

Report of the Independent Actuary

Proposed transfer of business
from

Euroben Life & Pension DAC

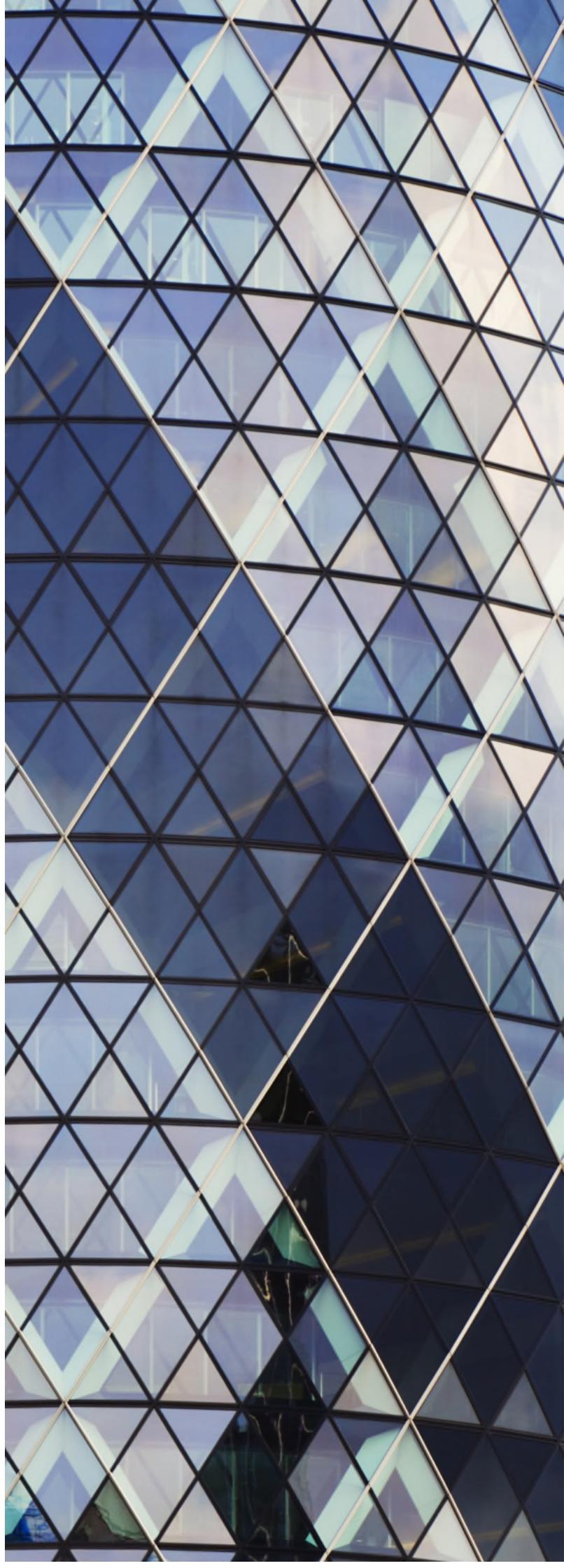
to

SPP Pension & Försäkring AB

Prepared by:

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21st May 2021



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1 EXECUTIVE SUMMARY

1.1 Purpose

I, Olive Gaughan, have been engaged to act as Independent Actuary (“IA”) on the proposed portfolio transfer of insurance business from Euroben Life & Pension Designated Activity Company (“Euroben”) to its parent SPP Pension & Försäkring AB (“SPP”) (together referred to as the “Scheme Companies”). This Report has been prepared to set out my opinion as IA on the likely effects of the portfolio transfer on the policyholders of the Scheme Companies. This Report is intended to be submitted as evidence to the Irish High Court to aid in its deliberations on the sanction of the portfolio transfer.

1.2 Overview

Euroben is a small Irish authorised insurer in run-off which will eventually become unviable due to diseconomies of scale, while its parent SPP is a much larger Swedish authorised insurer, growing successfully with strong solvency outlook, and already providing the majority of Euroben’s administrative, financial and investment activities through intra-group shared service arrangements.

It is proposed to transfer the entire portfolio of insurance contracts (the “Insurance Portfolio”) of Euroben to its parent SPP. Under this proposal, Euroben will transfer the economic risks, benefits, legal title and primary gross exposure of its insurance business under the provisions of Section 13 of the Assurance Companies Act 1909 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) (the “Transfer”). The terms covering the proposed Transfer are set out in a draft scheme that will be presented to the Irish High Court (the “Scheme”). Hereafter I refer to the portfolio transfer as the Scheme.

In parallel with the Scheme, Euroben and SPP will merge by way of a cross-border merger by absorption pursuant to the European Communities (Cross Border Merger) Regulations 2008 (the “Merger”). All remaining assets and liabilities of Euroben other than the Insurance Portfolio will “transfer” to SPP pursuant to the Merger. Euroben will be dissolved without going into liquidation following the completion of the Merger.

It is intended that the transfer of the Euroben Business to SPP will take effect from 00:00:01 Swedish Standard Time (UTC +1) on 1 November 2021 (or at such other time as the Merger shall be registered by the Swedish Companies Registration Office, the Bolagsverket) (the “Effective Date”). Hereafter I refer to the combined event of the Scheme and the Merger as the “Transaction”, and refer to the “Scheme” and the “Merger” separately where a distinction is required. This Report describes the proposed Transaction and its potential impact on the relevant policyholder groups within both Euroben and SPP particularly in terms of security of benefits, policyholder reasonable expectations and levels of customer service.

SPP has stated that the benefits of merging the entities are as follows:

- *“Increased operational robustness and a reduced risk adherent to the current size of Euroben and the dependency on two staff.*
- *Increased operational synergies, and thus positioning for continued margin pressure. This is expected to reduce the pressure for increases in charges that would otherwise arise over time in Euroben because it is a closed book.*
- *Expanded investment universe for Euroben policyholders, adherent to larger size investment operations within SPP.*

- *Simplifies corporate and governance structure of the Group.*”

In assessing the Scheme, I have considered the wider context of the Transaction, the relative circumstances of the 2 firms and the overall rationale for the Scheme insofar as these affect the likely impacts of the Scheme on policyholders of both firms. While the majority of policyholders are corporate entities with insured pension scheme arrangements for their current and past employees, I have looked through to consider also the interests of the insured lives and beneficiaries themselves. Formally speaking, these corporate entities are the “policyholders” insofar as the insurer has issued a group “policy” to the corporate entity. Nevertheless throughout this Report, unless otherwise stated, references to “policyholder(s)” are understood to include also insured lives and beneficiaries, while references to “Policyholder(s)” with a capital “P” shall mean the formal policyholders exclusive of any related insured lives and beneficiaries.

My assessment is based on review of information provided by Euroben and SPP, including favourable reports on the Transaction impacts to policyholders from the respective Heads of Actuarial Function (“HoAF”) of these firms.

I conclude with the favourable opinion that I would not expect the Scheme to generate any material adverse impacts (direct and indirect) to the policyholders of either firm, in particular in respect of the following key criteria:

- 1) **Benefit Security:** This means security of guaranteed benefits and is largely based upon the financial strength of the insurer, i.e. Euroben or SPP, pre and post Transaction.
- 2) **Policyholder Reasonable Expectations (“PRE”):** This means a reasonable interpretation of policyholder expectations regarding future discretionary benefits and variable charges, and is largely based upon the policyholder contract terms and conditions (“T&C”), policyholder communications and prior practice in relation to distribution of discretionary benefits and variation of charges.
- 3) **Customer Service:** This means all aspects of the relationship between the policyholder and the insurer, other than the benefits and charges covered above, and would cover matters such as responsiveness to queries and complaints handling.

The body of this Report sets out in greater detail the factors I have considered in assessing the Scheme and reaching my opinion.

1.3 Regulatory Background

The Transfer is a process specific to insurance whereby specified portfolios of insurance are transferred from one insurance entity to another with the sanction by the Irish High Court (the “Court”). This Court approval is required under Section 13 of the Assurance Companies Act 1909, which requires inter alia, in the case of the transfer of life insurance business, the appointment of an independent actuary who must write a report addressed to the Irish Court on the Scheme.

The cross-border Merger “by absorption” is a separate process not specific to insurance whereby a wholly-owned entity is subsumed into its parent in another member state in the European Economic Area without need for liquidation.

The Scheme provides for the Transfer to move Euroben’s Insurance Portfolio to SPP. The Merger moves all other assets, rights and obligations of Euroben to SPP. As the assets and associated rights and obligations of Euroben are required to support the Insurance Portfolio, **the Transfer and the Merger must occur simultaneously**. While an IA opinion on the Merger is not required or sought, I

have determined that, given the nature of the proposal, it is essential for me to understand and assess the Transaction in its entirety due to the inextricable link between the Scheme and the Merger.

The Court process for the Scheme comprises two hearings: the initial motion for directions (“First Hearing”) followed by the hearing of the petition, when final approval of the Scheme will be sought (“Second Hearing”). If thought fit, the Court will approve the Scheme at the Second Hearing.

My role as IA is to advise the Court as to the likely consequences of the Scheme on affected policyholders, so that the Court may understand whether any such policyholders might suffer material adverse impacts (direct or indirect) under the Scheme. It is intended that a summary of my report will be provided to the transferring Policyholders and the full report will be made available to all Policyholders of the Scheme Companies on request. Where there are concerns about detriment policyholders might suffer under the Scheme, the Court may decide not to sanction the Scheme, or may impose additional conditions to avoid or mitigate such detriment.

1.4 The Transaction

The proposed Transaction will move all of Euroben’s business into its parent SPP, with SPP taking on all of the rights and obligations of Euroben which will then cease to exist. As outlined above, it will be effected by two legal processes conducted in parallel, namely a “Merger by Absorption” (“the Merger”) and a “Section 13 Transfer” (“the Scheme”).

The Transaction itself is described in separate legal documents covering respectively the Scheme and the Merger, this separation being necessary to facilitate the distinct Court processes. In some of the underlying documents the Scheme may also be referred to as the “Scheme of Transfer” while the Merger may be referred to as the “Common Draft Terms” or “CDT”. I will not use these alternative designations but mention them to avoid confusion if a reader comes across them. Throughout much of this Report, I will simply refer to the Transaction as a whole.

1.5 Date and Currency of Figures

Unless otherwise stated, the figures presented in this report have been evaluated as at 31st December 2020 and are denominated in Swedish Kronor (SEK) where 1 MSEK equates to one million Swedish Kronor.

All of Euroben’s and SPP’s business is Swedish and all of the liabilities are denominated in Swedish Kronor (SEK). Both firms report their internal and regulatory figures in SEK. For reference purposes only:

- 1 Euro is worth about 10 Swedish Kronor.
- The ultimate parent, Storebrand ASA, is a Norwegian company which reports in Norwegian Kroner (NOK): the Swedish Kronor and the Norwegian Kroner tend to be roughly equal in value.

The relationships between these currencies do fluctuate so the above are provided solely to provide a rule of thumb for the reader.

1.6 Relationship between Euroben & SPP

Euroben is a wholly owned subsidiary of SPP, a large and growing occupational pensions specialist insurance company within the Storebrand Group (the “Group”) whose activities are focused on pensions and investment management across Sweden and Norway, where Storebrand and SPP have a strong market presence and reputation. In terms of indicative size by assets under management (AUM):

- 1) Euroben has AUM of ca. MSEK 10,000 (i.e. 10 billion Swedish Kronor, or about 1 billion Euro);

- 2) SPP is 20 times the size of Euroben, with AUM of ca. MSEK 200,000 (i.e. 200 billion Swedish Kronor, or about 20 billion Euro); and
- 3) Storebrand is 90 times the size of Euroben, with AUM of ca. MSEK 900,000. (i.e. 900 billion Swedish Kronor, or about 90 billion Euro). Storebrand is listed on the Oslo Stock Exchange.

SPP's financial strength is managed robustly within the Group with a current solvency ratio of 156% (well above the general minimum of 100%), and with a positive future outlook. The SPP dividend policy and capital management approach ensures that capital is held at the appropriate level within the Group while ensuring that solid solvency strength is maintained at entity level, thereby enabling the Group to utilise capital in line with their strategic plans and objectives.

SPP's business is the management of pension scheme arrangements on behalf of corporate clients, including associated insurance arrangements. Euroben's business is all written through its Swedish branch and is of exactly the same nature as SPP's non-linked traditional business, including corporate clients common to both entities. The vast majority, ca. 95% by AUM, of Euroben's business relates to a single insured pension scheme for one corporate client ("the Occupational Pension plan"), while the remaining portion relates to "EuroPlan" annuity business with individual plans for about 40 other firms, many of which are also key clients of SPP.

The original reason to set up Euroben in 2000, as an Irish entity separate from SPP, now no longer applies. This reason related to demand from potential Norwegian pension clients to hold higher levels of equities than were permitted at the time in Norway. The main reason for the major corporate client to move to Euroben in 2007 also no longer applies.

Euroben formally closed to new business in 2014. There is still a small volume of premium income on existing plans. Overall Euroben is in run-off and, as the AUM, and hence fee income, dwindles, it will eventually become unviable as a separate legal entity. Euroben has set the expectation with its major corporate client that the current arrangement will need to change in the medium-term. Moreover, the vast majority of administration and investment services provided to Euroben are outsourced within the Group. These factors provide a compelling rationale to simplify the Group structure and integrate Euroben with its parent and main service provider SPP.

At the time of writing, the Group has stated that it has no plans to change its corporate structure or ownership, before or after the proposed transfer, in such a manner as to weaken or invalidate this rationale.

1.7 Euroben Summary

In exchange for the pension services provided, Euroben covers its expenses and profit by charging fees based on AUM to the pension plans. The income for Euroben relates to these fees together with investment income on shareholder assets, while outgo relates to the expenses of running the business plus any benefit payments arising from pension plan shortfalls. The surplus position of most plans means that such benefit payments are expected to be minimal, while investment income on shareholder funds is low in the current interest rate environment, and the expenses are largely fixed (net of the investment fees passed back to Group). Most of Euroben's net income therefore derives from the fees on the AUM less the fixed costs. Fees on the pension plans are reviewable periodically (by Euroben) and the Occupational Pension plan may be moved (by the client) to another provider subject to a notice period. As the Occupational Pension plan runs off the fee income will fall unless fees are increased, and ultimately Euroben will become unviable.

1.8 SPP Summary

The following factors summarise the key attributes of SPP:

- 1) SPP is a major player in the Swedish occupational pensions market and is growing both its top line (premium income) and its bottom line (profit after tax).
- 2) SPP has a solid solvency position and a positive solvency outlook.
- 3) SPP already provides the vast majority of the services required by Euroben, its business model includes products like those of Euroben, and its client base overlaps with that of Euroben. In effect the only services not provided via SPP are those relating to maintenance of a separate legal entity in Ireland, namely 2 senior executives (CEO and CRO), the outsourced Head of Actuarial Function (provided by Willis Towers Watson, WTW) the outsourced legal services (provided by Matheson) and external audit (provided by PwC). Under the Transaction, from a policyholder viewpoint, despite the legal entity and name change, customers will continue to deal with SPP personnel currently servicing Euroben's Swedish branch.
- 4) Euroben and SPP alike are governed by corporate policy and practice cascaded from the Group (for example, relating to handling complaints). This point serves to reinforce the continuity of service policyholders may expect under the Transaction.
- 5) SPP has traditional non-linked products which are similar to those of Euroben together with unit-linked products more suited to the demands of the modern occupational pensions market. While SPP remains committed to its traditional business, the unit-linked market carries the emphasis for new sales and already constitutes roughly half of the existing business.
- 6) SPP pension plans similar to those in Euroben have significantly lower levels of surplus than the Euroben plans. While Euroben needs to reserve for small shortfalls on only a small number of EuroPlan contracts, SPP exposure to such shortfalls is more significant. These shortfalls are included in the technical provisions and are covered by available capital in the solvency position both now and in the outlook under the "Own Risk & Solvency Assessment" ("ORSA").

1.9 Impact of the Scheme

This section sets out the impact of the Scheme, in the context of the Transaction, for Euroben and SPP policyholders respectively:

1.9.1 Euroben

I have considered the following factors in determining the impact of the Scheme on Euroben policyholders:

- 1) SPP has a strong solvency position and outlook, while the Transaction has an immaterial impact on SPP. Moving to SPP as a larger hence more diversified (and sufficiently capitalised) entity is a positive step for Euroben's policyholders.
- 2) Euroben policies have significant levels of surplus, which will continue to remain for the sole benefit of Euroben policyholders.
- 3) The Transaction does not generate any changes to discretionary practice (e.g. investment management, dynamic asset allocation, principles of distribution of surplus) or policy servicing.
- 4) There is no change to policyholder T&C or tax, and no Transaction costs are borne by policyholders.

