TIA"), has historically been strong and capacity has been managed well within industry standards. TIA is approaching the end of its working life, and accordingly, the Group will replace TIA with a new system (EIS).

The security of the Group's systems is regarded by the Group as being of paramount importance. As a result, an internal information technology security team is responsible for and monitors all related activities. To date, no material information technology security breaches have occurred to the Group's systems.

16. Intellectual Property

The Group holds a portfolio of registered UK and European trademarks which protect the names and logos of the *esure*, *Sheilas' Wheels* and *First Alternative* brands along with some related slogans.

The Group actively protects its trademark portfolio and instructs its trademark attorneys to operate a watch service to identify applications for similar trademarks. The Group regularly takes action to oppose the registration of similar trademarks and to enforce its rights against third party infringers.

While other branding materials such as slogans, logos, colours and designs are not registered, some protection may be afforded by unregistered design rights, unregistered trademarks and copyright. The Group currently owns one UK patent.

The key websites for the Group's brands all have current domain name registrations held by or on behalf of the Group. Registrations for a number of domain names which are similar to the names of the Group's key websites or are related to advertising campaigns undertaken by the Group are also held by or on behalf of the Group.

Customer databases created internally are owned by the Group.

There are currently no outstanding intellectual property infringement actions involving any member of the Group as defendant or any charges over any intellectual property rights held by the Group.

17. Management

Directors of the Issuer

The Directors and their principal functions within the Issuer, together with a brief description of their principal business activities outside the Issuer, are set out below. The business address of each of the Directors (in such capacity) is The Observatory, Castlefield Road, Reigate, Surrey RH2 0SG.

Name	Role	Other significant appointments
Andy Haste	Chairman	• Senior Independent Deputy Chairman of Lloyd's of London
David McMillian	Chief Executive Officer	• Non-executive director of Scottish Rugby Union plc

Peter Bole	Chief Financial Officer	<ul style="list-style-type: none"> None
Andrew Birrell	Independent Non-Executive Director	<ul style="list-style-type: none"> Executive Director and founder of Universal Partners Limited; and Independent non-executive director of Sun Life Financial of Canada (UK), Sanlam Group and Sanlam Life
Alan Rubenstein	Independent Non-Executive Director	<ul style="list-style-type: none"> Chair of the National House-Building Council; Non-executive director of British Coal Staff; Non-executive director of Superannuation Scheme Trustees Ltd; Non-executive director of Pool Re-insurance Ltd; Non-executive director of FIL Holdings (UK) Limited; Non-executive director of Financial Administration Services Limited; and Chair of the Pembroke Heritage Fund
Peter Shaw	Independent Non-Executive Director	<ul style="list-style-type: none"> Non-executive director of Willis Limited
Elke Reichart	Independent Non-Executive Director	<ul style="list-style-type: none"> CEO at TUI InfoTech; Chief Digital Officer at TUI Group; and Member of the Supervisory Board of Suse SA
Robin Marshall	Non-Executive Director	<ul style="list-style-type: none"> Non-executive director of the UK's Ministry of Defence; and Managing Director, Bain Capital Private Equity
Philip Loughlin	Non-Executive Director	<ul style="list-style-type: none"> Managing Director, Bain Capital Private Equity (Consumer, Retail & Dining, Financial and Business Services)
Luca Bassi	Non-Executive Director	<ul style="list-style-type: none"> Co-head, Bain Capital Private Equity (Technology, Financial and Business Services)
James Stevens	Non-Executive Director	<ul style="list-style-type: none"> Vice President, Bain Capital Private Equity (Technology, Financial and Business Services)

Conflicts of interest

There are no conflicts of interest between the duties of the Directors listed above to the Issuer and their private interests or other duties.

Regulatory Overview

The Group's direct insurance and insurance mediation businesses are primarily subject to the laws of the constituent parts of the UK and also regulation imposed by or under FSMA. The Group's principal subsidiary, esure Insurance Limited, is authorised and regulated under FSMA as an insurance company; esure Services Limited is authorised and regulated under FSMA as an insurance intermediary. esure Insurance Limited holds permissions in respect of certain consumer credit-related regulated activities, and esure Services Limited holds broker permissions in respect of credit broking activities.

FSMA confers on the FCA and the PRA broad supervisory powers over many aspects of the Group's insurance business, each of which has the potential to affect, among other things, the Group's marketing and selling practices, advertising, product development structures, premium rates, policy forms, claims and complaint handling practices, data and records management, systems and controls, controlled function holders, capital adequacy and permitted investments.

The following discussion considers the main features of the UK regulatory regime for insurance businesses as it applies to the Group.

Insurance companies in the UK are dual-regulated, which means that they are authorised, prudentially regulated and supervised by the PRA, and regulated for conduct of business purposes by the FCA. Companies which carry on insurance mediation activities are authorised, supervised and regulated for both prudential and conduct of business purposes by the FCA.

