OLIVER WYMAN

SUMMARY OF THE INDEPENDENT EXPERT REPORT ON THE PROPOSED TRANSFER OF CERTAIN LONG-TERM BUSINESS OF CANADA LIFE LIMITED TO SCOTTISH FRIENDLY ASSURANCE SOCIETY LIMITED

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Prepared by:

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MARSH & McLENNAN COMPANIES

1. Context

An Independent Expert must be appointed for any transfer of insurance business from one insurer to another. The role is to report to the High Court of Justice of England and Wales (the "Court") on the terms of the transfer, to consider any possible effects on policyholders and give an opinion on whether the transfer should proceed or not.

I have been jointly appointed by Canada Life Limited ("CLL") and Scottish Friendly Assurance Society Limited ("SF") to act as the Independent Expert in relation to the proposed transfer of certain long-term business from CLL to SF (the "Transfer") under a scheme (the "Scheme") made pursuant to Part VII of the Financial Services and Markets Act 2000. The cost of my work is to be jointly and equally paid by both CLL and SF.

CLL is a proprietary company and a wholly owned subsidiary of The Canada Life Group (UK) Limited ("CLG"), which itself is a subsidiary the Great-West Life Assurance Company, a leading Canadian insurer with interests in life insurance, health insurance, investment, retirement savings and reinsurance business, primarily in Canada, the US and Europe.

SF is a friendly society and as such is owned by its members. All SF policyholders are members. It was established in 1862 as the City of Glasgow Friendly Society and was renamed Scottish Friendly Assurance Society in 1992, following the transfer of business from a Scottish-based mutual. Today SF operates as a financial services group dedicated to the efficient provision of a wide range of financial products and services and continues to be based in Glasgow. It is governed by the Friendly Societies Act 1992.

The Prudential Regulation Authority ("PRA"), having consulted the Financial Conduct Authority ("FCA"), has considered the skills needed to make a proper report and approved my appointment as Independent Expert. The PRA and the FCA have joint responsibilities for regulating insurance companies in the UK.

I am a Fellow of the Institute and Faculty of Actuaries in the UK and a partner of Oliver Wyman Limited. I have fulfilled the role of Independent Expert for other insurance business transfers that have been approved by the Court. I confirm that I do not have any direct or indirect interest in CLL, SF or any other related firms that could compromise my independence.

This report (the "Summary Report") is a summary of a more detailed report (the "Main Report") which contains the detailed analysis and reasoning behind my conclusions. This report should be considered in conjunction with the Main Report, including the associated qualifications, assumptions and limiting conditions as set out in that Main Report.

A copy of the Main Report is available on both of the following websites:

- www.scottishfriendly.co.uk/canada-life
- www.canadalife.co.uk/scottish-friendly-transfer

There are separate schemes of transfer being carried out for transferring policies issued to or held by residents of Jersey (the "Jersey Scheme") and Guernsey (the "Guernsey Scheme"), which provide for the transfer of policies on the same terms as the Scheme. The Guernsey Scheme and the Jersey Scheme are both conditional on the sanction of the Scheme by the Court and are expected to become effective on the same date. All conclusions stated in the Summary Report and Main Report also apply to policies covered by the Jersey and Guernsey Schemes.

Before the final Court hearing I shall prepare a supplementary report to address any relevant developments after the Main Report has been published and provide an update, if any, on my conclusions regarding the effect of the proposed transfer on the different groups of policyholders in light of any significant events arising after the Main Report has been published.

In forming my views, I have taken into account all matters that I consider to be relevant and material in assessing the impact of the Transfer. I have considered the following factors:

- Terms of the Transfer
- Financial position of CLL and SF pre and post Transfer
- Financial effect of the Transfer on both transferring and non-transferring CLL policyholders and SF policyholders in relation to:
  - Security of benefits
  - Investment strategy
  - Expense and charges
  - Benefit expectations and bonus prospects
  - Risk profile and capital management policy
- Administration and governance
- Membership rights and policyholder communications
- Tax

I have considered the impact of the Transfer against the likely position of CLL and SF if the Transfer is not completed, but have not considered any other possible alternative arrangements to the Transfer.

I have described some changes in financial positions and policyholder benefits as not being materially adverse. The reader should interpret this to mean that this change does not lead me to conclude that the Transfer should not take place.

The Main Report assesses the likely impact of the Transfer on the existing policyholders of CLL and SF. It does not consider the impact of the Transfer on any new policies written into CLL or SF following the Transfer.