- 5) The regulatory environments notably concerning Solvency II are largely equivalent in Ireland and Sweden.
- 6) The governance, i.e. policies and practice of Board and Executive oversight, is largely common to Euroben and SPP, being cascaded down from the Group.
- 7) The long term unviability of Euroben effectively means that ultimately there might be detriment from not proceeding with the Transaction. For example, detriment might arise from cost pressures and associated constraints on the quality of management or from fee increases.

1.9.2 SPP

While the situation for Euroben policyholders is relatively straightforward and largely unchanged, this is even more the case for SPP policyholders:

- 1) There are no changes to the T&C of SPP policyholders and the solvency impact on SPP of the Transaction is immaterial.
- 2) The Transaction has no impact on discretionary practice or charges for SPP policyholders.
- 3) The Transaction has no impact on customer service arrangements or standards.

1.10 Covid-19

I have also considered whether the Covid-19 pandemic has any bearing on the Transaction, and conclude that it is not relevant for the following reasons:

- 1) Service arrangements: Euroben is already largely serviced by SPP so there is virtually no change due to the Transaction in this regard. Had service arrangements been moving to an entity which was struggling with the operational impacts of the pandemic this would have been a negative item to weigh against other effects; however this is not the case.
- 2) Financial impacts: The SPP ORSA considers an adverse scenario due to extension of the pandemic and indicates that SPP has the resources to maintain robust solvency throughout. I note also that SPP ran an exceptional ORSA in early 2020 to provide the Board with expectations as to the possible effects of Covid-19 and to initiate an informed discussion as the pandemic developed.

Given that this is a known significant evolving situation, in preparing the Supplementary Report (if required) for the Second Hearing, I will consider whether circumstances have changed materially and if so I will advise the Court.

1.11 Opinion

In my opinion, the proposed Scheme, in the context of the Transaction as described in this Report, should not generate any material adverse impacts (direct or indirect) to the affected policyholders, namely the Policyholders and associated insured lives and beneficiaries of Euroben and SPP.

More specifically, in my opinion, the Scheme should not generate any material adverse impacts (direct or indirect) to:

- 1) the **benefit security** of the affected policyholders, because the Scheme does not alter the terms and conditions of the policyholder contracts and because the solvency position and outlook of SPP are robust further to the Transaction (noting that the Scheme transfers the liabilities of Euroben to SPP, while the assets are moved to SPP as part of the Merger),
- 2) the **policyholder reasonable expectations** (“PRE”) of the affected policyholders, because SPP will continue to apply the same principles and practice to the management of discretionary benefits (in relation to pension plan surpluses) and variable charges,
- 3) the **customer service** provided to the affected policyholders, because the Scheme does not alter the administrative arrangements or corporate practice in relation to dealing with customers.

The clarity of the rationale for the Scheme, the close fit between Euroben and SPP in terms of clients, products and operations, and the longer term unviability of Euroben all serve to support the conclusion that in practice the policyholders should continue to benefit from the same benefits and services they have been accustomed to receiving, and that policyholders would not be better off without the Scheme. The Scheme acts to ensure “no change” for these policyholders.

My opinion is based on the absolute necessity for the Scheme and Merger to take effect simultaneously as inseparable parts of the overall Transaction.

2 INTRODUCTION

2.1 Purpose of the Report

This Report sets out my opinion as IA on the proposed Scheme to transfer the insurance liabilities of Euroben to its parent SPP, within the context of the proposed Transaction (a merger by absorption of Euroben and SPP with SPP being the surviving entity).

2.2 Structure of the Report

This Report has the following structure:

- 1) Executive Summary: A summary of the entire report intended also to be suitable for circulation to Euroben Policyholders (i.e. the corporate formal policyholders rather than the insured lives and beneficiaries).
- 2) Introduction: The present section providing background to the Report and its purpose.
- 3) Regulation: A description of the regulatory environment relevant to the Transaction covering any significant differences between Euroben and SPP.
- 4) Euroben "As Is": A description of Euroben in its current state prior to the Transaction.
- 5) SPP "As Is": A description of SPP in its current state prior to the Transaction.
- 6) The Proposed Scheme: A description of the Scheme proposed and relevant information about the Transaction.
- 7) Assessment of the Proposed Scheme: My review of the Scheme proposed in context of the Transaction and the likely impacts on affected policyholders.
- 8) Conclusions on the Proposed Scheme: My opinion on the Scheme.
- 9) Appendices: Supplementary information which may be helpful to the reader of this Report

2.3 The Role of the Independent Actuary

The approval of the Scheme is governed by Section 13 of the Assurance Companies Act 1909, which requires inter alia the appointment of an independent actuary who must write a report addressed to the Irish Court on the Scheme. This report is prepared to aid the High Court with its deliberations in deciding whether to sanction the Scheme.

My role as IA is to advise the Court as to the likely consequences of the Scheme on affected policyholders, so that the Court may understand whether any such policyholders might suffer detriment under the Scheme. My role does not include opining on the Merger or the Transaction as a whole, however in order to opine on this Scheme an understanding of the Transaction in its entirety is essential. Therefore, I have sought information on, considered and assessed the whole Transaction during my work and my relevant findings are included in this report. Furthermore, my opinion on the Scheme does not relate to the proposed Scheme in isolation but relates only to the Scheme within the context of the proposed Transaction because the transfer of the assets of Euroben to SPP occurs under the Merger rather than the Scheme.

It is intended that a summary of my report will be provided to all transferring Policyholders and the full report will be made available to all Policyholders of the Scheme Companies on request. Where there are concerns about detriment policyholders might suffer under the Scheme, the Court may decide not to sanction the Scheme, or may impose additional conditions to avoid or mitigate such detriment.

2.4 Appointment and Disclosures

I have been appointed by the Scheme Companies to act as the Independent Actuary in connection with the Transfer. The CBI has been informed of my appointment and I understand that they have not raised any objections to my appointment. The terms on which I was formally appointed as the Independent Actuary are set out in “the Engagement Letter” dated 27th January 2021 and an extract of my scope is included in Appendix section 9.14. The present document is my report to the Court.

I am a Fellow of the Society of Actuaries in Ireland (“SAI”) and of the Institute & Faculty of Actuaries (“IFoA”) in the UK. My curriculum vita is included in Appendix section 9.15. In accepting this appointment and providing this Report I have complied with professional guidance issued by the SAI, namely Actuarial Standard of Practice relating to Life Assurance number 6 (ASP LA-6) which is specifically concerned with such transfers, and ASP PA-2 (General Actuarial Practice). I have also complied with and APS X2 (Review of Actuarial Work) of the IFoA.

To the best of my knowledge, I have no conflicts of interest in connection with the parties involved in the proposed Transaction and I consider myself able to act as an Independent Actuary on this transaction. I acted as Reviewing Actuary (“RA”) for Euroben in relation to its YE2020 Actuarial Report on Technical Provisions (“ARTP”) and associated Actuarial Opinion on Technical Provisions (“AOTP”). I have had no other involvement with either Euroben or SPP. Prior to accepting this IA appointment I received confirmation from both the CBI and the SAI that they were satisfied with my independence in relation to this role.

I have also considered the position of Mazars. I can confirm that I have carried out appropriate internal checks in line with Mazars’ internal risk management procedures.

Neither I, nor any member of my team, is a qualified lawyer or tax expert. I have not considered it necessary to seek my own specific legal or tax advice on any element of the Transaction. The costs and expenses associated with my appointment as Independent Actuary and the production of this Report will be met by the shareholders of SPP.

2.5 Scope of the Report

This Report has been prepared for the purposes of Section 13 of the Assurance Companies Act 1909 (the “1909 Act”) in accordance with:

- 1) Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) (“2015 Regulations”). Regulation 41 of the 2015 Regulations makes express reference to Section 13 of the 1909 Act and Section 36 of the Insurance Act 1989 Act. Both sections concern the sanction of transfers by the Court; and
- 2) The Actuarial Standard of Practice (“ASP”) issued by the Society of Actuaries in Ireland, ASP LA-6, “Transfer of long-term business of an authorised insurance company – role of the Independent Actuary”. (A checklist is included in Appendix section 9.12.)

I owe an overriding duty to the Court and to give the Court independent actuarial evidence on the proposed Scheme.

The scope of the Report relates to assessment of whether the Scheme might generate any material adverse impacts (direct or indirect) to the affected policyholders of either firm, in particular in respect of the following key criteria:

- 1) **Benefit Security:** This means security of guaranteed benefits and is largely based upon the financial strength of the insurer.
- 2) **Policyholder Reasonable Expectations (“PRE”):** This means a reasonable interpretation of policyholder expectations regarding future discretionary benefits, and is largely based upon the policyholder contract terms and conditions (“T&C”), policyholder communications and prior practice in relation to distribution of discretionary benefits.
- 3) **Customer Service:** This means all aspects of the relationship between the policyholder and the insurer, other than the benefit amounts covered above, and would cover matters such as responsiveness to queries and complaints handling.

The rationale for considering these criteria as “key” is set out in Appendix section 9.11.

In assessing the Scheme I have considered the wider context of the Transaction, the relative circumstances of the 2 firms and the overall rationale for the Scheme insofar as these affect the likely impacts of the Scheme on policyholders of both firms. While the majority of policyholders are corporate entities with insured pension scheme arrangements for their current and past employees, I have looked through to consider also the interests of the insured lives and beneficiaries themselves. I have considered the respective interests of these parties (see Appendix section 9.10 for details) and have concluded that their interests in respect of the current Scheme are aligned. Formally speaking, these corporate entities are the “policyholders” insofar as the insurer has issued a group “policy” to the corporate entity. Nevertheless throughout this Report, unless otherwise indicated, references to “policyholder(s)” are understood to include also insured lives and beneficiaries, while references to “Policyholder(s)” with a capital “P” shall mean the formal policyholders exclusive of any related insured lives and beneficiaries.

This Report is limited in its scope to the assessment of this Scheme alone and not to any other possible scheme.

My consideration of the financial effects of the Transaction is based on the Solvency II framework which is common to the solvency reporting and regulatory returns required for Euroben and SPP to the respective regulators in Ireland (Central Bank of Ireland, “CBI”) and Sweden (Finansinspektionen, “FI”).

It is intended that this Report be submitted, in full, as evidence to the Court when it considers whether or not to sanction the Scheme.

Under the communications plan associated with the Scheme, a summary of this Report shall be sent to Euroben Policyholders (i.e. the corporate formal policyholders rather than the insured lives and beneficiaries). The “Executive Summary” of this Report (i.e. section 1) is intended to be generally suitable for this purpose, subject to minor changes to present the summary as a standalone document. I am satisfied that it is appropriate to proceed in this way.

2.6 Assurances

My assessment is based on review of information provided by Euroben and SPP, including legal and tax advice. A list of information supplied is set out in section 9.1. Although I have reviewed this information for general understanding and consistency, I have relied on the information provided, and have not verified it.

I would draw attention to the reports provided by the respective HoAFs of Euroben and SPP both of whom provided favourable opinions on the Transaction. In particular we had agreed at the outset of the exercise the minimum considerations and criteria to be applied including provision of an opinion on

whether the Transaction might generate any detriment to affected policyholders in respect of benefit security, PRE and customer service. While the opinions expressed in the present Report are mine, it was very useful to validate these against those of the HoAFs who are naturally very familiar with the business.

I am not aware of any matters that have not been taken into account or evaluated in this Report that might nevertheless be relevant to my consideration of the Transaction.

The use of "I" and "my" in this Report generally refers to work done by myself and the team operating under my direct supervision during the course of this review. However, when I use "I" and "my" in reference to an opinion, it denotes that the opinion is mine and mine alone.

2.7 Reliances

In carrying out my review and producing the Report, I have relied, without detailed verification, upon the accuracy and completeness of the data and information provided to me, in both written and oral form, by Euroben and SPP, including their outsourced HoAF providers, WTW, and legal advisors in connection with the Transaction, Matheson. Reliance has been placed upon, but not limited to, the assertions set out in section 7.8 and the information detailed in Appendix 9.1.

2.8 Qualifications, Limitations and Distribution

This Report must be read in its entirety. Reading individual sections in isolation may be misleading. A copy of this Report will be made available to the CBI and will be available on request to the Policyholders of the Scheme Companies (i.e. the corporate formal policyholders rather than the insured lives and beneficiaries).

This Report has been produced for no purpose other than to support my opinion as Independent Actuary.

This Report is prepared solely in connection with, and for the purposes of, informing the Court, the Policyholders of the Scheme Companies, the CBI and any other relevant supervisory or regulatory authority of my findings in respect of the impact of the Transaction on the benefit security, reasonable expectations and customer service of the policyholders and may only be relied on for this purpose.

This Report should not be regarded as suitable to be used or relied on by any party wishing to acquire any right to bring action against Mazars in connection with any other use or reliance. To the fullest extent permitted by law, Mazars will accept no responsibility or liability in respect of this Report to any other party.

In my role as Independent Actuary, I have, in the normal course of conducting this role, been provided with a significant and appropriate amount of information and data about the Scheme Companies' activities and performance. When forming my view as set out in this Report, these disclosures and information have formed a necessary and vital contribution.

This Report is based on information made available to me at or prior to the date of this Report and takes no account of developments after that date. However, my understanding is that Euroben and SPP may request that I prepare and issue a Supplementary Report closer to the date of the Second Hearing at which the High Court will be asked to consider and sanction the proposed Scheme

2.9 Limits of Liabilities and Legal Jurisdiction

This Report is subject to the terms and conditions, including limitation of liability and legal jurisdiction, set out in the Engagement Letter.

2.10 Commercial Sensitivities

Due to commercial sensitivities some of the information I have relied upon to reach my conclusions cannot be disclosed in a public report such as this. This approach has been discussed and agreed with the Scheme Companies and their legal advisors. I can confirm however that appropriate detailed information has been provided to me to enable me to form the opinions I express to the Court in this Report. If specifically required by the Court, I can comment on specific areas of interest in a private letter addressed to the High Court Judge only.

2.11 Currency

Unless otherwise stated, the figures presented in this report have been evaluated as at 31st December 2020 and are denominated in Swedish Kronor (SEK) where 1 MSEK equates to one million Swedish Kronor.

2.12 Terminology

This Report uses a number of acronyms and technical terms. These are generally explained as they arise and are then collated in the glossary of terms in Appendix section 9.13.

2.13 Ongoing Developments and Supplementary Report

This Report will be submitted to the Irish Court for consideration at the First Hearing.

A supplementary report will then be submitted to the Court for consideration at the Second Hearing (to approve the Scheme, if appropriate) to cover any interim developments.

3 REGULATION

3.1 Introduction

This section identifies any regulatory differences pre and post Transaction i.e.:

- 1) Pre Transaction: Euroben operating as an Irish subsidiary of SPP and selling into Sweden via the Euroben Swedish branch,
- 2) Post Transaction: Euroben transfers its insurance portfolio to SPP and is subsumed into SPP, a Swedish entity.

The comparison is therefore between the regulatory regimes applicable to Ireland and Sweden but with the nuance that Euroben already operates via its Swedish branch. In EU terminology, Ireland is the “Home” state where Euroben is registered while Sweden is the “Host” state where its business has been issued through the branch.

I have sought information on the Swedish rules from SPP to assist my review. Any significant differences would then be subject to assessment in section 7. Overall there is a strong expectation of no change due to the Transaction based on the following:

- 1) Euroben’s Swedish Branch is already subject to certain Swedish rules so there is no change regarding these rules,
- 2) Euroben and SPP operate in equivalent regimes, both states being members of the EU and having adopted the various directives, notably Solvency II for prudential supervision and the Insurance Distribution Directive (“IDD”) for conduct of business.

Both Euroben and SPP have confirmed their agreement with this expectation.

3.2 Prudential Regulation: Solvency II

Both Ireland and Sweden are subject to Solvency II therefore I would expect the vast majority of prudential regulation to be identical or equivalent.

In reviewing the Swedish regulator (FI) website, which is in English, it was clear that the FI like the CBI also produces supplementary rules and guidelines, so there will be some nuances specific to Sweden.

In discussing this matter with SPP the only area of divergence which came to our attention was in relation to Ring-fenced Funds (“RFF”) which I do not consider to be significant (for details see Appendix section 9.8).