The PRA is a subsidiary of the Bank of England, and is responsible for the micro-prudential regulation of insurance companies, banks and certain large investment firms. The PRA has a specific "insurance objective" of contributing to the securing of an appropriate degree of protection insurance policyholders.

The FCA regulates the conduct of every authorised firm. Its "operational objectives" are to protect and enhance confidence in the UK financial system by protecting consumers, protecting and enhancing the integrity of the UK financial system, and promoting effective competition in the interests of consumers. The FCA also has a "strategic objective" of ensuring that relevant markets function well.

The Financial Policy Committee, a body that operates within the Bank of England, is responsible for the macro-prudential regulation of the entire financial services sector but does not supervise individual firms.

Under the Financial Services Act 2012, the PRA has powers that can be applied directly to "qualifying parent undertakings" where those parent undertakings are not themselves regulated. These could potentially be applied to the Company, given that it has a PRA-authorised subsidiary. Further, the FCA has new early intervention powers which enable it to intervene directly in the market and make product intervention rules with the aim of preventing harm to consumers (for example, the FCA could make rules to restrict the Group's promotion of a particular product to certain types of consumers).

Authorisation to carry on regulated activities in the UK

Subject to certain exemptions provided in FSMA, under section 19 of FSMA no person may carry on a regulated activity in the UK unless appropriately authorised to do so by the FCA and the PRA (as applicable) under Part 4A of FSMA (a "**Part 4A Permission**"). Regulated activities include the activity of effecting or carrying out contracts of insurance (referred to in this "*Regulatory Overview*" section as carrying on the business of an "**insurance company**"), for which the PRA is the appropriate regulator, and insurance mediation activities, including dealing as agent, arranging, advising on deals, or assisting in administration and performance in relation to a contract of insurance (referred to in this "*Regulatory Overview*" section as carrying on the business of an "**insurance intermediary**"), for which the FCA is the appropriate regulator. Exemptions under FSMA include, in respect of insurance mediation activities, an exemption for appointed representatives who have been validly appointed.

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

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

Once authorised, in addition to continuing to meet the threshold conditions, firms must comply with the high-level FCA Principles for Businesses and, where applicable, the PRA’s Fundamental Rules, as well as other rules in the PRA Handbook and the FCA Handbook, as introduced below.

The FCA Handbook and PRA Rulebook

The standards that the FCA requires firms to maintain are set out in the FCA Handbook. The PRA Rulebook sets out the PRA’s rules and other provisions. It is supplemented by PRA Supervisory Statements, which set out guidance on the application of the rules.

The FCA Handbook and the PRA Rulebook each comprise a number of sourcebooks which set out the rules which apply to the firms that they respectively regulate and supervise.

The most relevant sourcebooks (and parts thereof) for the Group’s subsidiaries undertaking FSMA regulated insurance business and insurance mediation business are currently the Senior Management Arrangements, Systems and Controls Sourcebook (“**SYSC**”); the General Prudential Sourcebook (“**GENPRU**”), the Prudential Sourcebook for Insurers (“**INSPRU**”) and the Interim Prudential Sourcebook for Insurers (“**IPRU (INS)**”), which together contain prudential rules; the Conduct of Business Sourcebook (“**COBS**”), the Insurance: (Conduct of Business) Sourcebook (“**ICOBS**”), and the Claims Management: (Conduct of Business) Sourcebook (“**CMCOB**”) which contain certain conduct of business requirements, including in relation to CMCs; and the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries (“**MIPRU**”), which is relevant for insurance intermediaries. The Consumer Credit sourcebook (“**CONC**”), which also contains conduct of business requirements, is relevant to the Group’s consumer credit-related regulated activities. Rules and ongoing requirements applicable to FCA-authorised firms are contained in the FCA Handbook. The FCA’s Dispute Resolution: Complaints Sourcebook (“**DISP**”) outlines how complaints should be dealt with by firms and the Financial Ombudsman Service (“**FOS**”), and the FCA Product Intervention and Product Governance Sourcebook (“**FCA PROD**”) sets out the FCA’s statement of policy on making temporary product intervention rules in order to improve firms’ product oversight and governance processes.

Conduct of business rules

The COBS and ICOBS rules apply to every authorised firm carrying on the regulated activities to which they relate. These rules regulate the day-to-day conduct of business standards to be observed by authorised firms in carrying on those regulated activities.

The scope and range of obligations imposed on an authorised firm under the COBS and ICOBS rules vary according to the scope of the firm’s business and the nature of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the COBS and ICOBS rules will include the need to provide clients with information about the firm, meet certain standards of product disclosure, ensure that promotional materials which it produces are clear, fair and not misleading, assess suitability when advising on certain products, manage

conflicts of interest, report appropriately to its clients and provide certain protections in relation to client assets. These sourcebooks implement the Insurance Distribution Directive (“**IDD**”) in the UK, which is maintained following the UK’s withdrawal from the EU by the Insurance Distribution (Amendment) (EU Exit) Regulations 2019.