2. Purpose and Terms of the Transfer

In June 2018, CLL and SF signed an agreement setting out the proposed terms on which the transfer would be undertaken. It is proposed that the Transfer will become effective on 1st November 2019.

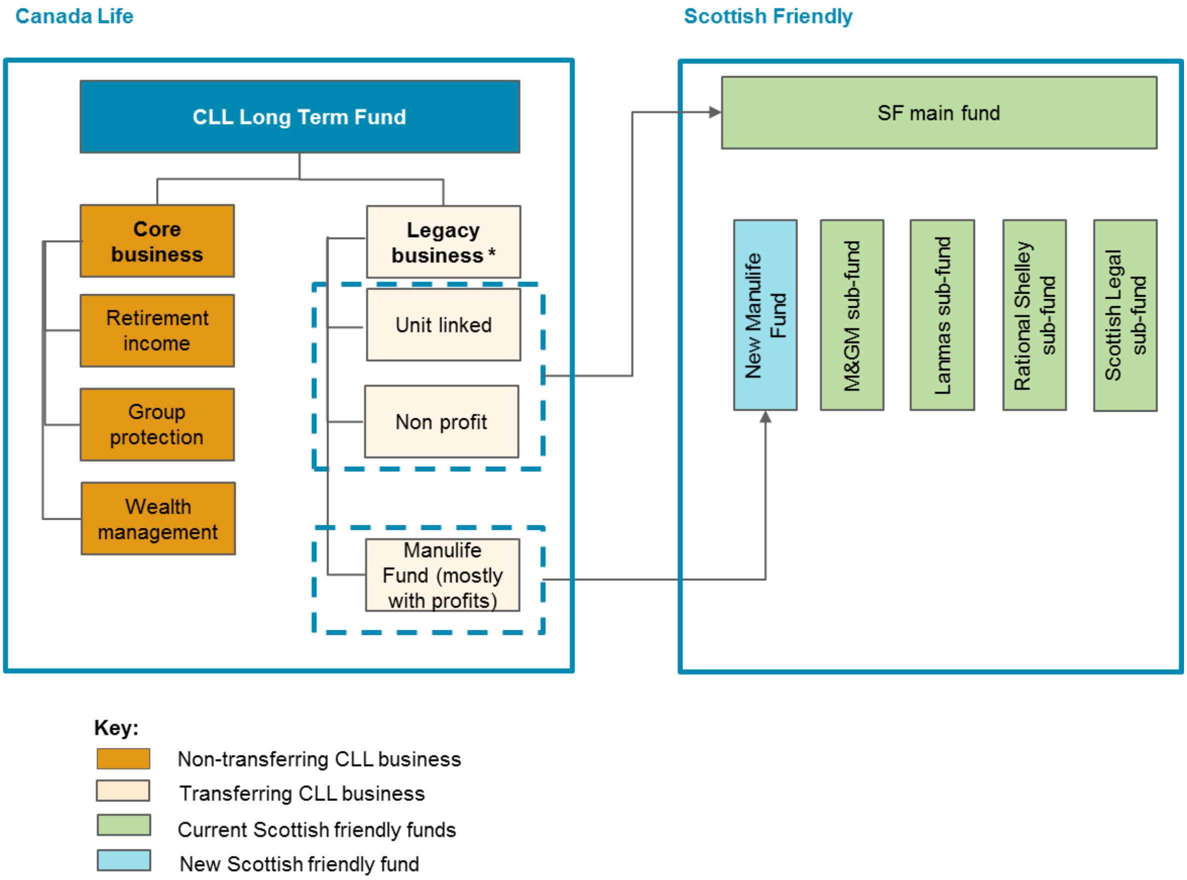
The Transfer will allow CLL to focus on its core growth areas, build an integration of the businesses and develop new retirement products.

For SF, the Transfer will support the growth of its business and provide the opportunity to expand into different target markets and achieve future cost savings through operational efficiencies.

Both management teams and the boards of CLL and SF are supportive of the Transfer and both recognise that the Transfer has a strong commercial rationale, while delivering an outcome that is consistent with the requirement to ensure the fair treatment of customers.

In essence, the overall effect for the transferring policyholders is that, to all intents and purposes, the administration and benefits will look unchanged but will be the responsibility of SF.