3.3 Conduct of Business Regulation

Conduct of business (“CoB”) is largely related to sales practices and is regulated by the “Host” state Sweden and there is therefore no change.

Furthermore both Ireland and Sweden are subject to the local conduct laws and regulations and all relevant EU Directives including the Insurance Distribution Directive (“IDD”) which aims to enhance and harmonise conduct of business requirements including a duty to act in “customers’ best interests”.

3.4 Consumer Protection Schemes & Dispute Resolution

The Euroben Swedish Branch is already subject to the Swedish regime common to SPP.

Regarding protection (compensation) schemes, there is no policyholder compensation scheme in either Ireland or Sweden.

Regarding dispute resolution (complaints and recourse to a third party “ombudsman”), details of this are outlined in the Group Policies. In essence policyholders have recourse to an authority and ultimately court.

3.5 Winding Up Regulations

The legal advisors to Euroben have confirmed that winding up rules for insurance entities in Ireland and Sweden respectively offer equivalent levels of protection to policyholders because both Sweden and Ireland chose to apply Article 275(1)(a) of Solvency II, which provides that, with regard to assets representing technical provisions, insurance claims shall take absolute precedence over any other claim on the insurance undertaking.

3.6 Corporate Governance & Other Matters

There is nothing comparable in Sweden to the Irish Corporate Governance Code and so entities like SPP are operating in line with Solvency II and local market practice.

Regarding other regulatory matters, I note that the area of financial crime and more specifically anti-money laundering (“AML”) has been subject to focus in recent times in Sweden. I have discussed this topic with SPP and Euroben and am satisfied that in this area there are no concerns relevant to the Transaction.

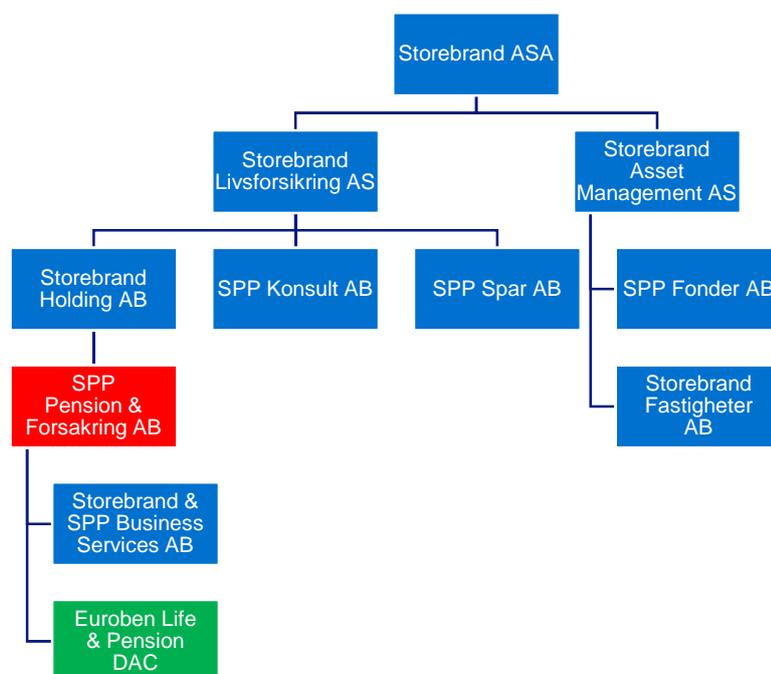
4 EUROBEN “AS IS”

This section sets out Euroben “as is” in the absence of the proposed Scheme. Section 7 covers the expected impact of the Transaction should it proceed.

4.1 Structure & Background

4.1.1 Structure

Euroben is solely owned by SPP within the Group as indicated in the chart below:



4.1.2 Background

The history of Euroben may be summarised as follows:

- 1) Euroben was set up as a Joint Venture (“JV”) between Storebrand and SPP and commenced trading on 28th September 2000. The rationale for creating the JV in Ireland was to respond to a demand from policyholders to hold higher levels of equity investments than were permitted at that time in Norway. The rationale for operating via a branch (“Freedom of Establishment”, “FoE”) rather than directly from Ireland (“Freedom of Services”, “FoS”) was related to some concerns over whether pensions business might in practice be allowed on a FoS basis and due to the better sales story of having a physical presence in Sweden. The equity restriction was subsequently lifted shortly thereafter and the hoped-for large contracts with Norwegian corporate clients did not materialise.
- 2) Euroben then went through a phase as a subsidiary of Handelsbanken, changing its name to Handelsbanken Life and Pensions Limited for a period. During this period, the Company wrote EuroPlan type business (through its Swedish branch) and developed a Unit Linked / Portfolio Bond business (via freedom of services) sold through the Handelsbank bank network. When Storebrand acquired SPP and reacquired the Company from Handelsbanken, the linked portfolio was transferred to a new Handelsbanken company and the Company reverted to its original name.
- 3) In 2007 Euroben acquired the Occupational Pension plan from another Swedish pension provider. This was a significant development for Euroben.

4) In 2014, Euroben closed to new business.

From this history, I think it is useful to note the following:

- 1) The original rationale for establishing Euroben no longer exists;
- 2) The rationale which encouraged the major corporate client to move the Occupational Pension plan to Euroben no longer exists; and that,
- 3) If it were not for the Occupational Pension plan transfer in 2007, it is likely that Euroben would have sought to transfer the EuroPlan business much earlier.

Euroben is authorised to write the following classes of insurance business: 1, 3, 4 and 7. The in-force business of Euroben falls within classes 1, 3 and 4. For further details see Appendix section 9.9.

4.2 Nature of Business

As at 31 December 2020 the in-force business of Euroben comprises the following types of product (all through its branch in Sweden):

- 1) The Occupational Pension Plan (“OPP”) which is corporate pension business for which the liabilities consist mainly of deferred annuities and annuities in payment, together with an associated Disability Plan (annual premium of approximately 15 MSEK) that provides death and sickness benefits; and
- 2) The Annuity Fund (“EuroPlan”) which provides fixed term and whole of life annuities for insured lives organised within group policies each sponsored by an employer.

The combined Technical Provisions for these products at YE2020 were 10,425 MSEK, with the OPP representing over 95% of the total.

Euroben is closed to new business but premiums from existing business are still being paid. The main focus of Euroben is to run off the existing business as efficiently as possible in line with the policy terms and conditions.

Policies have their own assets which may not be used to cross-subsidise other business. The Occupational Pension Plan has significant surplus assets and discretionary distribution of surplus is used to fund indexation of benefits in line with that provided by Alecta, a Swedish White Collar pension scheme. Investment surpluses arising on EuroPlan policies are allocated to policies via a formulaic (i.e. non-discretionary) process.

The products are described in more detail in Appendix section 9.2.

4.3 Policyholder Reasonable Expectations

Policyholder reasonable expectations (PRE) generally relate to the following:

- 1) Payment of premiums and receipt of benefits consistent with policyholder T&C and other forms of communications relevant to the contract (marketing literature, benefit statements). In the case of the Occupational Pension Plan, there are also related Customer Agreements.
- 2) Receipt of discretionary benefits, consistent with above but also with prior practice.
- 3) Receipt of customer service consistent with prior practice and also with industry standards.

We also consider the charges made to the Occupational Pension Plan and EuroPlan respectively, the Occupational Pension Plan fee level being subject to renegotiation periodically, and the EuroPlan fee level being variable at the discretion of Euroben.

The area of discretionary benefits is of particular interest. There is only one such area for Euroben, which relates to the distribution of surplus in the Occupational Pension Plan. The YE20 “Actuarial Report on Technical Provisions” (“ARTP”) sets out the HoAF’s view on PRE regarding discretionary benefits under the Occupational Pension Plan. In summary the effect is that the surplus in the Occupational Pension Plan should be used in the first instance to provide indexation at the same level as that of Alecta. The HoAF is also involved on an annual basis in recommending the annual surplus distribution declaration. Based on discussion with Management and the HoAF and review of information provided, we consider this interpretation of PRE to be valid.

4.4 Financial Profile

4.4.1 Solvency Position

The following table sets out the solvency position of Euroben as at 31 December 2020:

Euroben Solvency as at 31-Dec-2020 MSEK	Policyholder Business	Shareholder
Total assets net of deferred tax liability	10,425	291
Total technical provisions	10,425	(55)
Best Estimate Liability:	-	
- Value of future profits	0	(77)
- Guaranteed liabilities	7,524	-
- Future discretionary benefits (“FDB”)	2,900	-
Risk Margin	-	21
Euroben Own Funds	(0)	346
Available Capital to meet SCR	2,900	346
Total SCR gross of LACTP	1,687	132
Solvency Cover Ratio	167% (OPP), 310% (AF)	262%

Notes:

- 1) The financial position of Euroben is measured on a Solvency II basis.
- 2) The reported solvency position for Euroben as a whole is shown under the column “Shareholder” and reflects a robust level of coverage with a solvency ratio of 262%.
- 3) The “Policyholder” column shows the combined position for the Occupational Pension Plan (“OPP”) and the Annuity Fund (“AF”) (i.e. EuroPlan business), in order to demonstrate the significant levels of surplus that exist within these (represented by the line “Future discretionary benefits” and “Solvency Cover Ratio”). The Solvency Cover Ratio is shown for each of the OPP and AF separately so as to demonstrate that each has more than enough surplus to cover its own capital requirements hence do not cause any strain to Euroben’s overall solvency position.
- 4) The Technical Provisions (“TPs”) are calculated as the sum of a best estimate liability (“BEL”) and risk margin (“RM”). The BEL comprises the following:
 - a) Guaranteed benefits;
 - b) Future discretionary benefits (“FDB” or surplus); and
 - c) Value of future profits.
- 5) The level of surplus for policyholder business represents the excess of assets attributed to each product over the associated guaranteed liabilities. If this surplus decreases, then there is an

increasing risk that Euroben may need to use its shareholder assets to meet the cost of the guaranteed benefits.

- 6) All figures are prepared by SPP. The HoAF has reviewed the year-end technical provisions and provided a report and opinion on those provisions to Euroben. The HoAF validated SPP's calculation of the guaranteed benefits, the BEL and RM by, inter alia, performing independent calculations and comparing the overall results against SPP's figures.
- 7) The explanation of the components in the table is provided below:
 - a) The value of future profits held represent Euroben's anticipated future profits from running the business to the end of the contract boundary. The value of future profits acts to decrease Euroben's overall technical provisions.
 - b) The Guaranteed Liabilities is the present value of guaranteed benefits (guaranteed future payments to policyholders plus the associated shareholder charges and yield tax) and is calculated at an individual member level using monthly time steps and discounting at the EIOPA reference rates (without allowance for the Volatility Adjustment). Each policy is projected forward for the policy-specific term (where applicable) and all lives are assumed to die no later than age 120.
 - c) Surplus assets in the Occupational Pension Plan and Annuity Fund belong respectively to the Occupational Pension Plan and Annuity Fund. These surpluses may, subject to various considerations by the Board of Euroben, be distributed over time to policyholders and beneficiaries. Accordingly, a liability, referred to as the FDB component of the BEL, is established so that the total value of Occupational Pension Plan and Annuity Fund BEL is at least equal to the Occupational Pension Plan assets and Annuity Fund assets respectively. The FDB implicitly includes the future shareholder charges and yield tax on the assets backing the FDB. The FDB also includes the impact of reinsurance.
 - d) The reserves for the Occupational Pension Plan's Disability Plan are approximately 10 MSEK as at end December 2020 and included in the guaranteed liabilities.
 - e) The risk margin is calculated using a cost of capital approach where the cost of capital each year is set at 6% of the capital requirement. The risk margin is equal to the sum of the discounted cost of capital. The capital requirements are assumed to run-off over a number of years consistent with the contract boundary for the Occupational Pension Plan. This is appropriate for the Annuity Fund because Euroben would transfer the Annuity Fund to another entity in the event of the Occupational Pension Plan terminating.
 - f) The surpluses of the Occupational Pension Plan and the Annuity Fund provide the capital to meet the solvency capital requirement gross of loss absorbing capacity of technical provisions. If the guaranteed liabilities were to exceed the assets, the Euroben Shareholder Fund would need to meet the capital requirements for that policy. The shareholder capital available to cover the SCR is the Euroben own funds.
 - g) The solvency coverage for the Occupational Pension Plan, Annuity Fund and Shareholder is 167%, 310% and 262% respectively.
- 8) As at end December 2020, the solvency position was within risk appetite as set by the Euroben Board:
 - a) The Shareholder capital requirement is 132 MSEK, within the upper limit of 249 MSEK.

- b) The solvency coverage for the Occupational Pension Plan is 167%, above the lower limit of 130%.
- c) The estimated value of guarantee shortfalls for the Annuity Fund is 0.4 MSEK, within the upper limit of 10 MSEK.

4.4.2 Risk Profile

The following table sets out the solvency capital requirement of Euroben as at 31 December 2020:

Euroben Solvency Capital Requirement as at 31-Dec-2020 MSEK	Policyholder Business	Shareholder
Market Risk	1,563	23
Life Underwriting SCR	321	83
Counterparty Default SCR	46	2
Less diversification between above risks	(243)	(16)
Basic SCR	1,687	93
Operational risk	-	47
Loss absorbing capacity of deferred taxes	-	(7)
SCR gross of LACTP	1,687	132
Basic SCR	1,687	93
LACTP	1,687	-
Loss absorbing capacity of deferred taxes	-	(7)
Operational risk	-	47
SCR net of LACTP	-	132

The following points summarise the risk profile of Euroben:

- 1) There is a significant level of surplus in the Technical Provisions relative to the SCR.
- 2) The factors that have a material impact on the surplus element of the Technical Provisions are:
 - a) The investment performance of the assets; and
 - b) Material movements in the guaranteed liabilities.
- 3) The factors that have a material impact on the guaranteed element of the Technical Provisions are as follows:
 - a) Longevity assumption; and
 - b) Risk-free discount rates as provided by EIOPA.
- 4) The level of surplus for policyholder business represents the excess of assets attributed to each policy over the associated guaranteed liabilities. If this surplus decreases, then there is an increasing risk that Euroben may need to use its shareholder assets to meet the cost of the guaranteed benefits.
- 5) Longevity risk applies to the extent that increases in life expectancy will increase the value of guaranteed benefits. While this may be offset by a reduction in surplus, it will affect the investment strategy of the assets and will also increase the risk of Euroben being required to meet the cost of guaranteed benefits from its Own Funds.
- 6) Risk Appetite: the risk appetite of Euroben is approved by the Board on an annual basis. Euroben identified the total risk-taking capacity at:

- a) Shareholder: A maximum capital requirement of 249 MSEK.
 - b) Policyholder business:
 - i) Occupational Pension Plan: A minimum target solvency cover of 130%. Euroben set this limit to ensure that, in the event of a fall in surplus, the policy can be de-risked to protect the solvency of Euroben.
 - ii) Annuity Fund: A maximum shareholder exposure of 10 MSEK.
- 7) Euroben undertake a dynamic risk management process to manage the level of investment risk in the Occupational Pension Plan.
 - 8) Euroben set a minimum excess surplus (“MES”) target for the Occupational Pension Plan. Storebrand Group asset stress measures are used to determine the MES requirement for the Occupational Pension Plan. In the event that the excess surplus in the Occupational Pension Plan dips below the MES, Euroben would act to de-risk the market risk in the plan.
 - 9) Euroben’s risk appetite statement includes reporting thresholds for the Board and Risk Committee in the event Euroben solvency ratio drops below 140% or the Occupational Pension Plan surplus drops below 125% of the MES.
 - 10) Liquidity risk is covered within the Risk Appetite Statement as part of market risk which is generally subject to Group standards with suitable allowance for product features. Liquidity risk is managed as part of the investment strategy to ensure that the company is in a position to cover all of its financial obligations as they fall due for payment, without deviating significantly from the strategy and business plan. Euroben has a generally positive liquidity position in that the majority of its assets are liquid assets, while its obligations are long-term and predictable. Note that if the Occupational Pension Plan were to be transferred to another insurer then, with the exception of a small proportion in Private Debt held via Storebrand Livsforsikring, all of its assets would also transfer too i.e. there would be no need to liquidate them, while Storebrand Livsforsikring would buy the private debt it holds for Euroben.
 - 11) The explanation of the components in the table is provided below:
 - a) The “Policyholder Business” relates to the combined positions for the OPP and the AF.
 - b) In the SCR submitted as part of the year end 2020 SII QRTs, the interest rate up stress bites for the Euroben SCR. The Policyholder Business SCR is adjusted in the above table to allow for interest risk down risk to bite for the Occupational Pension Plan market risk SCR. The Standard Formula rules in selecting which interest stress risk bites acts to understate the interest rate risk in the Occupational Pension Plan. Euroben adjust the Occupational Pension Plan SCR and the Annuity Fund SCR to avoid understating the interest risk and use the adjusted SCR when comparing against their Risk Appetite metrics.
 - c) The overall SCR results are shown both gross and net of the loss absorbing capacity of the technical provisions (LACTP). The SCR net of LACTP is covered by the shareholder.
 - d) The LACTP is set equal to the minimum value of the Basic Solvency Capital Requirement (“BSCR”) and the surplus in relation to Policyholder Business. At product level,
 - i) The Occupational Pension Plan surplus is greater than the BSCR and as such, the LACTP is equal to the BSCR.