The IDD (as amended) sets standards for the distribution of insurance products. It replaced the previous Insurance Mediation Directive (2002/92/EC). The IDD only sets minimum standards – this means that firms must also comply with relevant local law and regulations to the extent that they set standards higher than the IDD (in the UK, this includes the standards and rules set out in the FCA Handbook). The IDD aims to enhance protection for customers buying both general and long term insurance products. It also aims to ensure that customers are protected irrespective of the distribution channel used to access an insurance product and to promote competition on equal terms between distributors of insurance products.

The IDD contains requirements for the authorisation of (re)insurance intermediaries and establishes passporting rights for firms that are registered under the directive. A range of additional requirements applying to those firms are also extended to (re)insurers which are involved in the distribution of insurance products. In particular, the IDD imposes specific rules on distributors to act in the best interests of their customers and to ensure that information provided to customers is clear, fair and not misleading. It also includes rules on product oversight and governance, transparency and conflicts of interests.

In the UK, the Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 (the “**IDD Order**”) has transposed the IDD into UK law, and amended the relevant provisions of FSMA and RAO. The IDD Order came into force on 1 October 2018.

CONC sets out the conduct of business requirements for firms carrying on consumer credit activities. Many of the provisions in CONC carry forward repealed provisions of the Consumer Credit Act 1974 (as amended) (“**CCA**”). The Group’s consumer credit-related regulated activities are also subject to the retained provisions of the CCA, which include, for example, pre and post-contractual obligations, such as requirements to ensure that documentation complies with prescribed form and content specifications.

In addition, esure Insurance Limited is a member of the ABI. The ABI is a trade association that issues non-binding guidance relevant to insurance firms, including a good practice guide for firms offering insurance online to consumers and a code of practice for assisting third parties who have been in an accident with the insurer’s policyholder.

Prudential standards

It is a fundamental requirement of the PRA’s prudential rules that PRA-authorised firms maintain adequate financial resources. This requirement and the obligation for an insurance company (but not an insurance intermediary) to carry out a risk-based assessment of its own capital requirements are contained in the PRA Rulebook for Solvency Firms. Rules relating to the calculation of capital resources by an insurance intermediary are contained in MIPRU. Provisions relating to the requirement to manage risks in general and details relating to the management of particular types of risk are set out in INSPRU and SYSC. The rules in SYSC also require a firm’s senior managers to ensure that, among other things: (i) their firm’s employees have suitable skills, knowledge and expertise; and (ii) their firm has in place appropriate compliance, record keeping and audit systems.

Treating Customers Fairly (“TCF”)

The TCF is an important priority of the FCA. The emphasis of this initiative is on achieving fair outcomes for customers. The FCA has wide-ranging powers to take enforcement action against both firms and individuals (for example, against senior management if it considers that they have failed in their responsibilities) for breach of the

TCF principle, including where it finds that a firm's systems or actions cause actual or potential consumer detriment.

Solvency II

The Solvency II Directive (2009/138/EC) ("**Solvency II**") as amended sets out a prudential framework for the regulation and supervision of insurance companies. Solvency II was implemented on 1 January 2016 as the capital adequacy regime for the European insurance industry. It establishes a set of EU-wide capital requirements and risk- management standards with the aim of increasing protection for policyholders. The UK's membership of the EU came to an end on 31 January 2020 following the ratification by the UK and the EU of the Withdrawal Agreement. Under the terms of EUWA, the UK entered into a transition period which ended on 31 December 2020. During this period, EU law, including Solvency II requirements, continued to apply in the UK in the same way as it was applied prior to the UK's exit. Following the end of this transitional period, the PRA has issued a temporary transitional direction which allows UK insurers and UK based insurance groups to continue to apply Solvency II rules in the same way as these rules were applied before 31 December 2020. This transitional direction will be in place for 15 months after 31 December 2020 until 31 March 2022.

The European Insurance and Occupational Pensions Authority ("**EIOPA**") has issued supervisory standards, recommendations and guidelines intended to enhance convergent and effective application of Solvency II and to facilitate cooperation between national supervisors. EIOPA guidance is not binding on supervisory authorities although there is a 'comply or explain' requirement in relation to the guidance. The PRA has generally confirmed that it intends to comply with this guidance.

One of the key aims of Solvency II was to introduce a harmonised prudential framework for insurers promoting transparency, comparability and competitiveness amongst European and United Kingdom insurers. Solvency II has three pillars that have guided how the Group manages risk and how it reports to regulators, policyholders and shareholders:

- Pillar I relates to the quantitative requirements and introduces a risk based methodology to calculating the Group's solvency capital requirement ("**the Solvency Capital Requirement**"). Insurers are required to calculate the level of capital required based on their unique risk profile;
- Pillar II incorporates qualitative governance requirements, including the way the risk management function operates within the business and how key systems and controls are documented and reviewed; and
- Pillar III relates to enhanced and standardised disclosure requirements, including increased transparency of the risk strategy and risk appetite of the business.