An illustrative diagram of the Transfer is shown below:



* excluding Hong Kong policies, which will be retained by CLL

The key elements of the Transfer are set out in the Main Report and summarised below:

- SF will assume the responsibility of meeting all insurance and financial obligations associated with the transferring policies
- SF will assume the responsibility of administering the transferring policies
- In return, CLL will transfer to SF assets equal to an agreed valuation basis, broadly based on the associated value of liabilities and capital requirements under the regulatory regime that both CLL and SF must comply with, namely Solvency II
- SF will establish a new ring fenced with-profits sub-fund (the “New Manulife Fund”) into which all assets and liabilities of the CLL Manulife Fund will be transferred. All other policies will be transferring into the main operating fund for SF (the “SF Main Fund”)
- The Scheme will replicate key provisions from the 1999 Scheme which currently governs the operation of the Manulife Fund
- All transferring policyholders will be granted membership rights in SF

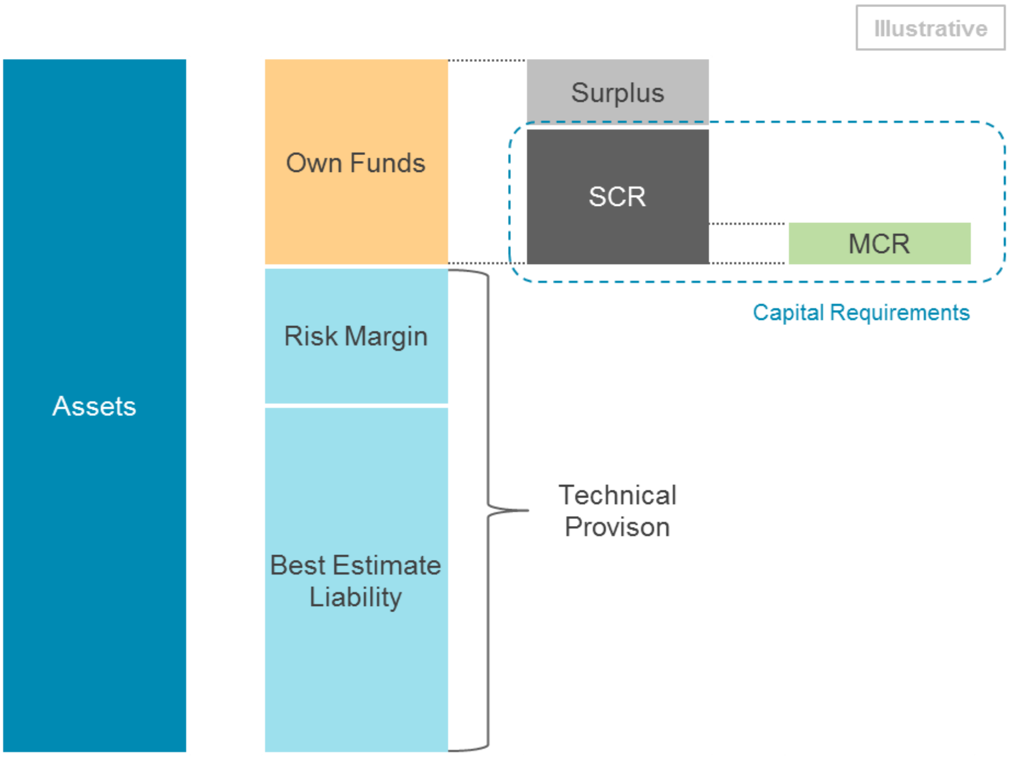
- In return for administering policies in the New Manulife Fund, SF will levy charges which are identical to existing charges levied by CLL under the terms of the 1999 Scheme

It should be noted that there are no proposed changes to the policy terms and conditions for the transferring CLL policies, and consequently the Transfer will not result in any changes to the benefit expectations of non-profit and unit-linked policyholders.

3. Solvency II

An EU-wide regulatory regime for the insurance industry, known as "Solvency II" came into force on 1st January 2016. The regime is enforced by the PRA, and both SF and CLL are required by law to comply with the requirements of Solvency II.

The diagram below shows a simplified illustration of the Solvency II balance sheet. At all times, an insurer is required to have assets that exceed its Technical Provisions and Solvency Capital Requirement ("SCR"):



On the liability side of the balance sheet the Technical Provisions represent the assets held by insurers to meet their insurance obligations (i.e. expected benefits and costs etc.) to policyholders and therefore signifies the amount that would have to be paid to another insurer to take on the same liabilities, which are made up of:

- **Best Estimate Liability** – the amount on a realistic basis to meet the liabilities
- **Risk Margin** – an additional amount which broadly reflects the cost of "unhedgeable risks" (such as operational, counterparty credit and longevity risks)

The SCR is the minimum level of capital that a firm must hold in addition to the Technical Provisions and is set to be sufficient to ensure the company remains solvent under an adverse stress (1 in 200 year).