- ii) The Annuity Fund surplus is greater than the BSCR. There are a small number of Annuity Fund policies that give rise to an SCR after LACTP. However, the amount is immaterial and less than 0.5 MSEK (the rounded value of the SCR net of LACTP is 0 MSEK).

12) The ORSA provides significant information on the risk profile and solvency outlook of Euroben. At a high level, Euroben's main risk relates to its longer-term unviability.

4.5 Reinsurance

Euroben has relatively little reinsurance. Overall it is not material to Euroben's financial position.

4.6 Risk Management

Euroben has a comprehensive risk management framework, which is documented along with all of the related corporate governance and policies in a single compendium ("Euroben Company Instructions June 2020"). The latest such document was approved by the Board in June 2020. Of particular importance is the Risk Appetite which is included within this document (section "EB CP05 Euroben Risk Appetite Statement") and has been summarised above in section 4.4.2.

The governance is generally consistent with the Group standards applicable also to SPP, tailored to the requirements of Ireland and to the size and circumstances of Euroben.

4.7 Capital Management Policy

There is no separate "Capital Management Policy" per se, but there is a "Dividend Policy" (section "EB CP09 Dividend Policy") which states: "Euroben should normally pay a dividend in May each year in relation to the prior year at the highest level possible whilst ensuring that the Company remains appropriately capitalised for its future business requirements." In normal circumstances, i.e. absent the Scheme, this would mean that dividends would be payable subject to continuing to stay within Risk Appetite as reflected in the ORSA. There is no mention of sources of finance for capital, this not being relevant to Euroben.

In practice, Euroben does not intend to pay any dividend for 2020, per this note taken from the YE20 Financial Statements: "The Directors are not proposing a dividend for 2020 (2019 : SEK 210 million) since the intention is for the Company to be merged by absorption into its shareholder, SPP Pension & Försäkring AB (publ)."

4.8 Operational Arrangements

Euroben outsource the following to SPP:

- 1) Policyholder administration;
- 2) Financial risk management;
- 3) IT;
- 4) Accounting; and
- 5) Actuarial services.

These areas constitute the vast majority of the activities required to run the business, leaving the following "local oversight" areas to be conducted directly by Euroben itself:

- 1) Oversight by Board and associated committees,
- 2) Senior management oversight (CEO and CRO); and

3) External Audit, HoAF and Legal Advice.

In effect, Euroben is already deeply integrated with SPP subject to additional activities to meet the regulatory requirements of Euroben as an Irish authorised insurer.

4.9 Treating Customers Fairly

The approach to customers is guided by the Group's standards. For example, the following sections from Euroben's governance manual ("Euroben Company Instructions June 2020") are relevant:

- 1) Section 5.5. "Sales and marketing" from "EB CP04 Ethical Rules for the Group":
"The Group shall not engage in any form of sales or marketing which may be regarded as offensive or which conflicts with general social norms. Financial advice must always be based on the needs of customers, their financial situation and their attitude to risk. The Group must not exploit its advantages in knowledge and finance in its dealings with customers, but give advice that serves customers' interests, even though this may not always be most profitable for the Group in the short term. All advertising, information and terms and conditions must be characterised by respect for customers, society and the environment." While Euroben is closed to new business, so this section no longer applies directly, it does indicate the application of Group wide policies.
- 2) Selected excerpts from "RC CP08 Policy for Complaints":
 - a) "Euroben shall ensure that complaints will be handled in a well-functioning and efficient manner and in accordance with current regulations and the core values of the Group."
 - b) "The handling of complaints shall as a minimum comply with the General Guidance FFFS 2002:23 of the Swedish Financial Supervisory Authority, "Finansinspektionen's general guidelines regarding complaints management concerning financial services for customers".

Such standards are also applicable to SPP.

4.10 Other Regulatory and Legal Matters

Euroben has confirmed that there are no ongoing or pending regulatory (e.g. a fine) or legal (e.g. litigation) issues.

4.11 Policyholder Profile

The following table indicates the numbers of individual insured lives within the 2 main products:

Euroben: Number of Individual Insured Lives as at Q220			
Occupational Pension Plan (by member category)	Number	EuroPlan (by outstanding term)	Number
Active members	32	Less than 1 year	330
Retired members claiming pension	817	1 - 2 years	130
Members with paid up benefits	447	2 - 3 years	98
Spouses/Children family pension	216	3 - 4 years	69
Members on long term disability	1	Greater than 4 years	1,883
TOTAL Occupational Pension Plan	1,513	TOTAL EuroPlan	2,510

Notes:

- 1) The Occupational Pension Plan is a single pension scheme covering 1,513 current and former employees and their dependents.
- 2) For EuroPlan there are approximately 40 Swedish corporate policyholders with 67 policies making up the 2,510 beneficiaries.
- 3) While the Occupational Pension Plan dwarfs EuroPlan by the amount of liabilities (of which c. 95% relates to the OPP), this table shows that the two products are more comparable at the level of numbers of individual insured lives. Indeed EuroPlan has significantly more insured lives than the Occupational Pension Plan.
- 4) The information is sourced from the ORSA as at Q2 2020.
- 5) There were no material or unexpected changes in this profile by YE2020, noting that the total membership of Occupational Pension Plan had reduced to 1,499 while the total for EuroPlan had reduced to 2,231.

5 SPP “AS IS”

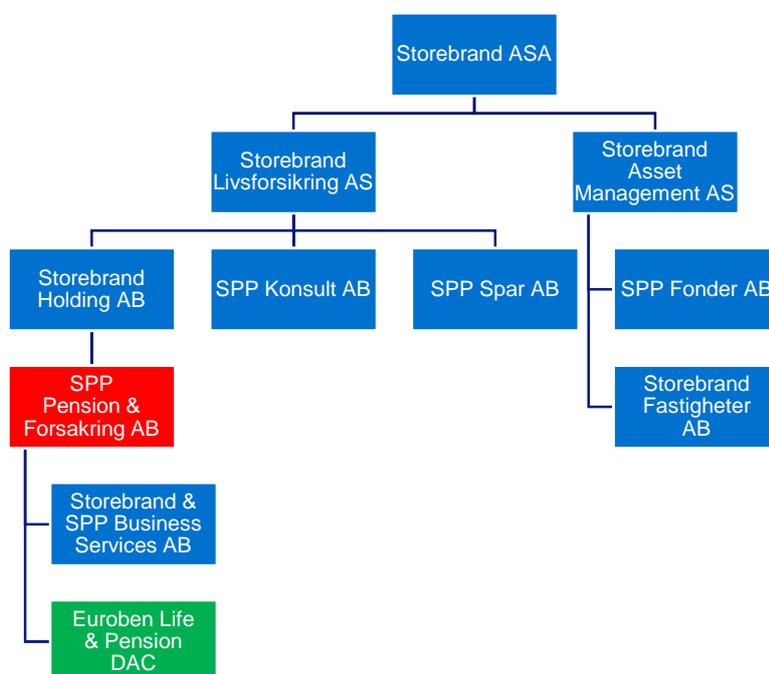
This section sets out SPP “as is” in the absence of the proposed Transaction. Section 7 covers the expected impact of the Transaction should it proceed.

5.1 Structure & Background

5.1.1 Structure

SPP is a Swedish life insurance company that is a part of the Group. Storebrand ASA (“Storebrand”) is the parent company in the Group and is listed on the Oslo Stock Exchange. Storebrand has a diverse ownership structure and is amongst the Oslo listed companies with the largest number of shareholders.

The chart below presents a simplified Group Structure and is identical to the one shown in section 4.1.1. (A detailed description of the current position in the group is described in Section A.1 in the Regulatory Supervisory Report.) SPP generates about 40 per cent of the Group’s combined profit.



5.1.2 Background

The history of SPP may be summarised as follows:

- 1) SPP was founded in 1917 for the sole purpose of providing occupational pensions in the private sector for white collar employees.
- 2) In 2000, SPP and Storebrand established Euroben. This was done to create a platform for offering flexible pan-Scandinavian pension solutions to large corporations. This Swedish-Norwegian joint venture was initiated several years before Storebrand bought SPP.
- 3) In 2001, SPP was divided into Alecta, with focus on insurance of defined benefit pensions subject to collective bargaining between employers and unions, and (the remaining) SPP, focused on the market of more flexible and individualised occupational pensions offering defined benefit and

defined contribution policies (including unit-linked). SPP was then sold by Alecta to Handelsbanken (one of the four large Swedish banking groups) with the aim to incorporate SPP into its life business Handelsbanken Life.

- 4) In 2003, Handelsbanken acquired 100 per cent of the shares in Euroben, with a significant portion of the shares held via SPP.
- 5) In December 2007, Storebrand acquired SPP, encompassing SPP Livförsäkring AB, SPP Liv Fondförsäkring AB, Euroben and SPP Fonder AB (mutual funds company) from Handelsbanken. As a result, Storebrand and SPP combined became the leading player in the Nordic occupational pension market based on both companies' deep knowledge and long tradition in providing pension and long-term savings coupled with a strong focus on sustainability. In 2015, SPP Livförsäkring AB and SPP Liv Fondförsäkring merged and changed its name to SPP Pension & Försäkring AB.
- 6) Following miscellaneous (mainly intra group) transactions SPP acquired 100 per cent of the shares of Euroben Life & Pension from Storebrand Livsforsikring AS in November 2020.
- 7) In 2020, SPP/Storebrand was ranked as the world's most sustainable insurance group in the Corporate Knights Global 100.

SPP is authorised to write the following classes of business: Life classes 1, 3 and 4 and Non-life class 1.

5.2 Nature of Business

SPP offers pension and insurance solutions and provides advice to companies and their employees in the Swedish occupational pensions market. SPP is one of a small number of selected providers of unit-linked pensions within the two largest collectively bargained union pension agreements SAFLO (blue collar employees) and ITP (white collar employees). Alongside the occupational old age pensions SPP offers adjacent risk riders such as disability pensions, waiver of premium and survivors protection. SPP provides health insurance to its clients in partnership with Storebrand Helse and provides qualified consultancy services within occupational pensions and insurance for companies and public sector entities, through SPP Konsult.

SPP is active in all segments of the Swedish life insurance market, including both the occupational pensions market and the private life insurance market. Its key products are unit-linked pensions, defined contribution pensions, defined benefit pensions, occupational health insurance products (disability insurance), pension advisory services and administrative services. SPP also has extensive experience with a customer base across a wide range of sectors. With this range of products, services and relationships, SPP believes it has a strong competitive advantage in being able to provide a "one stop shop" for all the pension needs of its customers, thus further increasing its market share. Sales occur via SPP's internal sales team, insurance brokers and direct marketing.

In terms of the relative size of its lines of business, as of 31 December 2020, SPP managed SEK 209 billion in customer funds, comprising SEK 43 billion in defined benefits pensions, SEK 40 billion in defined contribution pensions, and SEK 126 billion in unit-linked pensions.

Unit-linked pensions are a particular area of focus for SPP, with 81% of new sales attributed to unit-linked products in 2020. In terms of market share for Swedish unit-linked occupational pensions business (based on twelve month rolling values as of 31 December 2020):

- 12.2% market share overall, as measured by premium income excluding transfers, including 15.1% in the "other occupational pensions" segment,

- 20.3% market share overall, as measured by new sales.

SPP has seen a large growth in premium income in recent years from 6.8 billion SEK in 2016 up to 17.9 billion SEK in 2020 (including portfolio transfers of approximately 5 billion). The premium income in 2020 represents 167% of the total size of Euroben's AUM (17.9 vs 10.7).

SPP has provided policy administration and risk management services to Euroben's Swedish Branch since it originally commenced business.

As at 31 December 2020 the in-force business of SPP comprises three lines of business classified under Solvency II as follows:

- Insurance with profit participation: Defined benefits pensions, defined contributions pensions,
- Index-linked and unit-linked insurance: Unit-linked pensions, and
- Health similar to Life: Mainly disability and disability waiver of premium

The products are described in more detail in Appendix section 9.3.

5.3 Policyholder Reasonable Expectations

Section 4.3 set out a general description of PRE and some specific points concerning Euroben.

We understand that similar statements would also apply to the SPP business, albeit with varying levels of charges and varying forms of surplus distribution mechanisms within pension plans.

5.4 Financial Profile

5.4.1 Solvency Position

The following table sets out the solvency position of SPP as at 31 December 2020:

SPP Solvency as at 31-Dec MSEK	YE20	YE19	Change	% Change
Total assets	225,962	209,640	16,322	8%
Unit-linked	125,886	112,127	13,759	12%
Insurance with profit participation	82,245	81,581	664	1%
Other assets	17,830	15,931	1,899	12%
Total technical provisions	204,606	190,145	14,461	8%
Best Estimate Liability:				
- Unit-linked	118,087	104,656	13,431	13%
- Insurance with profit participation	82,202	81,364	838	1%
- Health SLT	1,288	1,123	165	15%
Risk Margin	3,029	3,002	27	1%
Other liabilities	5,552	4,169	1,383	33%
Own Funds	15,804	15,326	478	3%
Solvency Capital Requirement	9,376	9,211	165	2%
Solvency Ratio	169%	166%	2%	N/A

Notes:

- 1) The financial position of SPP is measured on a Solvency II basis.
- 2) Unlike Euroben, SPP applies the Volatility Adjustment (VA). The VA is prescribed by EIOPA for each currency and acts to increase the EIOPA discount rate (hence decrease the liabilities) in proportion to the level of credit spreads observed on bonds. This helps to protect the solvency

position when credit spreads widen and bond values fall. Firms are expected to understand their liquidity position and to be confident that there would not be any need to sell bonds at depressed prices to meet benefit or expense outgo. While firms do need to liaise with their regulator to use the VA (in Ireland to seek approval in advance, in Sweden for information only), it is seen as a sensible measure and is in common use in the industry. The level of the VA is usually low and only significant when the credit markets are turbulent, which is consistent with its purpose.

- 3) The solvency position is strong and stable over the year, improving slightly from 166% to 169%. The YE20 position is shown as reported at Q4 2020 and does not allow for the dividend payable in 2021 based on 2020, which reduces the solvency ratio to 156% as shown in section 7.3.
- 4) The explanation of the components in the table is provided below:
 - a) The increase of own funds by 478 MSEK is after payment of the dividend of 662 MSEK (paid in 2020 in respect of the 2019 result). The main drivers of growth are higher present value of future profits (due to business growth in the Unit-linked portfolio) and higher surplus in the defined benefit book KF.
 - b) The changes in assets and technical provisions are mainly due to growth in the unit-linked portfolio.
 - c) For insurance with profit participation the best estimate liability increased by 0.8 bSEK due to lower interest rates, offset by run-off (with negative net client cash flows). In the same period the return on assets was positive, giving an increase in surplus hence discretionary benefits.
 - d) Health SLT liabilities increased due to growth in the underlying business.
 - e) The risk margin increased slightly, which may be attributed to lower interest rates offset by lower life underwriting risk.
 - f) The SCR increased slightly as discussed in the next section.

5.4.2 Risk Profile

The following table sets out the solvency capital requirement of SPP as at 31 December 2020:

SPP Solvency Capital Requirement as at 31-Dec MSEK	YE20	YE19	Change	% Change
Market Risk	7,179	6,924	255	4%
Life Underwriting Risk	3,660	3,833	(173)	-5%
Counterparty Default Risk	119	75	44	59%
Health Risk	240	177	63	36%
Less diversification between above risks	(2248)	(2217)	(31)	1%
Basic SCR	8,950	8,792	158	2%
Operational risk	426	419	7	2%
SCR	9,376	9,211	165	2%

The following points summarise the risk profile of SPP:

- 1) The risk profile is relatively unchanged over the year.