Solvency II classifies different forms of capital into three 'tiers' which distinguish between forms of capital based on its ability to absorb losses. Tier 1 capital, such as common equity and retained earnings, is the highest quality of capital and must be able to absorb losses on a day-to-day, 'going-concern' basis. Tier 2 capital, such as subordinated debt, is of a lower quality and only needs to absorb losses on insolvency. Tier 3 capital is the lowest quality of capital permitted and has only limited loss-absorbing capacity.

Under Solvency II, firms must hold eligible own funds covering both the Solvency Capital Requirement and Minimum Capital Requirement (as defined below). The 'Own Funds' Part of the PRA Rulebook, supplemented by the Solvency II Regulation, sets out the capital resources that are deemed to be eligible for these purposes, while provisions relating to the Solvency Capital Requirement and Minimum Capital Requirement are set out in the 'Solvency Capital Requirement' and 'Minimum Capital Requirement' Parts of the PRA Rulebook. The 'Technical Provisions' Part of the PRA Rulebook requires firms to establish adequate technical provisions with respect to all of their insurance and reinsurance obligations towards policyholders. The 'Investments' part sets out the risk-management requirements that insurers must follow when investing their assets, including those held to

cover technical provisions, while the ‘Valuation’ part sets out overriding standards that firms must comply with when valuing assets and liabilities.

As well as calculating the Solvency Capital Requirement, insurers must also calculate the minimum capital requirement (“**Minimum Capital Requirement**”). The Minimum Capital Requirement is the quantity of capital below which policyholders would be exposed to an unacceptable level of risk which would result in withdrawal of the insurer’s authorisation by the regulator. Together, the Solvency Capital Requirement and Minimum Capital Requirement act as trigger points in the ‘supervisory ladder of intervention’ introduced by Solvency II.

The Issuer is subject to certain ongoing reporting requirements set out in the ‘Reporting’ Part of the PRA Rulebook, which implements Pillar 3 of Solvency II. Firms are under a general requirement to submit to the PRA information necessary for the PRA’s supervision of the firm. In practice, this involves the submission of an annual report on a firm’s solvency and financial condition, known as a solvency and financial condition report (“**SFCR**”). The required content includes details of the firm’s Solvency Capital Requirement and Minimum Capital Requirement. In addition to the annual SFCR, an insurance or reinsurance undertaking must disclose on an ongoing basis the nature and effects of any major developments that significantly affect its prior disclosures.

Whilst the Solvency II regime has been implemented in UK law, the UK is reviewing the regime with a view to tailoring it to suit the insurance activities carried on in the UK. The UK government is expected to publish proposals for amendments to the UK Solvency II regime in the second half of 2021. The amended regime will affect the regulatory requirements applicable to the Group.

The Approved Persons regime

An authorised firm is required to obtain approval from the appropriate regulator for any individual who carries on any specific “controlled function”, such as, for example, executive and non-executive directors and persons responsible for risk management, internal audit or compliance. These individuals are known as “Approved Persons” and must comply with a set of principles which largely mirror the FCA’s Principles for Businesses.

The FCA or the PRA will only approve an individual to undertake a controlled function if that individual is assessed to be a fit and proper person. In particular, the relevant regulator must be satisfied as to the person’s honesty, integrity and reputation, competence and capability for the role that the person is to assume in the firm, and their financial soundness.

Senior Management, Systems and Controls

Solvency II requires insurers to ensure that all persons who effectively run a firm, or otherwise hold key functions, have adequate professional qualifications, knowledge and experience to enable sound and prudent management and are of good repute and integrity. The Senior Managers and Certification Regime (“**SMCR**”) implements this requirement, and other requirements under Solvency II relating to the fitness and propriety of key employees.

Under the SMCR, an authorised insurer is required to obtain the PRA or FCA’s approval for any individual who carries on a specific “senior management function” (“**SMF**”) in relation to that insurer. SMFs are specified by the PRA or the FCA; SMFs specified by the PRA (including chief executive officers and persons responsible for a firm’s risk, audit or actuarial functions) require PRA approval, and SMFs specified by the FCA (including the chair of the nomination committee and the compliance oversight function) require FCA approval. In addition to this, firms must notify the PRA of all individuals who are not SMF holders (“**Senior Managers**”), but are nevertheless responsible for certain key functions (“**key function holders**”).

The SMCR also contains a certification regime for staff employed in roles that do not entail the performance of SMFs but could nonetheless pose a significant risk of harm to their firm or its customers (“**certification roles**”). This includes all key function holders. A firm is responsible for ensuring that no employee performs a certification

role without having been certified as fit and proper by the firm (on recruitment and then on an annual basis). Since 10 December 2019, all employees performing certification roles in relation to insurers have required certification.

The SMCR contains a conduct regime for Senior Managers and other employees. There are two tiers of conduct rules, contained in both the PRA Rulebook and the FCA Handbook. Some of these rules apply only to Senior Managers; some apply to Senior Managers and non- executive directors; and others apply to the majority of employees within the firm.