An insurer's assets in excess of its Technical Provisions and non-insurance liabilities are known under Solvency II as its "Own Funds", or in other words the available capital that the insurer has to meet its regulatory capital requirements, and the Own Funds less SCR is known as the Surplus. A commonly used yardstick for comparing financial strength between companies in the UK life insurance market is the “SCR Coverage Ratio”, which I have defined as the ratio of Own Funds over SCR.

4. CLL’s financial position pre and post Transfer

I have considered the financial impact of the Transfer on CLL’s financial position under Solvency II as at 31st December 2018 and concluded that:

- The Transfer results in a c. £2.4bn reduction in the total assets and liabilities of CLL, which equates to reductions of 7% and 8% respectively in proportional terms
- The Transfer results in a £60m reduction in CLL’s Own Funds (or 2% in proportional terms), which indicates that the Transfer has a limited impact on CLL’s financial resources
- The Transfer results in a £40m reduction in CLL’s SCR (or 2% in proportional terms), which indicates that there is a limited impact to CLL’s risk exposure
- The Transfer has a minimal impact on CLL’s Surplus and SCR Coverage Ratio which remains at 159% pre and post transfer

Taking into account the information above and analysis set out in the Main Report, I am satisfied that the Transfer will not have a material adverse effect on CLL’s financial position.

I am also satisfied that the Transfer will not have a material adverse effect on the financial position of the New Manulife Fund (relative to the financial position of the Manulife Fund in CLL prior to the Transfer).

5. SF’s financial position pre and post Transfer

I have considered the financial impact of the Transfer on SF’s financial position under Solvency II as at 31st December 2018 and concluded that:

- The Transfer results in a c. £2.4bn and c. £2.3bn increase in the total assets and liabilities of SF, which effectively doubles SF’s asset and liability base
- The Transfer results in a £58m increase in SF’s Own Funds (or 52% in proportional terms)
- The Transfer results in a £39m increase in SF’s SCR (or 67% in proportional terms)
- The Transfer therefore results in a significant increase in SF in terms of total assets, financial resources and capital requirements
- While SF’s Surplus would increase post Transfer, its SCR Coverage Ratio falls from 188% to 172%. Nevertheless, I consider a post Transfer SCR Coverage Ratio of 172% to be representative of a strong solvency position. To put this into

further context, an SCR Coverage Ratio of higher than 150% can be taken to mean that SF has an additional buffer to ensure that there is less than a 1-in-10 chance of not covering the SCR after one year.

Taking into account the information above and analysis set out in the Main Report, I am satisfied that the Transfer will not have a material adverse effect on SF's financial position.

6. Financial effect of the Transfer on transferring CLL policyholders

I have assessed the impact of the Transfer on all groups of transferring CLL policyholders in terms of security of benefits and have concluded that the security of benefits for all transferring CLL policyholders will be not be materially adversely affected by the Transfer compared to the status quo.

I have also assessed how the Transfer would affect the investment strategy and expense charges with respect to with-profits and unit-linked policyholders, because they affect future levels of benefits that would be payable and current benefit expectations. I am satisfied that:

- the with-profits policyholders in the Manulife Fund and the transferring unit-linked policyholders will not be adversely affected by the Transfer in relation to investment strategy, with no immediate changes post Transfer
- there will be no change to the expense charges for with-profits policyholders or to the charges on the relevant transferring CLL unit-linked policies as a result of the Transfer. Additionally, I understand from SF that any reviews of charges on unit-linked policies after the Transfer are subject to the same governance arrangements that are applicable to other policies within the SF Main Fund. Therefore, in my opinion, with-profits and unit-linked policyholders will not be adversely affected by the Transfer in relation to expenses and charges

In addition, I have considered the implications of the Transfer for the benefit expectations and bonus prospects for with-profits policyholders and have concluded that with-profits policyholders in the Manulife Fund will not be adversely affected by the Transfer with respect to benefit expectations and bonus prospects.

Finally, I have evaluated the effect of the Transfer on the risk profile and capital management of the transferring CLL policies because they affect the risks that the policies are exposed to and how the insurer will manage those risks. On balance, I am satisfied that while the profile of risks to which the transferring CLL policyholders will be exposed will change in several aspects, the Transfer will not have a materially adverse effect in relation to risk profile. Furthermore there are no significant planned changes to the capital management policy of the Manulife Fund as a result of the Transfer. I am also satisfied that the Transfer will not have an adverse effect on the capital management policy in relation to transferring CLL policyholders.