- 2) The top 3 risks as measured by the SCR are equity and lapse risk (driven by the UL business) followed by longevity (on the non-UL pensions business).
- 3) Market and longevity risks on the defined benefit pension business are mitigated by surpluses in these schemes (although these surpluses are not as significant as for Euroben). Such surpluses may absorb losses associated with worse market and longevity experience, thus reducing the exposure of the shareholder. This feature is known as the “Loss Absorbing Capacity of Technical Provisions (“LACTP”), and acts to reduce the SCR. The above figures are net of LACTP. Table 2 in section 4.3 of the YE20 ORSA provides useful information on the LACTP hence level of surplus in the IF and KF product lines: the LACTP reduces the SCR by 47% in 2020 (51% in 2019). This level of roughly 50% SCR relief compares with the 100% relief in Euroben.

- 4) The SPP Risk Appetite may be summarised as.

Subject to adequate solvency and earnings, SPP has high appetite for insurance and investment risk in relation to its core pension business. I would note that SPP’s investment management philosophy is grounded in the concept of sustainability. SPP has low appetite for regulatory or operational risk.

The Board wants there to be low probability that normal fluctuations in the financial market will lead to extraordinary measures to strengthen the solvency position. This is a key consideration within the company’s dividend policy, within which account is also taken of upcoming regulatory changes and longevity uncertainty, and a requirement for a stable and positive outlook for the solvency ratio.

- 5) Liquidity risk is covered within the Risk Appetite Statement as part of the investment strategy to ensure that the company is in a position to cover all its financial obligations as they fall due for payment, without deviating significantly from the strategy and business plan. SPP has a generally positive liquidity position in that the majority of its assets are liquid assets, while its obligations are long-term and predictable. In the RSR it is also noted that “SPP does not depend on future premiums on existing contracts to ensure liquidity”.
- 6) The explanation of the components in the table is provided below:
 - a) The SCR is relatively unchanged.
 - b) The increase of 165 MSEK is mainly driven by increased market risks offset by lower life underwriting risk.
 - c) The market risks have increased due to positive market development and due to higher allocation to properties which carry a relatively higher risk.
 - d) The present value of future profits on unit-linked business is a key driver of life underwriting risk. While such profits have increased this is more than offset by the increased reinsurance cover against a mass lapse event.
- 7) The ORSA provides significant information on the risk profile and solvency outlook of SPP and explores a series of potential adverse scenarios and how SPP could respond to these. I have reviewed the projected solvency position for the period 2020 – 2030 together with the results from the range of stresses and scenarios considered by them, and am satisfied that:

- a) The solvency outlook for SPP is positive, with dividends expected to be payable each year out of profits, solvency stable and improving from the level of 156% at YE2020 (post dividend payment), and
- b) At a high level, SPP has the resources to withstand most plausible adverse scenarios subject to reducing dividends in some cases.

In considering the risks to SPP in the context of Euroben policyholders, it is important to recall that the Euroben policyholder assets will continue to be used solely to provide benefits to Euroben policyholders and are not available to meet other liabilities. This provides substantial protection to Euroben policyholders even if SPP were otherwise to be facing solvency problems. The most relevant long-term risk to Euroben policyholders is that the fees charged on their AUM are increased, and I believe that this risk is greater in Euroben than in SPP due to the economies of scale in the latter.

5.5 Reinsurance

With the exception of a mass lapse treaty, SPP has relatively little reinsurance, while the associated counterparty risk is managed through the use of reinsurers that have a credit rating of at least A-. Having considered these arrangements I have no reinsurance related concerns regarding the Transaction.

5.6 Risk Management

The governance is generally consistent with the Group standards which are also applicable to Euroben. The risk management process is described in more detail in the RSR, chapter B. The risk profile is described in the RSR, chapter C and in the ORSA, and has also been summarised above. An overview is also provided in Appendix section 9.4.

5.7 Capital Management Policy

The capital management policy is part of the risk appetite as described in section 5.4.2.

For 2019 (payable in 2020), the Board initially proposed a dividend of SEK 1162 million comprising SEK 662 million equal to the annual result plus an additional SEK 500 million. Due to the Covid-19 pandemic and increased uncertainty, the Board in April 2020 decided to cancel the additional SEK 500 million dividend. For 2020 (payable in 2021), based on the ORSA 2020, the Board has proposed a dividend equal to SEK 1208 million comprising the annual result of SEK 708 million, plus an additional SEK 500 million.

5.8 Operational Arrangements

5.8.1 Policy Administration

The majority of SPP's operations, and in particular its key management operations, are carried out in its offices in Stockholm, Sweden where it employs ca. 400 staff across the various functions notably including ca. 160 in "Sales", ca. 100 in "Technology" and ca. 75 in "Product & Operations".

As explained elsewhere in this Report, SPP offers different types of occupational pension products:

- Defined Benefit KF policies, with associated risk riders
- Defined Contribution policies comprising non-linked IF policies and unit-linked policies respectively, with associated risk riders

These two policy types are fundamentally different, whether seen from the client's and insured individual's point of view or from a product and administration point of view. The most essential

difference resides in that for KF policies the insurance capital (and surplus or deficit) is defined collectively at the corporate policyholder contract level, whereas for IF policies the insurance capital (and surplus or deficit) is defined at the individual policy level. Seen as a whole, the KF domain is typically more of a legacy product which is today often in, or close to, run-off. The effort involved in administering and servicing the two types of insurance populations thus requires partly different sets of skills and competencies. Historically the differences described here have motivated KF and IF (including unit-linked policies) to be kept on separate system platforms. Likewise, SPP has adopted partly different operational arrangements for the two types.

SPP administers the Euroben Swedish Branch products as if they were SPP KF or IF policies.

Outsourcing arrangements are significant and are set out in Appendix section 9.5 including Intra-Group services for investment and property management, and external services for policy administration (2 providers as indicated above) and IT.

5.8.2 Investment and Financial Risk Management

SPP's investment department is headed by SPP's Chief Investment Officer and is a part of the Nordic Balance Sheet Management Group, which is responsible for the management of all the Group's guaranteed products (totalling about 300 billion SEK) and ensures that the ALM, risk management and agreements for outsourced asset management services follow Group policies. Euroben has delegated (with the appropriate Board Approvals) responsibility for the investment portfolio to SPP's investment department.

Outsourced asset management services are regulated through an asset management agreement with Storebrand Asset Management ("SAM") and include the administration of asset management. The asset management mandates which are given to asset managers are exercised in accordance with the guidelines and with the restrictions that SPP (or Euroben) specifies in the asset management agreement. Continuous monitoring of the ALM, investment and liquidity risks is performed by SPP.

SPP also offer savings via unit-linked insurance products with current AuM of ca. 125 billion SEK. The policyholder is free to choose from both internal and external funds on the platform. All internal funds are managed by SAM and its subsidiaries. SPP is responsible, with help from fund selection experts in SAM, for selecting external funds that are available on the platform.

5.9 Treating Customers Fairly

The approach to customers is guided by the Group standards.

In particular, SPP and Euroben follow the Group's guidelines / policies concerning complaint monitoring adapted to the Swedish market. Euroben's policy on the subject is covered in Appendix 1 section RC CP08 Policy for Complaints and corresponds to SPP's Code of Conduct Appendix 2.

In addition, under the Swedish Insurance Business Act, § 24 chapter 10 (Försäkringsrörelselagen (2010:2043)), an insurance company must establish and follow guidelines for handling conflicts of interest between the company's stakeholders. A Board Policy regarding the Conflict of interest and Code of Conduct are approved by the board in SPP and reviewed at least once a year. A basic principle is that SPP/Storebrand's customers should be treated equally, in the sense that no customers should receive favourable treatment at the expense of other customers (per page 4 in the Code of Conduct).

SPP has appointed a complaints manager whose appointment is notified to the FI (Swedish regulator).

SPP complies with the rules regarding new product approval and target market according to the Swedish Insurance Distribution law (Lagen om försäkringsdistribution (2018:2019)).

SPP complies with the rules, notably regarding information provision both before and after issuance of new policies, according to the Insurance Distribution Act, Insurance Contracts Act (Försäkringsavtalslagen), PRIIPS and the rules of the FSA. For example, SPP provides precontractual information and the insurance terms on the website, annual report etc. The Insurance Contracts Act also has rules regarding for example material changes of the insurance terms.

The policyholder has a right to cease premiums and, subject to policyholder approval, the insured has a right to transfer the capital. The right to transfer does not include policies insuring defined benefit liabilities.

SPP distributes annual policy statements to customers (insured/beneficiaries).

5.10 Other Regulatory and Legal Matters

SPP has confirmed that there are no ongoing or pending regulatory (e.g. a fine) or legal (e.g. litigation) issues.

5.11 Policyholder Profile

The following table indicates the numbers of individual insured lives / beneficiaries across the main product types:

SPP Policyholders as at 31-Dec-2020	BEL MSEK	Number of Beneficiaries	
		Total	In Payment
KF (Defined benefits)	37,368	150,908	40,038
IF (Defined contribution)	44,834	236,378	92,921
Unit Linked	118,087	482,561	48,693
Risk	1,288	65,249	1,800
Total	201,577	935,096	183,452

Notes:

- 1) The 935 thousand lives insured by SPP compares with the 4 thousand covered by Euroben.
- 2) The importance of the UL business is clear, with roughly 50% of beneficiaries (and reserves) in this product line.
- 3) Recall that the Occupational Pension Plan is similar to the KF product, while the EuroPlan is akin to the IF product.

6 THE PROPOSED SCHEME

6.1 Introduction

In December 2020, the Board of Directors of SPP and Euroben expressed their intention to merge Euroben and SPP, by way of merger by absorption, with SPP being the surviving entity subject to the required approvals in Ireland and Sweden.

Over time Euroben faces challenges due to diseconomies of scale, and had already flagged to its largest policyholder (the corporate client behind the Occupational Pension Plan) its intention to transfer the business to another party in the medium term. Under the proposed Transaction this transfer is brought forward to 2021. SPP has stated that the benefits of merging the entities are as follows:

- *“Increased operational robustness and a reduced risk adherent to the current size of Euroben and the dependency on two staff.*
- *Increased operational synergies, and thus positioning for continued margin pressure. This is expected to reduce the pressure for increases in charges that would otherwise arise over time in Euroben because it is a closed book.*
- *Expanded investment universe for Euroben policyholders, adherent to larger size investment operations within SPP.*
- *Simplifies corporate and governance structure of the Group.”*

As outlined in section 2 of this Report, under Irish law, in order to transfer a portfolio of insurance to another insurance company, the Irish High Court must sanction the scheme of transfer. This is a distinct application from the cross border merger but the effective date of the Scheme and the Merger are the same. Under the Transaction, at the Effective Date, all assets, liabilities and contracts of Euroben (including the insurance portfolio) will become rights and obligations of SPP. Euroben will also be dissolved at the Effective Time pursuant to the Merger. It is critical that both the Scheme and Merger happen simultaneously so that assets and liabilities move at the same time.

6.2 Pre-Conditions

The Transaction is subject to successful completion of the Scheme and Merger processes and to various approvals from the regulators and the Irish Court. In particular the Court may impose conditions. Subject to these points, to my knowledge there are no pre-conditions. For the purposes of my opinion, I consider it a requirement that the Scheme and Merger be executed simultaneously due to the fact that the transfer of assets occurs as part of the Merger.

6.3 Effective Date

The proposed effective date is one second past midnight Swedish Standard Time (UTC +1) on 1 November 2021 which is equivalent to one second past 23:00 on 31st October 2021 Irish time (UTC +0), or at such other time as the Merger shall be registered by the Swedish Companies Registration Office, the Bolagsverket.

6.4 Transfer of Assets and Liabilities

All insurance liabilities of Euroben will transfer to SPP pursuant to the Scheme of Transfer.

All other assets and liabilities of Euroben, together with any contracts or arrangements, will transfer under the Merger.

Euroben's legal advisors have confirmed that there are no assets or liabilities that will be excluded from the Transaction.

6.5 Continuity of Proceedings

The Merger ensures continuity of proceedings in that it provides a legal mechanism for SPP to step into the shoes of Euroben in all matters that do or might arise. If any party has or would have had a claim against Euroben then under the Merger the party will have an equal claim against SPP, and conversely if Euroben has or would have had a claim against any party then under the Merger SPP will have an equal claim against that party.

6.6 Rights and Obligations

Rights and Obligations are understood to mean the contractual rights and obligations of the policyholders and the insurer respectively, as set out in the product Terms & Conditions (T&C) and associated Customer Agreements.

The Scheme explicitly provides for continuity of rights and obligations. It is also implicit under the Merger.

6.7 Treatment of Reinsurance Contracts

Reinsurance contracts (along with any other contracts or arrangements) will move from Euroben to SPP under the Merger, and shall continue to be effective without need for novation.

6.8 Administrative Arrangements

Administrative arrangements are understood to mean the organisational structure and practices adopted by the insurer to manage its business, with a particular focus on the impact on the policyholder in relation to the following:

- Treatment of discretionary benefits;
- All other activities affecting the policyholder (e.g. underwriting, annual benefit statements, responses to queries and requests for alterations, premium collection, benefit payment, complaints handling etc.).

Such matters are not covered within the Scheme or Merger. I have reviewed a memorandum of understanding ("MoU") from the SPP Head of Products & Operations which confirms that the Transaction will not change the administrative arrangements. Appendix section 9.7 covers the various underlying aspects in more detail.

Given the long history of SPP providing such services to the policyholders of Euroben, the continuity seems perfectly natural.

6.9 Policyholder Communications

Throughout this section, the term "Policyholder" does not include the insured lives and beneficiaries (where these are different from the policyholder). Points 3 and 4 make reference to these matters.

Euroben have set out the communications plan which may be described as follows:

- 1) Euroben will issue a circular to its Policyholders following the First Hearing which will contain:
 - a) A letter to notify the Policyholders that Euroben proposes to transfer its policies to SPP, how the process protects Policyholders and how they can get in contact with Euroben and / or engage with the Court process should they so wish;

- b) A summary of the proposed Transaction;
 - c) A summary of the Independent Actuary's Report; and
 - d) The draft legal notice i.e. a draft of the notice which will be published in the relevant newspapers in Ireland and Sweden in August 2021, and also in the Official Gazette in Ireland, in advance of the Second Hearing.
- 2) Euroben will have a contacts centre to address questions and concerns from Euroben's Policyholders. Information regarding the Transaction will also be available on the Euroben website, and physical inspection of documents will also be facilitated should Policyholders wish to do this.
 - 3) Euroben does not intend to notify in advance the beneficiaries where these are different to the Policyholders. The Policyholders are corporate entities whereas the insured lives and beneficiaries are individuals so in practice these individuals will not be sent the notification.
 - 4) The communications plan states that all ex-Euroben Policyholders and beneficiaries will be mailed following the Transaction because this is a requirement of Swedish law.
 - 5) Euroben will apply to the Court for a waiver regarding notification to SPP Policyholders, on the grounds that the impact of the Transaction on SPP is small and that there should be no impact to SPP Policyholders. I am satisfied that it is appropriate to proceed in this way.

I also understand that informal meetings have already been held with the largest Policyholders of Euroben, in order to make them aware of the process. The corporate client behind the Occupational Pension Plan has, jointly with SPP, informed the members of the Plan. I have been advised that there have been no adverse reactions to date.

6.10 Costs of the Proposed Scheme

The Scheme states that except as otherwise agreed in writing, all costs and expenses relating to the preparation of the Scheme and application for the sanction of the Scheme, including the costs of the Independent Actuary and complying with the Court Order shall be borne by SPP. No costs or expenses shall be borne by the policyholders.

I understand that this principle also applies to the Merger, thereby covering the whole Transaction.

6.11 Period up to the Effective Date

With the exception of the activities directly connected to preparation of the Transaction, I understand that Euroben and SPP will continue with their usual business activities before, during and after the Transaction.

The Scheme or Merger (or both) may be subject to change if:

- The Court imposes conditions;
- Both Euroben and SPP agree to the changes, subject to approval by the Court.

6.12 Status Quo: Impact of Not Proceeding with the Transaction

The Euroben business plan identifies the intention to transfer the business to a 3rd party in the medium term, in order to avoid longer term diseconomies of scale. Such diseconomies of scale would eventually lead to a need for higher fee income from policyholders or capital support from SPP.

Any such transfer must cover both the Occupational Pension Plan and EuroPlan. Amongst the documents I have reviewed, the Euroben ORSA in 2019 had already flagged that Euroben would not be able to exist throughout the full runoff of its portfolio.

If this Transaction does not proceed, an alternative form of transfer will need to be determined at some point in the next few years. While this Report does not cover the potential merits of such alternatives, it is hard to imagine a more natural and seamless transfer than the one proposed.