Senior Managers are also subject to a statutory duty of responsibility, which enables the PRA and the FCA to hold them accountable if a breach of a regulatory requirement takes place in their area of responsibility and the senior manager fails to take reasonable steps to prevent or stop the breach.

The FCA's Senior Management Arrangements, Systems and Controls Sourcebook in the FCA Handbook also contains rules on the apportionment of significant responsibilities among an insurer's directors and other senior managers and, more generally, the systems and controls that insurers are required to have in place. In particular, firms must take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and for countering the risk that they might be used to further financial crime.

Change of control of authorised firms

Under s.178 of FSMA, a person who has decided to acquire or increase its "control" over a UK firm authorised and regulated under FSMA is required to notify the appropriate regulator of that decision and to receive approval from the appropriate regulator before becoming a "controller" or increasing its interest in such a firm to or above certain thresholds. A person must also notify the appropriate regulator when the transaction which results in that increase takes place. Any acquisition of control over the Company would be subject to this regime.

A proposed "controller" for the purposes of the controller regime is any natural or legal person (or such persons "acting in concert") who decides to acquire or increase, directly or indirectly, their control over a UK authorised firm (including a UK insurance company or insurance intermediary).

"Control" over a UK authorised firm is acquired if the acquirer:

- holds 10 per cent. or more (20 per cent. or more if the authorised firm is an insurance intermediary) of the shares or voting rights in that company or in its parent undertaking; or
- is able to exercise significant influence over the management of the firm by virtue of the acquirer's shares or voting power in the company or its parent undertaking.

Increases in control of an insurance company require the consent of the PRA where they reach thresholds of 20, 30 and 50 per cent. of the shares or voting power in the firm or its parent. Increases in control of an insurance intermediary beyond the 20 per cent. threshold do not require the consent of the FCA. Reducing or proposing to reduce control below the relevant threshold also gives rise to an obligation to notify the appropriate regulator.

The PRA must, within 60 working days from the date on which it receives a notification (provided it has received all the necessary information) either approve, or notify the applicant that it does not approve, the acquisition of or increase in control. In reaching its decision, the PRA is required to consult with the FCA and the FCA may require the PRA to reject the application or impose conditions on the approval of the application in certain circumstances. The 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 intermediary.

Breach of the notification and approval regime imposed by FSMA on controllers is a criminal offence attracting potentially unlimited fines

Enforcement and Supervision

The PRA and the FCA have powers to take a range of enforcement action, including the ability to sanction companies and individuals carrying out controlled functions within them.

The FCA has various disciplinary and enforcement powers, including the power to: withdraw a firm's authorisation; cancel, vary or withdraw a firm's permissions; suspend firms or individuals from undertaking regulated activities; impose restitution orders where persons have suffered loss; and fine, censure, or impose other sanctions on firms or individuals who breach relevant rules. The FCA can also formally investigate a firm, require firms to produce information or documents, or require a firm to provide a "skilled persons" report under sections 166 and 166A of FSMA.

In addition to its disciplinary and enforcement powers, the FCA can prosecute certain criminal offences under FSMA and other legislation. The FCA also has various powers in relation to market abuse, including the power to sanction persons who commit market abuse.

The FCA has powers in relation to the administration and winding-up of authorised firms under FSMA.

Breaches by authorised firms of certain rules in the FCA Handbook can also give certain private persons who suffer loss as a result of the breach a right of action against the breaching firm for damages.

The FCA has concurrent powers to enforce competition law prohibitions in relation to the provision of financial services. The FCA is also granted the powers to refer market investigation references to the CMA for in depth investigation if it identifies a feature or features of a market which give rise to potentially anti-competitive effects. The decision to bring a case ultimately rests with the CMA and will be resolved at that level.

In addition to the above, the FCA has the power to impose sanctions on an authorised person that is found to have committed market abuse and it has the power to institute criminal proceedings for offences under: (i) FSMA or any statutory instruments made under it (except certain provisions for which the PRA is the relevant regulator); (ii) the insider dealing provisions of the Criminal Justice Act 1993 (as amended); and (iii) certain provisions contained in anti-money laundering and counter-terrorist financing legislation.

Complaints and compensation

Insurance companies and insurance intermediaries, along with all other firms regulated by the PRA and the FCA, and certain other unregulated businesses, are under the compulsory jurisdiction of the FOS which has been set up under FSMA. Authorised firms must have appropriate complaints handling procedures but, where these are exhausted, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought against applicable firms by individuals and small business customers.

The FOS provides an additional route to customers bringing complaints in the courts and is empowered, upon determining a dispute in favour of a customer, to order a firm to pay fair compensation for any loss or damage it caused to the customer, or to direct a firm to take such steps in relation to the customer as the FOS considers just and appropriate, irrespective of whether a similar award could be made by a court. The FOS is funded by levies and case fees payable by firms covered by the FOS.