Details of my analysis of the relevant factors in this section are described in the Main Report.

7. Financial effect of the Transfer on non-transferring CLL policyholders

I have assessed the impact of the Transfer on all groups of non-transferring CLL policyholders in terms of security of benefits. As the Transfer will not have a material adverse effect on the financial position of CLL, the security of benefits for all non-transferring CLL policyholders will be not be materially adversely affected by the Transfer compared to the status quo.

The charges on the non-transferring CLL unit-linked policies will not be changed as a result of the Transfer. Furthermore, the Transfer will not have an impact on non-transferring CLL non-profit and unit-linked policyholders in relation to investment strategy.

Finally, I have evaluated the effect of the Transfer on the risk profile and capital management policy of the non-transferring CLL business. I am satisfied that these factors do not have a material adverse effect on the non-transferring CLL policyholders, as the Transfer does not have a significant impact on the risk profile of CLL and the Transfer will not result in any change to the capital management policy relating to the non-transferring CLL policyholders.

Details of my analysis of the relevant factors in this section are described in the Main Report.

8. Financial effect of the Transfer on SF policyholders

I have assessed the impact of the Transfer on all groups of SF policyholders in terms of security of benefits and have concluded that in my opinion the Transfer will not have a materially adverse effect on the security of benefits of current SF policyholders in the SF Main Fund or any of the sub-funds.

I have also assessed how the Transfer would affect the investment strategy and expense charges with respect to current SF with-profits and unit-linked policyholders. The Transfer will not result in any changes to the investment strategy of assets invested on behalf of the current SF with-profits and unit-linked policyholders. The Transfer should benefit the with-profits policyholders in the SF Main Fund and Scottish Legal Sub-Fund (a notionally ring-fenced fund in SF containing assets and liabilities with respect to the business transferred from Scottish Legal Life) from reduced expense charges. The Transfer will have no impact on expenses and charges with respect to with-profits policyholders in each of the other existing sub-funds operated by SF.

Moreover, I have evaluated the effect of the Transfer on the benefit expectations and bonus prospects of current SF with-profits policyholders and have concluded that in my opinion the Transfer will not have an adverse effect on the benefits expectations and bonus prospects of current SF with-profits policyholders. In addition, the

Transfer is expected to generate profits in the SF Main Fund over time, and if this occurs the with-profits policyholders in the SF Main Fund may receive a share of those profits.

Lastly, I have considered the effect of the Transfer on SF's risk profile and capital management and have concluded that in my opinion the Transfer will not have an adverse effect on the risk profile or capital management policy in the SF Main Fund or any of the sub-funds.

Details of my analysis of the relevant factors in this section are described in the Main Report.

9. Administration and governance

9.1. Governance

In the Main Report, I have considered the governance arrangements that will be in place following the Transfer for the transferring CLL policyholders. I have taken into account that:

- The Transfer will not have a material adverse effect on the security of benefits or benefit expectations of transferring CLL policyholders
- The management of the Manulife Fund (and the New Manulife Fund post Transfer) is subject to provisions set out in the 1999 Scheme (which itself replicated certain provisions set out in the 1995 Scheme). I have reviewed the terms of both schemes and am satisfied that all protections and other provisions relevant to the future management of the Manulife Fund have been replicated in the Scheme in relation to the New Manulife Fund
- The management of the Manulife Fund is governed by Principles and Practices of Financial Management ("PPFM") for the fund. This is a document that provides a comprehensive description of how the relevant with-profits fund is managed, including a statement of the Principles and Practices adopted by the insurer in respect of a wide range of aspects relevant to the management of the fund in question. The PPFM for the New Manulife Fund will essentially replicate the existing PPFM for the Manulife Fund, with no changes of substance
- Following the Transfer, relevant transferring CLL policyholders with workplace pensions policies will be covered by SF's Governance Advisory Arrangement ("GAA"). I have compared the terms of reference adopted by CLL's and SF's GAA respectively and in my opinion, there are no material differences between the two
- SF has appointed an external consultant to undertake a review of its with-profits governance framework and assess whether those arrangements are suitably robust and whether all associated conflicts of interest are managed effectively. This includes an assessment of the effectiveness of its existing with-profits advisory arrangements

- This work was completed in March 2019 and the findings were presented and discussed with SF's Board
- Based on this input, I have concluded that the recommendations accepted by the Board will result in a strengthening of SF's governance framework in relation to its with-profits policyholders

Based on the above and my understanding that the existing governance arrangements for current SF policyholders will not be materially affected by the Transfer, in my opinion adequate safeguards are in place to ensure that the interests and rights of the policyholders of both CLL and SF will be protected post Transfer.