7 ASSESSMENT OF THE PROPOSED SCHEME

This section sets out the expected impact of the Scheme should it proceed. While the above sections 2 to 6 are largely factual in nature, the present section 7 provides my own assessment of the Scheme, in the context of the Transaction, in support of my conclusion in section 8. As previously set out, while my role is to opine on the Scheme specifically, it is essential for me to consider the whole Transaction.

7.1 Introduction

The purpose of this assessment is to determine whether or not the proposed Scheme generates any material adverse impacts (direct or indirect) to the affected policyholders in relation to the key criteria:

- **Benefit Security:** This means security of guaranteed benefits and is largely based upon the financial strength of the insurer.
- **Policyholder Reasonable Expectations (“PRE”):** This means a reasonable interpretation of policyholder expectations regarding future discretionary benefits and is largely based upon the policyholder contract terms and conditions (“T&C”), policyholder communications and prior practice in relation to distribution of discretionary benefits.
- **Customer Service:** This means all aspects of the relationship between the policyholder and the insurer, other than the benefit amounts covered above, and would cover matters such as responsiveness to queries and complaints handling.

The affected policyholders are understood to be the corporate Policyholders, insured lives and beneficiaries of both Euroben and SPP.

7.2 Materiality

It should be recognised that the Scheme will affect different policyholders in different ways, and, for any one group of policyholders, there may be some effects of the Scheme that are positive and others that are adverse. In order to determine whether any effects of the Scheme on any group of policyholders would constitute material detriment, it has been necessary for me to exercise my professional judgement in the light of the information that I have reviewed. If a potential effect is very unlikely to happen, or if it is likely to happen but to have a very small impact, I do not consider it to be material.

7.3 Impact on Financial Profile

The pro forma solvency positions as at YE20 for Euroben and SPP pre-Transaction and for the merged entity SPP post- Transaction are shown below, both before and after the approved SPP dividend:

Solvency as at YE20 MSEK	Pre-Transaction		Post-Transaction	
	Euroben	SPP	SPP	Change
Total assets	10,716	225,962	236,339	10,377
Total technical provisions	10,370	204,606	214,936	10,330
Other liabilities	-	5,552	5,552	-
Own Funds	346	15,804	15,851	47
Solvency Capital Requirement	132	9,376	9,424	48
Solvency Ratio	262%	169%	168%	0%
Surplus assets in excess of SCR	214	6,428	6,427	(1)
<i>adjustment for dividend:</i>				
Dividend	-	1,208	1,208	-
Own Funds	346	14,596	14,643	47
Solvency Ratio	262%	156%	155%	0%
Surplus assets in excess of SCR	214	5,220	5,219	(1)

Note: The reason why the addition of Euroben assets of €10,716 to SPP generates an increase of only €10,377 is that the Pre- Transaction SPP assets already include the value of Euroben Own Funds. In effect the only solvency change arising from the transfer is due to the valuation basis changes described below (see bullet 4).

The following points summarise the financial profile following the Transaction and allowing for the SPP dividend:

- 1) Solvency position from Euroben perspective:
 - a) The solvency positions of the Occupational Pension Plan and EuroPlan policies (see section 4.4.1) are unchanged, since the assets supporting these policies are not available to cover any other liabilities.
 - b) The solvency position of Euroben (i.e. the Shareholder) changes from 262% to 155%. While this represents a decrease in the ratio, the surplus assets in excess of the risk capital per the SCR increase from 214 to 5,219 MSEK.
 - c) The resulting solvency ratio is well above the general minimum of 100% (of SCR), and far in excess of the absolute minimum of 100% of the Minimum Capital Requirement (MCR). The MCR is calculated via a simple formula and cannot exceed 45% of the SCR (subject to an absolute minimum value which does not bite for Euroben or SPP). The presence of 2 thresholds (SCR, MCR) determines intervention levels by the regulator, with more severe action required if the MCR is breached.
- 2) Solvency position from SPP perspective:
 - a) The solvency position is materially the same.
- 3) Solvency Outlook
 - a) Per section 5.4.2, the solvency outlook for SPP is positive, with dividends expected to be payable each year out of profits, solvency stable and improving from the level of 155% shown

above, and sufficient resources to withstand a wide range of adverse deviations from expected experience.

- b) The solvency outlook from the SPP perspective is materially unchanged by the Transaction.
 - c) The solvency outlook from the Euroben perspective is in my view stronger after the Transaction, since while the solvency ratio is lower Euroben benefits from:
 - i) avoiding the diseconomies of scale which would eventually threaten its solvency,
 - ii) the robust solvency of SPP, and
 - iii) the higher level of diversification in SPP.
- 4) The Appendix section 9.6 provides additional commentary on the valuation basis used in SPP which supports the view that SPP's solvency is sound.

7.4 Other Impacts

7.4.1 Tax

There is no tax impact on policyholders, the policyholder funds or the beneficiaries, following the Transaction since the current Euroben business is written through its Swedish Branch and so is subject to the same tax regime as SPP, i.e. the following tax matters do not change:

- The policyholder funds pre and post-merger will continue to have a deduction for the yield tax payable by the insurer. Yield Tax is a tax on the insurance capital.
- The policyholders will continue to pay payroll taxes on certain benefits.
- The beneficiaries living in Sweden will continue to have income taxes deducted from pension payments.
- The beneficiaries living outside Sweden will continue to have taxes deducted in accordance with the Swedish Double Tax Arrangements.
- The right to reclaim withholding taxes against Yield Tax will continue.
- The taxation of dividends or interest from investments will continue.
- For the avoidance of doubt, there is also no change for the SPP policyholders.

The only change in taxation is that after the Transaction there will be no corporate tax payable in Ireland since Euroben will no longer exist. This change will anyway be immaterial to SPP.

This position has been confirmed by the SPP tax department.

7.4.2 Policy Servicing

All Euroben's business is written through its Swedish Branch and as explained in this report, SPP manages the policy administration and all related processes of the Branch. It services all policyholders and beneficiaries in the name of Euroben through an outsourcing arrangement. After the Transaction there will be no changes in the servicing other than it will be done in the name of SPP not Euroben.

For the avoidance of doubt, there is no change to policy servicing for the SPP policyholders.

This has been covered in section 6.8 above and is reiterated here only for emphasis.

7.4.3 Surplus Management & Discretionary Benefits

Euroben's CRO, who reports to the CEO and Board, oversees that the risk management policy is adhered to. Post-merger, Euroben's present Occupational Pension Plan and the Annuity plan investment mandates will remain unchanged. The risk management process will also remain unchanged apart from that reporting will be done to the CRO, CEO and board of SPP instead of Euroben.

SPP and Euroben are merging and as such SPP is taking over Euroben's liabilities and the obligations it has made to clients through Customer Agreements and through its communication to its clients regarding the distribution of surplus in the form of indexation of pension supplements and guaranteed benefits. There will be no material changes post- Transaction other than the SPP Board will approve a policy so that the Executive Management of SPP can manage the indexation process annually.

This has also been covered in section 6.8 above and again is reiterated here only for emphasis.

7.4.4 Communications

I have reviewed the communications plan and consider that it is appropriate given the relevant regulatory requirements and taking into account the specifics of the Scheme. In particular I agree with the rationale for the waiver to be sought in relation to advance notification to SPP Policyholders.

7.5 Summary of Impacts

The following points summarise the impact of the Transaction:

- 1) There are no changes to Policyholder terms and conditions ("**T&C**"). This applies to both Euroben and SPP Policyholders. (The absence of change for the Policyholders also implies no change for the associated insured lives and beneficiaries.) However, there will be minor changes in the EuroPlan T&C in the future because of the outdated Irish regulation which is referred to in the T&C and brought into line with Swedish practice. This change is being made because EuroPlan will be migrated to the new IT-system.
- 2) All Transaction **costs** will be borne by the shareholder i.e. none shall be borne by the policyholders. This will cause a small cost to SPP, immaterial relative to its solvency position, and offset by longer term expense savings (at least in respect of the Euroben business).
- 3) SPP has provided assurances in a detailed MoU that it has no intention of changing management of discretionary practice regarding the business transferring from Euroben. This does not mean that there can never be any change to such matters, rather it means that the Transaction is not being used as an opportunity to make any such changes. In particular, there is no intention to change practices affecting **discretionary benefit increases** for the Occupational Pension Plan (namely regarding management of plan assets, surplus and distribution) or **policy servicing**. SPP have also confirmed that there is no intention to change such practices for the SPP policyholders.
- 4) Avoidance of the **diseconomies of scale** will mitigate pressure to increase fees which should be positive for Euroben policyholders (while having no impact on SPP policyholders). We would expect SPP to realise some expense savings in due course.
- 5) There will be no **tax impact** on policyholders, who will continue to be taxed under Swedish rules. There will be some frictional shareholder tax differences due to elimination of the Irish corporation tax applicable to Euroben but these will not affect policyholders. We would expect such differences to cause a small overall change in tax, as some profits move from being taxed at 12.5% in Ireland to lower rates in Sweden (Insurance company profits from pension savings are not taxable; however

insurance companies pay tax (at expected rate of 21.4% for 2021) on returns arising from investments of shareholder capital and shareholder profits from risk insurances). We note that any such change will be immaterial to SPP's solvency position.

- 6) Euroben is already wholly owned by SPP: if Euroben were to encounter financial problems its first recourse would be to SPP. This means that the Transaction has little effect on the **overall financial resources** backing the Euroben business.
- 7) The Transaction has an immaterial impact on the **solvency position** of SPP, given the relatively small size of Euroben and the fact that it was already included in the balance sheet as a wholly owned subsidiary. (There are some second order effects on solvency due to more granular recording of underlying assets, liabilities and associated capital requirements.) While the current solvency ratio of Euroben (262%) is higher than that of SPP post Transaction (155%), I do not consider this to weaken the security of Euroben policyholder benefits due to the longer term unviability of Euroben coupled with the strong solvency position and outlook of SPP. It is also true that the surplus assets of SPP 5,219 MSEK (i.e. own funds minus solvency capital requirement) are much higher in absolute terms than for Euroben 214 MSEK.
- 8) Appropriate communications are planned to notify Policyholders of the Transaction and allow them to participate in the Court process should they so wish.

The overall picture is that the Transaction solves the problem of the long term viability of Euroben while providing some small expense savings for the Group without any significant impact to policyholders.

7.6 Policyholder Impacts

7.6.1 Euroben

7.6.1.1 Benefit Security

This means security of guaranteed benefits and is largely based upon the financial strength of the insurer.

I have considered the following factors in determining the impact of the Scheme on the benefit security of Euroben policyholders:

- 1) No change to policyholder T&C or tax. No Transaction costs borne by policyholder.
 - a) The absence of impacts means that the benefits cannot be reduced by them.
 - b) For completeness I note there are minor changes to Europlan T&Cs planned (described in section 7.5 above).
- 2) Solvency position of SPP
 - a) The solvency ratio is strong. The Transaction has an immaterial impact on the solvency position.
 - b) The SPP solvency ratio is materially lower than Euroben's (SPP's being strong while Euroben's is very strong), but this is outweighed by the fact that Euroben will eventually become unviable.
- 3) Solvency outlook of SPP
 - a) With or without the Transaction, the solvency outlook for SPP is strong. SPP regularly pays dividends equal to its yearly earnings and in most adverse scenarios can maintain healthy solvency by delaying such distributions.
- 4) Surplus in pension plans

- a) The Euroben plan assets are segregated and are not available to meet other liabilities. This preserves the surplus for Euroben policyholders, and means that there are also no direct impacts on the assets held by Euroben policyholders. Furthermore, most plans have significant surplus sufficient to cover their own capital requirements, which materially reduces the risk that the insurer will need to fund any guarantee shortfalls.
- b) Likewise the SPP plan assets are segregated and not available to meet other liabilities (in particular those relating to Euroben, however unlikely it might be that such support be required), so the Transaction has no direct impact on the assets held by SPP policyholders.
- c) The pension plan assets are also protected by dynamic asset management and by disciplined surplus distribution. SPP has confirmed that these will be maintained for Euroben post Transaction, and that the Transaction does not affect such practices for SPP policyholders.
- d) Indirect impacts on the policyholders of Euroben and SPP could arise due to solvency strains affecting SPP as a whole. As mentioned above, these would not directly affect the segregated assets but would constrain the capacity of SPP to withstand additional calls on its resources to fund further guarantee shortfalls, and might lead to increased charges to policyholders. Given the strong solvency position and outlook of SPP, the high levels of protection afforded to Euroben by its surplus position, the ongoing dynamic asset management and surplus distribution discipline, and the immaterial impact of the Transaction on SPP, I do not consider such potential indirect effects to be significant.
- e) Overall these points mean that the pension plan segregation, surpluses and sustainability effectively insulate the policyholders from each other; the Transaction does not change this.

5) Risk profile

- a) SPP is a larger business with more clients and a broader product set, including unit-linked business. Therefore its risks are more diversified than Euroben. Its top 3 risks per the SCR are equity and lapse risk (driven by the UL business) followed by longevity (on the non-UL pensions business). The dominance of the UL business is partly explained by the surpluses within the non-UL business which can absorb significant market and longevity risk in relation to the provision of the guaranteed benefits.
- b) Euroben's exposure is almost entirely related to market risk (due to fees based on AUM), expenses and operations. The high surpluses within the pension plans can absorb virtually all the market and longevity risks in relation to the provision of the guaranteed benefits.
- c) Despite the compatibility of the Euroben and SPP businesses, their risk profiles exhibit some differences, due to the lower non-UL pension plan surpluses and presence of UL business for SPP.
- d) Overall, I consider that moving to a larger more diversified (and sufficiently capitalised) entity with a strong risk and capital management policy is a positive step for Euroben's policyholders.

6) Comparable levels of regulation

- a) The regulatory environments of Euroben and SPP are largely equivalent. In particular both Euroben and SPP are subject to Solvency II. This means that the current solvency positions are comparable and that there is a high likelihood that the regulatory protection afforded to the Euroben policyholders will continue to be equivalent.

- 7) Comparable levels of governance
 - a) The governance, i.e. policies and practice of Board and Executive oversight, is largely common to Euroben and SPP, being cascaded down from the Group. This means that there is a high likelihood that the Euroben policyholders will continue to benefit from an equivalent level of care.
- 8) No expected impact from other plans
 - a) SPP has confirmed that the Group does not currently have any other plans which would materially affect the policyholders of Euroben and SPP.
- 9) Gradually declining security in the absence of the Transaction
 - a) The long term unviability of Euroben effectively means that ultimately there might be detriment from not proceeding with the Transaction. For example, detriment might arise from cost pressures and associated constraints on the quality of management, or from increased fees charged to policyholders to cover such costs.

7.6.1.2 Policyholder Reasonable Expectations (“PRE”)

This means a reasonable interpretation of policyholder expectations regarding future discretionary benefits, and is largely based upon the policyholder contract terms and conditions (“T&C”), policyholder communications and prior practice in relation to distribution of discretionary benefits. This is significant for the Occupational Pension Plan but not applicable to the EuroPlan.

I have considered the following factors in determining the impact of the Scheme on PRE:

- 1) Benefit security
 - a) The arguments per section 7.6.1.1 supporting benefit security provide an underpin to PRE. The point concerning the surplus in the pension plan is particularly important, i.e. the surplus is significant and is not available to support other pension plans.
- 2) Merger
 - a) The Merger acts to put SPP in the place of Euroben in respect of all of its rights and obligations. In effect SPP takes on all of Euroben’s history and future. There is no contract stipulating limits to SPP’s responsibilities in this regard. This provides a legal underpin to the manner in which SPP is expected to manage the Euroben business.
- 3) No change to discretionary practice
 - a) The commitment of SPP to maintain discretionary practice is important. It is also very natural given the context of the Transaction whereby SPP is already providing the majority of services to Euroben within the Group governance environment.
 - b) There are several aspects to discretionary practice (as set out in section 9.7), notably:
 - i) Continuation of dynamic asset management, which serves to strike a balance between risk (keeping the plan solvent) and return (higher surplus to cover indexation);
 - ii) Continuation of surplus distribution philosophy (“indexation in line with Alecta”), consistent with PRE as set out in section 4.3.
- 4) Fees

- a) The fees payable by the Occupational Pension Plan are subject to periodic renegotiation. Recall that the Occupational Pension Plan may be transferred (by the client) to another provider subject to a notice period. Based on discussion with Management, we understand that the client has been informed of the intention to merge and its rationale. Insofar as the Transaction acts to improve efficiency thus reducing pressure to increase fees, I deem the Transaction to be a positive step for the policyholder.
- b) A similar argument applies for EuroPlan, where the fee is variable at the discretion of Euroben.