The Financial Services Compensation Scheme ("FSCS") provides compensation to certain categories of customers who suffer losses as a consequence of the inability of a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. The FSCS is funded by means of levies on all its participating financial services firms, including insurance companies and insurance intermediaries.

The Motor Insurers' Bureau ("MIB") was set up in 1946 to provide a way of compensating the victims of uninsured or untraced motorists. Every insurance company underwriting compulsory motor insurance is obliged, by virtue of the Road Traffic Act 1988, to be a member of MIB and to contribute to its funding. The amount that

each member contributes is calculated by means of a formula and is relative to the level of gross premium income generated by the member.

Money laundering and other financial crime

All FSMA authorised firms are required to undertake certain administrative procedures and checks, which are designed to prevent money laundering. SYSC contains rules which require firms to take reasonable care to establish and maintain effective systems and controls for countering the risk that the firm might be used to further financial crime. For these purposes, financial crime includes any offence involving fraud or dishonesty, misconduct in, or misuse of information relating to, a financial market or handling the proceeds of crime, as well as bribery and corruption offences. One of the FCA's statutory objectives is to protect and enhance the integrity of the UK financial system which includes, among other things, reducing the opportunity for the UK financial system to be used for purposes connected with financial crime.

Data protection

The data protection regime in the United Kingdom consists of the UK GDPR and the Data Protection Act 2018 ("DPA"), each of which came into force in the UK on 25 May 2018. This regime regulates the manner in which natural persons' personal data is obtained, maintained and used by organisations, including the Issuer. Personal data includes any information relating to natural persons who (i) can be identified, or who are identifiable, directly from the information in question or (ii) who can be indirectly identified from that information in combination with other information.

The Issuer is required to comply with the UK GDPR and DPA and any breach could give rise to criminal or civil liability and other enforcement action by the Information Commissioner's Office, the body responsible for enforcement of each of the UK GDPR and DPA.

Legal Services

In August 2014, the Group entered into a joint venture with the law firm Irwin Mitchell, a claimant law firm, to offer a range of legal services to customers requiring legal representation through an ABS venture, IMe Law, to ensure continued support of the Group's motor legal protection customers and unrepresented customers. IMe Law was granted an ABS licence by the SRA pursuant to its powers under Part 5 of the Legal Services Act 2007. The venture is regulated by the SRA and, as such, is subject to the SRA Principles, the SRA Code of Conduct and other provisions of the SRA Handbook. IMe Law is now in run-off, as following the Civil Liability Act 2018, which came into effect on 31 May 2021, the Group has changed legal services provider to a new provider, Minster Law, on all claims from 31 May 2021 onwards. This has been set up without the requirement for an ABS.

In 2020, the Group applied to become an FCA-authorised CMC. CMCs are required to comply with regulatory sourcebooks as further detailed in "*Regulatory Overview*" above.

Recent developments

FCA market study of general insurance pricing practices

In September 2020, the FCA published its proposals for consultation on general insurance pricing practices. The FCA's proposals include remedies to tackle market practices that (i) result in the progressive charging of loyal customers more than new customers; and (ii) discourage customers from switching insurers. The FCA published a final policy statement at the end of May 2021 setting out new reporting and governance requirements about value measures, rules relating to systems and controls, and product governance. These provisions intend to ensure effective competition and appropriate consumer protection in this area, including:

- a ban on 'price walking' for home and motor insurance. Firms will need to offer a renewal price to consumers which is no greater than the equivalent new business price ("**ENBP**") which a new customer

would be offered. The ENBP will take into account any changes in the consumer's risk information, so that it reflects their actual risk (whether this has increased or decreased since the start of the policy);

- rules to ensure that firms deliver fair value to their customers and have appropriate governance arrangements in place to monitor this. All general insurance and pure protection products will need to be reviewed at least annually, although more frequent reviews are required for products with a higher associated risk of not delivering fair value;
- provisions to ensure that consumers are provided with a range of accessible ways in which to opt out of auto-renewal of their policies. These rules apply to all types of retail insurance products; and
- requirements for annual reporting of pricing information for retail home and motor insurance.

The new provisions on systems and controls, product governance, premium finance provisions and related changes will come into force on 1 October 2021. Pricing and auto-renewal remedies, reporting provisions and related changes will come into force on 1 January 2022, although there will be a transitional provision until 17 January 2022 for the pricing and auto-renewal disclosure rules. The Group will need to ensure it adapts its policy framework to ensure compliance with the FCA's rules insofar as they affect its insurance and insurance intermediation activities. The business impact remains uncertain and it is also not possible to predict the behaviour of competitors in response to this changed regulatory landscape.

Sustainability

Sustainability, and in particular climate change, is a growing source of regulatory intervention and pressure. The PRA has set out expectations that insurers should be identifying and managing the financial risks from climate change and responsibility for doing so should be allocated at board level. Similarly, management of sustainability risks is increasingly expected to be addressed in annual reports and other disclosures. Sustainability risk management is also increasingly important when seeking to raise finance, as lenders and investors are scrutinising firms' risk management in relation to environmental, social and governance issues.