9.2. Administration

Following the Transfer, the administration of all transferring CLL policies will be transferred to SF. There is therefore a small risk that current SF and transferring CLL policyholders could experience adverse changes to the standards of service following the Transfer as:

- The in-house SF administration team will be, at least initially, relatively inexperienced in administering transferring policies and have limited knowledge of transferring CLL products
- SF may seek to minimise the costs associated with the administration of transferring CLL policies which could also have a detrimental effect on the servicing of all policies

Based on my investigations, I am satisfied that adequate steps have been taken to mitigate these risks as:

- Target service level standards proposed by SF for the administration of transferring CLL policies post Transfer are at least equal to those currently in place at CLL (and in many cases significantly higher) and SF has a strong record in attaining its target service levels even after other transfers of business
- SF intends to recruit a significant number of additional staff to administer transferring CLL policyholders following the Transfer
- There will be a "Transitional Services Agreement" which will enable CLL to provide services to help support SF's administration of the transferring CLL policies on a temporary basis (for up to 6 months, which can be extended by mutual agreement in writing) post Transfer if necessary. This provides a significant and credible backup option in the event of significant issues being encountered by SF in the administration of the transferring CLL business post Transfer

Furthermore, given the significant increase in the assets and liabilities of SF post Transfer, I have considered whether SF's systems, people and processes are adequate to manage both its existing business and the transferring business. Having discussed this matter with SF's Chief Risk Officer and Operations Director, I am satisfied that this is the case, taking into account that:

- SF and its senior management team (both in terms of collectively as an organisation and as individuals) can draw on extensive experience from previous transactions
- SF has recruited staffing resources based on the expected increase in activities during the "wake up period" in the lead up to and immediately after the Transfer
- Around half of the new staff have completed their training by May 2019, and the remaining new staff are expected to complete their training before the Transfer
- The Chief Risk Officer will maintain dedicated resources to provide oversight and challenge for the Transfer process until SF reaches a "business as usual" point in relation to the transferring business
- While there is a significant increase in the size of assets and liabilities, the Transfer would represent an increase of less than 20%[1] compared to the total policy count for the SF Main Fund

9.3. Tax and membership rights

As CLL does not confer any membership rights on its policyholders, the Transfer would not result in any loss of membership rights for transferring CLL policyholders.

As part of the Transfer, all transferring CLL policyholders will become members of SF, this means that transferring CLL policyholders will benefit from having gained membership rights in SF. While there is some dilution of existing SF members' voting rights, I do not consider this to be a material detriment as I estimate that transferring CLL policyholders will only make up around 10%[2] of the SF membership following the Transfer, and therefore existing SF members will continue to have the vast majority of votes. In my opinion, the rights of SF members will not be materially affected by the Transfer as the dilution is small.

Under the terms of the Transfer, the Manulife Fund will continue to be taxed as if it were a standalone mutual life insurance entity with the New Manulife Fund as its sole business and therefore there are no changes to the taxation basis for the new Manulife Fund.

Taking into account the considerations as set out in the Main Report, I am satisfied that the Transfer is not expected to have any significant adverse tax impact on the

[1] Based on information as at 31st December 2018 there were c. 130,000 transferring policies and c. 770,000 existing policies in the SF Main Fund resulting in a 130,000 / 770,000 = 17% increase

[2] Based on information as at 31st December 2018, there were c. 130,000 transferring CLL policies and c. 1,200,000 policies in SF. Assuming that the ratio of policies to members are similar between the two companies, I estimate transferring CLL policyholders will represent (130,000) / (1,200,000 + 130,000) = 10% of the total SF membership.

policyholders of CLL and SF, and that no changes are expected to the tax status of transferring CLL policies as a result of the Transfer.

10. Main conclusions

Based on the analysis as summarised above and described in detail in the Main Report, I have concluded that the Transfer will not have a material adverse effect on transferring CLL policyholders, non-transferring CLL policyholders or SF policyholders in relation to:

- Security of benefits
- Benefit expectations
- Risk profile
- Service standards and governance arrangements

I am satisfied that the Transfer is equitable to all classes and generations of CLL and SF policyholders.

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