7.6.1.3 Customer Service

This means all aspects of the relationship between the policyholder and the insurer and would cover matters such as responsiveness to queries and complaints handling. Customer service levels will depend on administrative arrangements and corporate practice in relation to treating customers fairly.

The preservation of T&C, comparable ongoing external regulation and internal governance, and maintenance of discretionary practice as described above are relevant and positive for customer service. I have considered the following other factors in determining the impact of the Transaction on customer service:

- 1) Customer contact
 - a) Customers will continue to deal with the same team in Sweden.
- 2) Customer related policies and procedures
 - a) Behaviours towards customers will continue to be governed by Group standards.
- 3) Operational arrangements
 - a) There are no current plans to change the operational arrangements (including outsourcing) on account of the Transaction.
- 4) Investment opportunities
 - a) Euroben policies will benefit from access to a wider investment universe.
- 5) Tax
 - a) There is no change to tax, i.e. the Transaction changes neither the amount of tax borne by policyholders nor any administrative aspects associated with this.

7.6.2 SPP

While the situation for Euroben policyholders is relatively straightforward and largely unchanged, this is even more the case for SPP policyholders:

- **Benefit Security:** There are no changes to the T&C of SPP policyholders and the solvency impact on SPP of the Scheme is immaterial.
- **Policyholder Reasonable Expectations (“PRE”):** The Transaction has no impact on discretionary practice or charges for SPP policyholders.
- **Customer Service:** The Transaction has no impact on customer service arrangements or standards.

7.7 Covid-19

I have also considered whether the pandemic has any bearing on the Transaction, and conclude that it is not relevant for the following reasons:

- 1) Service arrangements: Euroben is already largely serviced by SPP so there is virtually no change due to the Transaction in this regard. Had service arrangements been moving to an entity which was struggling with the operational impacts of the pandemic this would have been a negative item to weigh against other effects.
- 2) Financial impacts: The SPP ORSA considers an adverse scenario due to extension of the pandemic and indicates that SPP has the resources to maintain robust solvency throughout. I note also that SPP ran an exceptional ORSA in early 2020 to provide the Board with expectations as to the possible effects of Covid-19 and to initiate an informed discussion as the pandemic developed.

Given that this is a known significant evolving situation, in preparing the Supplementary Report (if required) for the Second Hearing, I will consider whether circumstances have changed materially and if so I will advise the Court.

7.8 Key Reliances

This section sets out the key information provided by the Scheme Companies, collating for ease of reference in a single section such points already mentioned elsewhere in this Report.

In forming my opinion on the Scheme, I have relied upon the following key assertions:

- 1) There is no planned change to the T&Cs (apart from planned minor updates to EuroPlan T&Cs, per section 7.5) nor to the Customer Agreements.
- 2) There is no current intention to change discretionary practice per the MoU (set out in section 9.7).
- 3) No costs of the Transaction, whether arising from the Scheme or the Merger, will be borne by policyholders.
- 4) There will be no tax impacts on affected policyholders.
- 5) The assets (insurance capital including surplus) of the Occupational Pension Plan are protected under Swedish law and in the T&Cs of the contract.
- 6) All Euroben policies are governed by Swedish law.
- 7) Neither firm has any ongoing or pending regulatory (e.g. a fine) or legal (e.g. litigation) issues.
- 8) There are no concurrent plans (e.g. structural changes within the group, sales or acquisitions of entities, changes to outsourcing etc.), not otherwise flagged in the information provided, which would need to be considered in this Report as potentially having an impact on the policyholders affected by the Transaction.

8 CONCLUSIONS ON THE PROPOSED SCHEME

In my opinion, the proposed Scheme, in the context of the Transaction as described in this Report, should not generate any material adverse impacts (direct or indirect) to the affected policyholders, namely the Policyholders and associated insured lives and beneficiaries of Euroben and SPP.

More specifically, in my opinion, the Scheme should not generate any material adverse impacts (direct or indirect) to:

- 1) the **benefit security** of the affected policyholders, because the Scheme does not alter the terms and conditions of the policyholder contracts and because the solvency position and outlook of SPP are robust further to the Transaction (noting that the Scheme transfers the liabilities of Euroben to SPP, while the assets are moved to SPP as part of the Merger),
- 2) the **policyholder reasonable expectations** (“PRE”) of the affected policyholders, because SPP will continue to apply the same principles and practice to the management of discretionary benefits (in relation to pension plan surpluses) and variable charges,
- 3) the **customer service** provided to the affected policyholders, because the Scheme does not alter the administrative arrangements or corporate practice in relation to dealing with customers.

The clarity of the rationale for the Scheme, the close fit between Euroben and SPP in terms of clients, products and operations, and the longer term unviability of Euroben all serve to support the conclusion that in practice the policyholders should continue to benefit from the same benefits and services they have been accustomed to receiving, and that policyholders would not be materially adversely impacted by the Scheme. The Scheme acts to ensure “no change” for these policyholders.

My opinion is based on the absolute necessity for the Scheme and Merger to take effect simultaneously as inseparable parts of the overall Transaction.

Signed: 

Name: Olive Gaughan

Date: 21st May 2021

9 APPENDICES

9.1 Data & Information

The table below lists the key documents provided to me. I can confirm that no information requested was withheld from me. In the table below any references to specific clients have been substituted with a general reference to "CLIENT".

At an early stage of the exercise, I considered the need to review the SPP HoAF AFR and understood that this would need to be translated from Swedish. Following review of a number of related key documents (notably the SPP HoAF Report on the Scheme supported by the Group AFR, SPP RSR and ORSA), I decided that I had enough information without such a translation being required.

Name	Description
Euroben "As Is"	
AF_Report_2020_Final	AFR YE20 (not ARTP YE20)
Euroben_ARTP_2019_FINAL	ARTP YE19
Euroben ARTP 2020 DRAFT_19.3.21	ARTP YE20
December 2020 [CLIENT] Indexation Letter_FINAL SIGNED	HoAF Surplus Distribution Recommendations YE20
ORSA Letter_2020_Final Signed (002)	HoAF Opinion on ORSA YE20
Folder (12 files, 6 English - 6 Swedish): Benefit Statements	Sample benefit statements across Euroben
Folder (12 files): [CLIENT] Pension Plan	Agreements with the client
Folder (2 files): [CLIENT] Disability Plan PPA 13	Agreements with the client
Europlan Policyholders	List of Europlan policies
Euroben FS 2019_Final_with_signed opinion (002)	Financial statements
Euroben Directors Report and Financial Statements 2020 (most recent draft) - v3	Financial statements
Euroben Directors Report and Financial Statements 2020_with_opinion	Financial statements
Regular Supervisory Report 2019 Final	RSR
Solvency and Financial Condition Report 2019	SFCR
Solvency and Financial Condition Report 2020	SFCR
Euroben Abridged Solvency and Financial Condition Report 2020_with_opinion	SFCR
C33624_20201231_SolvencyIIAnnualRSR_Return_1	YE20 Summary RSR
Euroben ORSA Report 2020	ORSA YE20

Euroben ORSA Report 2019 approved November 2019	ORSA YE19
Risk Management Report 2020 EB 2020-12-30	Solvency & investment report
History	Per name
ALM Investment and Liquidity risk policy Euroben 2021	Per name
Appendix 1 Complaint monitoring	Governance Policy Document
Euroben Company Instructions June 2020	Governance Policy Document
2020 Euroben_Outsourcing incl. information security and conflict of interest _Final	EY audit report on outsourcing
Letter to CBI re with-profits regime	Per name
RE Euroben – [CLIENT] CBI email re with profit regime	CBI email response
SPP "As Is"	
SAK 040 - 2020 - REPORT - Update Actuarial Function Report 2019-12-31 No track Changes	AFR YE19 (Storebrand Group including "ARTP")
SAK 044 - 2021 - REPORT - Actuarial Function Report 2020-12-31	AFR YE20 (Storebrand Group)
Deferred Capital Contribution	Per name
Folder: Annual Report	Per name
Folder: Storebrand Group Information	Per name
en_RSR 2019 SPP Pension Försäkring AB (publ)	RSR YE19
en_gb-TRS_RSR 2020 SPP Pension och Försäkring AB (publ).docx	RSR YE20
en-ORSA 20201125 SPP Pension Försäkring AB (publ)	ORSA YE20
Appendix 2 Ethics in Storebrand Code of Conduct	Per name
Folder: Risk Appetite	Risk Appetite Statement including Capital Management & Dividend Policy
Regulation etc	Description of regulation in Sweden
Scheme	
Report on Euroben merger final	Euroben HoAF Report on Transaction
Draft Euroben Policyholder Letter – 21 May 2021	Per name
Head of Actuarial Function Report - SPP Pension & Försäkring	SPP HoAF Report on Transaction

Communications plan - 24.03.21	Per name
Ring-fencing	Per name
Swedish Tax_ (003) – signerat	Tax memo confirming (no) policyholder impact due to the merger
Merger process and likely timescale	Per name
Proposed Merger between SPP and Euroben	Per name
Practice Pre and Post Merger Euroben and SPP – signerat	MoU on overall transaction
Governance of the Merger and Scheme	Euroben Board dates
Scheme Transfer Portfolio (final)	Per name
Executed Terms of cross-border merger - SPP and Euroben	Per name
Copy of Email from Matheson Re Winding Up and RFF	Per name
Winding Up Ireland and Sweden	Winding up rules
Euroben - CBI Slide Deck - Final - 23 March 2021	Per name
Euroben - CBI Slide Deck - Final - 11 April 2021	Per name
CRO Filing - 27 April 2021 (Letter, Form CBM1, CDTs with combined signature pages and Schedules I - III)	Per name
CBI Filing – 14 May 2021 (Draft Letter and Enclosures)	Per name

9.2 Euroben Products

9.2.1 Occupational Pension Plan

In 2007, Euroben accepted a large portfolio of business from a Swedish insurer. This portfolio covers liabilities relating to the Occupational Pension Plan, where the liabilities consist mainly of deferred annuities and annuities in payment. In addition, there are death and sickness benefits.

The Occupational Pension Plan Policyholder is the employer and the beneficiaries are the members of the pension scheme and their dependents.

The following points summarise the operation of this product:

- 1) The Occupational Pension Plan is separate from Euroben's other policyholder assets and its assets must be used solely for the benefit of the plan policyholder, hence cannot be used for other purposes (e.g. to cover losses occurring outside of the Occupational Pension Plan arising from other policies or the shareholder fund). For Solvency II reporting purposes the Occupational Pension Plan was classified by the Board as a ring-fenced fund (see section 9.8).
- 2) The Occupational Pension Plan currently has sufficient surplus capital to cover the Solvency Capital Requirements ("SCR") within the ring-fenced fund as measured by the Solvency II standard formula. However, should the surplus be eroded then the Euroben shareholder must make up the difference.
- 3) The agreement governing the fee payable to Euroben for the Occupational Pension Plan portfolio is renegotiated with the Policyholder at fixed intervals and the fee is fixed until the next renegotiation date.
- 4) A dynamic asset allocation strategy is followed that is designed to reduce financial risks if the solvency cover falls. The SCR and the solvency capital of the Occupational Pension Plan is estimated on a daily basis. Adjustments of investment risks are carried out by adjusting exposure to equity, credit, real estate, currency and interest rate risks by changing the composition of the investment portfolio. The investment strategy is set by the Board but updates are discussed with the Policyholder. Euroben regularly updates the Policyholder and beneficiaries on investment matters.
- 5) There is a longevity swap in place with a reinsurer which covers members and spouses with pensions in payment who were aged 75 or older at 31 December 2012. If mortality is lower than expected, the reinsurer will pay the difference to Euroben. Similarly, if mortality is higher than expected the reinsurer retains the profits rather than Euroben. As at 31 December 2020, in aggregate this swap was a liability for Euroben.
- 6) The Occupational Pension Plan is closed to future benefit accruals for the majority of beneficiaries. Euroben has the right to amend the terms on which the premiums are accepted. Some beneficiaries request alterations to their benefits (typically shortening the duration of the annuities). Euroben has the right to amend the terms on which the alterations are calculated.
- 7) Under the terms and conditions of the Occupational Pension Plan policy, Euroben can distribute the surplus with the following priority:
 - a) Adjustment to pensions in payment with pension supplements, if possible up to the annual percentage increase in the Swedish consumer price index ("CPI").

- b) Adjustment to earned guaranteed insurance benefits, if possible up to the annual percentage increase in the Swedish consumer price index.
 - c) If a distributable surplus remains after measures 1 and 2 have been completed, a premium reduction is granted to the Policyholder.
 - d) Some other distribution of the surplus.
- 8) The Policyholder and beneficiaries have no right to, or entitlement to, any bonus or surplus distribution, save to the extent that such distribution has been approved by the Board of Euroben. The HoAF makes a recommendation every year to the Board regarding the distribution of surplus to the Beneficiaries and the Policyholder. In this letter, the HoAF sets out his understanding of the reasonable expectations of the Policyholder and Beneficiaries in relation to surplus distribution for consideration by the Board. Ultimately any such decisions are made by the Board.
- 9) Euroben stated that it has explained to the Occupational Pension Plan Policyholder that it is closed to new business, that Euroben's cost base will not reduce in proportion to the decline in the Occupational Pension Plan assets as the existing portfolio runs off, and therefore either fees would need to be increased in future or the Occupational Plan would need to be transferred to a new insurer.

9.2.2 Disability Plan

The Disability Plan insures certain employees of the Policyholder of the Occupational Pension Plan. The following points summarise the operation of this product:

- 1) Euroben has the right to change the premium rates for disability benefits to reflect changed assumptions about benefit costs. The disability risk is partially mitigated by reinsuring part of the long-term disability risk to a reinsurer with a small part of the long-term disability risk being retained by the Occupational Pension Plan.
- 2) The Policyholder agrees to pay Euroben a premium to cover short-term disability claims and the cost of reinsurance.
- 3) Taking account of the low materiality, the Solvency II reserves of the Disability Plan are included in the reserves for the Occupational Pension Plan. More generally throughout this Report the Disability Plan is not referred to separately but understood to be included in references to the Occupational Pension Plan.

9.2.3 Annuity Fund (“EuroPlan”)

The Annuity Fund contains annuities for insured lives organised within group policies each sponsored by an employer. Each insured life has an account value with fixed benefits subject to additional benefits arising from (a) investment surplus arising, and (b) discretionary additional single premiums payable by the employer on behalf of the insured.

The following points summarise the operation of this product:

- 1) Annuities were written on both a fixed term basis and on a whole of life basis, and on both an immediate and deferred basis. In return for a single premium, the policy pays a level income each month from a given date until the earlier of death or the expiry of the policy. In the case of the fixed term annuities there is a fixed maturity date which usually corresponds to the policyholder's normal retirement age.
- 2) There is a shareholder charge taken as a fixed percentage of the assets per annum.

- 3) In exchange for future single premiums at the prevailing annuity rate, the level of annuity income can be increased at any time. The policy has optional disability benefits, and dependants' annuity benefits on the death of the life assured. These optional benefits are secured by an additional risk premium payable monthly. The premium is not guaranteed and can be changed at one month's notice.
- 4) The contract was written on terms which permit the emergence of a surplus over time. Policies are entitled to the investment surplus on reserves represented by the excess of actual investment performance over the investment returns that Euroben assumed in the premium rates. There is no discretion in allocating the surplus. The surplus is distributed on a deferred basis such that:
 - a) For pensions in payment, the proportion of the surplus that is paid to the insured or insurance holder depends on the number of years to the final payment as per the following table:

Term to final payment	Proportion of surplus paid
Greater than 4 years	10%
3-4 years	25%
1-2 years	50%
Less than 1 year	80%

- b) For whole of life pensions, 10% of the surplus is payable.
 - c) For deferred pensioners and where surplus is going to be paid to the insurance holder, 10% of the surplus is paid.
- 5) When the last payment of a guaranteed benefit is due to be made, Euroben will add the remaining surplus and pay it to the Annuity Fund policyholder.
- 6) This distributable investment surplus can only be used by Policyholders to purchase new annuity benefits. The investment surplus is recoverable by Euroben to cover any future investment shortfalls if it has not already been used by the Policyholder. The Policyholder has no right to participate in the surplus arising from mortality, expense or risk premium experience.
- 7) It has been deemed by the Board and Euroben management that policyholders reasonably expect to receive the relevant proportion of the surplus once it has been declared at the year end.
- 8) Approximately 20% of the Annuity Fund business is fixed term annuity business and the majority of the policies have a significant surplus. There is very little mortality risk being borne by Euroben. In general, the assets are matched closely with the liabilities meaning there is relatively little investment risk being borne by the Company.
- 9) A shortfall on one policy cannot be met from surpluses on other policies.