Operational resilience

Earlier this year, the PRA published a policy statement on operational resilience which included new Operational Resilience Parts of the PRA Rulebook; amendments to the Group Supervision Part of the PRA Rulebook; a new Supervisory Statement (SS) 1/21 'Operational resilience: Impact tolerances for important business services'; and a new Statement of Policy (SoP) 'Operational resilience'. The new proposals are designed to improve the operational resilience of firms and protect the wider financial sector and UK economy from the impact of operational disruptions. Insurers are required to identify important business services considering the risk their disruption poses to financial stability (where applicable), the firm's safety and soundness and policyholder protection, and for these important business services, firms will be required to set impact tolerances.

By the time the provisions come into force on 31 March 2022, firms should be mapping and testing the delivery of important business services to establish whether and how they can remain within impact tolerances.

COVID-19

On 15 January 2021, the Supreme Court handed down its judgment on the COVID-19 business interruption test case brought by the FCA against certain insurers. The purpose of the test case was to determine issues of principle on policy coverage and causation under sample insurance wordings in the context of the business interruption losses suffered by businesses as a result of the COVID-19 pandemic. The Supreme Court decision brings definitive guidance on the proper operation of cover under certain non-damage business interruption extensions and clarity to policyholders and insurers alike. The FCA expects insurers to reassess and settle claims quickly in the light of

the Supreme Court judgment and in accordance with the FCA's guidance 'Business interruption insurance test case: Finalised guidance for firms'.

The Group does not currently offer business interruption insurance, however, the Supreme Court's decision has potential significance for determining the scope of cover under insurance policies generally, beyond those considered in the COVID-19 business interruption test case.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to be used for the general corporate purposes of the Group including providing additional restricted tier 1 capital to esure Insurance Limited, by way of an intragroup arrangement entered into by the Issuer and esure Insurance Limited, on terms substantially similar to the Notes.

TAXATION

United Kingdom

The following is a general description of certain United Kingdom (“UK”) tax considerations relating to the Notes, as well as a description of FATCA. It is not intended as tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. It relates to the position of persons who are the absolute beneficial owners of the Notes and who hold the notes as investments, and some aspects do not apply to certain classes of taxpayer (such as Noteholders who are connected or associated with the Issuer for relevant tax purposes). The statements in this section do not constitute tax or legal advice. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by them, or any person through which they hold Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

United Kingdom

General

The comments in this part are of a general nature and are not intended to be exhaustive. They are based on current UK tax law as applied in England and Wales and published HM Revenue & Customs practice. There can be no assurance that HM Revenue & Customs will apply its published practice, and both law and practice may be subject to change, sometimes with retrospective effect. The comments assume that there will be no substitutions of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the Conditions). Further, they relate only to certain material UK withholding taxation matters at the date hereof in relation to payments of principal and interest (as that term is understood for UK tax purposes) in respect of the Notes and certain UK stamp duty and stamp duty reserve tax implications of acquiring, holding and disposing of the Notes. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice. In particular, prospective Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

Payments of Interest

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the “Act”)) or admitted to trading on a "multilateral trading facility" operated by an EEA regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

The Issuer's understanding is that the GEM is a multilateral trading facility operated by an EEA regulated recognised stock exchange for the purposes of section 987 of the Act.

Under current UK legislation, if the exemption referred to above does not apply, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.).

Other considerations

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the UK for tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Stamp duty and Stamp duty reserve tax

The Finance Act 2019 introduced a new regime for hybrid capital instruments (the “**HCI rules**”). The HCI rules contain an exemption from all stamp duties on transfer so that no liability to UK stamp duty or stamp duty reserve tax should arise on the issue or transfer of the Notes provided that the Notes each constitute a “hybrid capital instrument” for the purposes of the HCI rules and there are no arrangements, the main purpose, or one of the main purposes, of which is to secure a tax advantage.

The Notes should constitute “hybrid capital instruments” for the purposes of the HCI rules provided that:

- the Issuer is entitled to defer or cancel a payment of interest under the Notes;
- the Notes “have no other significant equity features”; and
- the Issuer has made an election in respect of the Notes.

The Notes would “have no other significant equity features” provided that:

- the Notes carry neither significant voting rights in the Issuer nor a right to exercise a dominant influence over the Issuer;
- any provision in the Notes for altering the amount of the principal is limited to write-down or conversion events in certain qualifying cases and that is not a right exercisable by the Noteholders; one of the qualifying cases is where a provision is included solely because of a need to comply with a regulatory or other legal requirement; and
- any provision for the holder to receive anything other than interest or principal is limited to conversion events in qualifying cases.

The Issuer intends to make a hybrid capital election in respect of the Notes pursuant to section 475C of the Corporation Tax Act 2009 within six months of the Notes being issued and the instrument is not issued in consequence of, or otherwise in connection with, any arrangements, the main purpose, or one of the main purposes of which, is to secure a tax advantage. Consequently, the Issuer expects that the HCI rules should apply to the Notes such that they would benefit from the exemption from all stamp duties.

Even if the HCI rules did not apply to the Notes, no UK stamp duty or stamp duty reserve tax should be payable on the issue of the Notes and no stamp duty or stamp duty reserve tax should be payable on the transfer of Notes within a clearing system (such as Euroclear or Clearstream, Luxembourg) without a written instrument of transfer provided that no election is or has been made by the relevant clearing system under section 97A of the Finance Act 1986 (a “**97A election**”) that applies to the Notes. However, if a 97A election were to apply to the Notes in the future, transfers of the Notes within the relevant clearing system could, unless the HCI rules or another exemption applies,

be subject to stamp duty reserve tax, generally at the rate of 0.5 per cent of the consideration given under the agreement to transfer the Notes.

No liability to UK stamp duty or stamp duty reserve tax will generally arise on a cash redemption of Notes, provided no issue or transfer of shares or other Notes is effected upon or in connection with such redemption.

No liability to UK stamp duty or stamp duty reserve tax will arise for a Holder on the release of Notes on Automatic Conversion.

No liability to UK stamp duty or stamp duty reserve tax will arise for a Holder on the issuance of new ordinary shares in the Issuer by the Issuer to the Noteholders under an Automatic Conversion.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer will be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding is not expected to apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in U.S. Federal Register. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Sole Lead Manager has agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Sole Lead Manager for certain of its expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Sole Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Sole Lead Manager has represented and agreed that, it will not offer or sell the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of any identifiable tranche of which such Notes are a part, within the U.S. or to, or for the account or benefit of, U.S. 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 U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the U.S. by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

UK

Prohibition of Sales to UK Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other regulatory restrictions

The Sole Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Prohibition on Marketing and Sales of Notes to EEA Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Italian *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) regulations; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Hong Kong

The Sole Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) 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 (iii) 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 "CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; 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.

Singapore

The Sole Lead Manager has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Lead Manager has represented 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 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:
 - (i) 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,
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments)(Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

General

No action has been or will be taken in any country or any jurisdiction by the Sole Lead Manager or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Sole Lead Manager has agreed that it shall comply (to the best of its knowledge and belief, having made reasonable enquiries) in all material respects with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes the Offering Memorandum or any such other material relating to the Notes, in all cases at its own expense. The Sole Lead Manager has also undertaken to ensure that no obligations are imposed on the Issuer or the Sole Lead Manager in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the Sole Lead Manager will have no responsibility for, and the Sole Lead Manager has agreed to obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Sole Lead Manager has not been authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained or incorporated by reference in this Offering Memorandum or any amendment or supplement to it.

GENERAL INFORMATION

General

1. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List of Euronext Dublin and to trading on the GEM with effect from the Issue Date.
2. The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom, 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 1 July 2021.
3. The yield to (but excluding) the First Reset Date of the Notes is 6.000 per cent. per annum, calculated 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.
4. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

No Significant Change and No Material Adverse Change

5. Since 31 December 2020, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries.
6. Since 31 December 2020, there has been no material adverse change in the prospects of the Issuer and its subsidiaries.

Documents on Display

7. For so long as the Notes are admitted to the Official List and to trading on the GEM, hard copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom:
 - (a) the Agency Agreement;
 - (b) the Trust Deed; and
 - (c) the Memorandum and Articles of Association of the Issuer.
8. For so long as the Notes are admitted to the Official List and to trading on the GEM, electronic copies of the following documents will be available on the website of Euronext Dublin at <https://live.euronext.com> and will be available for inspection at the office of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom.
 - (a) a copy of this Offering Memorandum;
 - (b) any supplements to this Offering Memorandum; and
 - (c) the documents incorporated by reference therein.

Auditor

9. KPMG LLP of 15 Canada Square, London, E14 5GL, United Kingdom, which is a member of the Institute of Chartered Accountants in England and Wales (“ICAEW”) and is registered to carry on audit

work by the ICAEW, have audited and rendered an unqualified audit report on the accounts of the Group for the years ended 31 December 2019 and 31 December 2020.

Litigation

10. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 month period preceding the date of this Offering Memorandum which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer taken as a whole.

Sole Lead Manager transacting with the Issuer

11. The Sole Lead Manager and certain of its 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 their affiliates in the ordinary course of business. In addition, in the ordinary course of its business activities, the Sole Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for 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 Issuer's affiliates. The Sole Lead Manager or its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Sole Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Sole Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Security Codes

12. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) is XS2361739415, the common code is 236173941, the Financial Instrument Short Name (FISN) is ESURE GROUP PLC/EUR NT PERP SUB and the Classification of Financial Instruments (CFI) is DBFXPR. The Legal Entity Identifier (LEI) of the Issuer is 213800K0I3F5LM54PT80.

THE ISSUER

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