9.3 SPP Products

9.3.1 Insurance with profit participation

9.3.1.1 IF – Defined contribution plans: individualized occupational pensions with guarantees

SPP's defined contribution plans are individualised occupational pension plans with guaranteed benefits and profit sharing. Companies buy these products as pension plans for their employees. The primary difference between SPP's defined benefit plans and defined contribution plans is that the latter have no group elements or profit sharing at a group level: the plans are individual. New sales have been concluded with lower guaranteed rates than in earlier contracts. Since 2016 approximately 95 per cent of all premiums have a guarantee interest rate of 1.25 per cent on 85 per cent of the premium paid. Such assets have a guarantee fee of 0.2 per cent. For premiums paid before 2016 there is a profit-sharing model instead: if the total return in one calendar year exceeds the interest guarantee rate the company receives 10 per cent of the return and the customer 90 per cent. Customers with defined contribution plans have rights to transfer their policies to a different insurer.

[The Annuity Plan \(EuroPlan\) in Euroben is similar to the IF-products in SPP.](#)

9.3.1.2 KF – Traditional defined benefit plans: group occupational pensions with guarantees

Traditional defined benefit plans are products in which companies buy pension plans for their employees. The premiums paid provide for a guaranteed minimum pension at a given age. The product is subject to benefit indexation and an associated fee for SPP if the consolidation ratio reaches certain levels.

SPP has closed defined benefit pensions for new customers since 2012. However, new employees can be added to existing plans.

The portfolio will continue to be of importance for years to come because of the long-term nature of these products.

[The Occupational Pension Plan in Euroben is similar to the KF-products in SPP.](#)

9.3.2 Unit-linked business

SPP's unit-linked business consists of defined contribution occupational pensions. The premium payments are invested in underlying mutual funds and the customer receives the related return. The product has no guaranteed elements such as interest rate guarantees (except for a small block no longer open to new business). Customers in the Swedish market are increasingly choosing products without interest rate guarantees. Thus, unit-linked pensions are an important product that has been generating new sales and the portfolio is anticipated to grow considerably. Unlike for products with guarantees, the financial market risk and longevity risk associated with the unit-linked pension product is limited. Instead, focus is placed on correct administration of units, efficient operations and insurance risk. Customers with unit-linked plans have rights to transfer their plans to a different insurer.

9.3.3 Health Similar to Life

SPP's disability insurance provides long-term, individual coverage. The coverage is sold as an extra option (rider) with occupational pensions plans but can also be provided as a stand-alone product where SPP is not the savings provider. The coverage consists of compensation for loss of pay and a waiver of premium in the event of disability due to an accident and/or illness. The coverage expires upon reaching retirement age.

[The disability product in Euroben is similar to the disability products in SPP.](#)

9.3.4 Other savings products under the SPP brand

The sister company, SPP Fonder AB, is the fifth largest fund management firm in Sweden and has approximately SEK 278 billion under management. SPP Fonder AB offers direct saving in fixed interest funds, equity funds, and balanced funds in the market. Customers are private individuals (mainly via the SPP unit-linked business and external savings platforms such as Avanza), institutions and corporations. SPP also offers endowment policies to corporate and private customers.

9.3.5 Pension advisory services

Through SPP Konsult, SPP offers pension advisory services. SPP Konsult was established 1981 and is today a leading benefit consultancy firm in Sweden. SPP Konsult has several of the largest Swedish multinationals as clients and is engaged in various assignments, such as strategic pension governance consulting, actuarial services and other benefit consulting services.

9.4 SPP Risk Management

The Board of Directors has the ultimate responsibility for the company being adequately organized and sets risk frameworks, strategies, plans and budgets for the business and ensures that the business, accounts and asset management are subject to adequate controls and are managed in accordance with applicable laws.

SPP's organization of risk management follows a model based on three lines of defence. As the first line of defence, the executive management have the responsibility for managing risk. Managers at all levels of the business are risk owners and responsible for risk management in their areas of responsibility. Key independent control functions (second line of defence) have been established for risk management (Chief Risk Officer), for compliance with regulation (Compliance Function), for actuarial tasks (Actuarial Function), for privacy issues (Data Protection Officer) and for anti-money laundering (MLRO). The independent control functions are directly subordinate to the CEO and have independent reporting to the Board. The internal audit function (third line of defence) reports directly to the Board with confirmation concerning the appropriateness and effectiveness of SPP's risk management.

The risk management process involves identifying, measuring, limiting, monitoring, reporting, documenting, and communicating risk. The total risk is measured by capital requirements according to the Solvency II standard model, as detailed under "risk profile".

The risk appetite is the overall risk level and the risk types that SPP accepts to achieve its business goals. The risk strategy specifies guidelines from the risk appetite to targets and limits for risk taking, both as a whole and for different types of risk. The risk appetite and risk strategy provide guidelines and establish limits for more detailed strategies relating to market risk (investment strategy), insurance risk, credit risk and liquidity risk. The Board discusses and approves the risk appetite and the risk strategies at least annually.

Risk owners have a duty of continuous monitoring of the risk exposure and are responsible for establishing reporting procedures. The first line functional risk reporting is supplemented by second line monthly independent reporting from the CRO to the executive management and the Board.

9.5 SPP Outsourcing Arrangements

Contract partner	Service	Jurisdiction
<p>Cognizant Technology Solutions UK Limited through Storebrand & SPP Business Services. Cognizant is an American multinational technology company with more than 280,000 employees that provides business consulting, information technology and outsourcing services. Cognizant administers SPP's IF policies including unit-linked policies. This is mainly done using SPP's core administration platform called Inca, supplied by leading Swedish DC administration system's provider Itello, an insurtech company developing policy administration systems and digital solutions for the pension and life insurance industry. Inca is a modern and flexible standard system aimed at all players in the life and pension industry featuring architecture that supports SPP's digitalisation strategy. Some IF policies (including the Euroben EuroPlan product), are currently handled in some older legacy systems, such as AIAE/EURB (provided by DXC Sweden, formerly CSC), but there are plans to migrate these to Inca.</p>	<p>Strategic partnership: Business processes outsourcing including policy administration, the issuing of insurance premiums, claims/payments, unit-linked administration, the service delivery being monitored and followed up by SPP's Business Operations unit.</p>	<p>UK, India, Lithuania</p>
<p>Skandikon Administration AB is a leading occupational pensions administrator specializing in DB Schemes administration. Skandikon is wholly owned by major Swedish insurer Skandia. They administer SPP's KF business and the Euroben Occupational Pension Plan using a proprietary insurance system called Vera.</p>	<p>Strategic partnership: Business processes outsourcing including policy administration, the issuing of insurance premiums claims/payments, the service delivery being monitored and followed up by SPP's Business Operations unit.</p>	<p>Sweden</p>
<p>(INTRA-GROUP) Storebrand Asset Management (SAM), a wholly owned subsidiary of Storebrand ASA, is the largest Norwegian asset manager, offering investments in unit-linked funds, alternative asset classes, discretionary management and portfolio advice. Asset classes span from traditional assets such as listed equities and bonds to alternative assets such as properties, private equity and infrastructure. Assets are managed on behalf of the life companies within the group as well as for external retail and institutional customers. In total SAM manages about 900 billion SEK worth of assets.</p>	<p>Asset management: SAM manages the assets contained in SPP's (and Euroben's) traditional offering and in SPP's unit-linked funds.</p>	<p>Norway</p>

<p>(INTRA-GROUP) Storebrand Fastigheter AB is a subsidiary of Storebrand Asset Management specialised in property investments, which does not own any properties itself. SPP and Storebrand have investments in properties either via internal funds or subsidiaries to SPP/Storebrand. In total SPP and Storebrand have about 40 billion SEK invested in properties. The daily operations of these property companies as well as management of the funds is fully outsourced to Storebrand Fastigheter.</p>	<p>Property management: Storebrand Fastigheter manages the property investments contained in SPP's (and Euroben's) asset portfolios.</p>	<p>Sweden</p>
<p>Ernst & Young (EY).</p>	<p>Internal Auditors</p>	<p>Sweden</p>
<p>TietoEvry AB is a leading Nordic digital software and service provider. Headquartered in Finland, TietoEVRY has around 24,000 experts employed globally. The company provides service to thousands of companies and organisations in the private and public sector in more than 90 countries. TietoEVRY has annual sales of approximately EUR 3 billion and the shares are listed on NASDAQ in Helsinki and Stockholm and on the Oslo Stock Exchange.</p>	<p>Strategic partnership: Outsourcing of IT operations and infrastructure.</p>	<p>Sweden, Norway</p>
<p>Zalaris HR Services AS</p>	<p>Payroll administration</p>	<p>Norway</p>
<p>Metaforce AB</p>	<p>Document production and archiving</p>	<p>Sweden</p>

9.6 SPP Valuation Basis

This section sets out some observations on the SPP valuation basis in support of the solvency position.

9.6.1 Euroben Basis Changes

The SPP HoAF report provides some useful additional information regarding the valuation basis changes which will occur post Transaction, harmonising the Solvency II treatment of the Euroben business with the rest of SPP. These involve adjustments for VA, contract boundary, lower expenses, lower mass lapse, and deferred taxes (due to the higher level of profits being recognised). The overall effect is to recognise an extra 47 MSEK of value in Own Funds with a small impact on SCR which would be further dampened when viewed in the context of SPP. The analysis presented also confirms that the subtle difference regarding the reporting of ring-fenced funds (RFF) makes no difference to the solvency position and no difference to the treatment of the assets in the Occupational Pension Plan and EuroPlan policies (see section 9.8 for more details). Overall these adjustments appear reasonable to me, are not material, and do not affect my view on SPP solvency.

9.6.2 Comparison of Euroben and SPP Valuation Bases

This section addresses the possibility of the SPP solvency position being overstated due to “weak” technical provisions, and concludes that this is not an area of concern.

The solvency position is determined by the relationship between the liability value, the asset value and the SCR. Of these, the liability value is subject to significant judgements while the other components are not, the asset value being largely based on market prices (property valuation being an exception) and the SCR mainly the result of a formulaic process under the Standard Formula. In order to understand the solvency position, it is therefore also relevant to understand the actuarial basis (comprising assumptions and methodology) underpinning the valuation of the technical provisions, which form the vast majority of the liability value. The objective is to assess whether the basis is relatively “weak” or “strong”, with a “weak” basis leading to lower technical provisions and higher solvency but more vulnerable to future experience. In my view the following assumptions (at the discretion of the HoAF and the Board) are the most significant, noting that the references to linked business apply only to SPP:

- 1) Longevity on non-linked business: The Euroben business uses Swedish published tables which allow for mortality improvements (70% DUS14 for the Occupational Pension Plan, M90 for EuroPlan). Given the large materiality of the Occupational Pension Plan in Euroben, it has attracted its own experience study, this leading to a shift in assumption in 2020 from 75% to 70% of the DUS table. SPP has evaluated the Euroben valuation changes to be made post Transaction (per above) and longevity is not included for change. Based on the Group AFR (which covers both SBB and SPP) I understand that SPP also uses the DUS14 table and is therefore generally consistent with Euroben, although the plan specific adjustment (70% for the Occupational Pension Plan) may vary by plan or by plan sector.
- 2) Lapsation (surrender or transfer) on linked business: The 2019 Group AFR calls out the lapse assumption, and notes that it is a single factor assumption by product, contract status and sales channel (i.e. it does not vary with other factors such as policy year or level of the financial market) subject to internal experience study and expert judgement. SPP have confirmed that the same approach methodology was used at YE2020. KF products cannot transfer, but an assumption is made that a certain amount will stop paying premiums. It is assumed, based on experience, that a small proportion of IF business will transfer each year.

- 3) Profit margin on linked business: The 2019 Group AFR also describes the approach to setting this assumption, which relates to the fees and fund rebates received by SPP (and SBL, a life insurance company within the Group serving Norway). For SPP it is noted that the fees are set by reference to contract T&C, so this assumption is subject to lower uncertainty.
- 4) Expenses on all business: The 2019 Group AFR provides an overview of the expense setting process and calls out some variations between the Storebrand SBL business and its SPP business, indicating that SBL intends to align to SPP's current process which captures more accurately the activity-based allocation of expenses. SPP have confirmed that the same approach was followed at YE20 and that their activity-based allocation of expenses is done at quite a granular level.
- 5) Treatment of contract boundaries on linked business: The Group AFR describes a prudent approach to contract boundaries in keeping with the valuation regulations. In particular credit is not taken for future premiums on linked business (except for a small block subject to investment guarantees where such premiums are rightly taken into account).

I do not consider the above factors to generate any concern about the valuation basis and have not thought it necessary to investigate the details of the assumptions further. The following factors also provide comfort that the basis is appropriate and the technical provisions adequate:

- 1) Equivalent solvency regulations exist in Ireland and Sweden,
- 2) Annual external audit of elements common to the statutory financial statements will continue;
- 3) The validation of TPs by the HoAF, as set out in the AFR, is a key element of the governance around assumptions and methodology. The AFR has been shared with the Swedish regulator (as an appendix to the RSR), and I understand (from SPP & Euroben) that the Swedish Regulator takes a very pro-active approach to the review of solvency returns including benchmarking of assumptions.
- 4) I have also been informed that SPP's Internal Audit function have engaged their auditors (EY) to review the 2020 AFR in a manner comparable to the "Reviewing Actuary" engagements required in Ireland. As this has not yet been completed, I will provide an update in relation to it in my supplementary report if and only if it results in a change in my opinion.
- 5) Actuarial work and valuation for both Euroben and SPP is performed by the same persons (SPP actuarial team) and subject to the same Group standards, albeit then subject to final review and approval by the respective Euroben and SPP HoAF and Board.

Projections Basis used in ORSA and Post-Merger

The sections above relate to the basis used for determination of the Technical Provisions at YE2020. Within this, and in line with the regulations, economic assumptions (expected investment returns, discount rates) are risk free.

The projections used for the demonstration of the solvency outlook incorporate a "real world" development of the business whereby investments are assumed to develop according to an expected return based on risk-free interest plus a risk premium as described in SPP's RSR.

I have reviewed the approach and consider it to be reasonable.

9.7 SPP Practice Pre and Post Transaction

The SPP Head of Products & Operations has provided a signed note setting out the expected operating practice for the Euroben business post-Transaction, relative to the current state. This note is titled 'Practice Pre and Post Merger Euroben and SPP' and also known as the Memorandum of Understanding or "MoU". The MoU outlines all the areas of discretion exercised by Euroben and how SPP states they will apply that discretion going forwards. SPP have the same rights as Euroben under the terms and conditions of the policies (which are unchanged as a result of the Scheme) and therefore may change how they apply discretion in future. However, the MoU confirms that SPP currently have no intention to change how discretion is applied.

The MoU also states the change in governance that will arise following the Transaction. After the proposed Transaction, the MoU notes that activities directly overseen by the Euroben Board will in future be delegated by the SPP Board (without diluting the SPP Board's responsibilities).

The MoU states the following on the areas of discretion:

- 1) Occupational Pension Plan basis of calculation of beneficiary options at retirement
 - a) Currently: The premium basis reviewed annually to ensure this does not put undue strain on the Pension Plan.
 - b) Post-Merger: There will be no change to this process.
- 2) Occupational Pension Plan basis of calculation of premiums
 - a) Currently: Reviewed annually to ensure that they do not put undue strain on the surplus of the Pension Plan whilst considering the operational implications of changing the basis
 - b) Post-Merger: There will be no change to this process.
- 3) Occupational Pension Plan asset liability management ("ALM") and risk appetite
 - a) Currently: The ALM strategy and risk appetite is decided by the Board and shared with the Policyholder
 - b) Post-Merger: There will be no change to this process.
- 4) Occupational Pension Plan asset management
 - a) Currently: Carried out by Storebrand Asset Management
 - b) Post-Merger: There will be no change to asset management.
- 5) Occupational Pension Plan financial risk management
 - a) Currently: Carried out by SPP
 - b) Post-Merger: There will be no change to financial risk management.
- 6) Disability Plan basis of calculation of premiums
 - a) Currently: The basis is decided by the Board and methodology is agreed with the Policyholder
 - b) Post-Merger: The methodology will remain unchanged.
- 7) Disability Plan claims management
 - a) Post-Merger: There will be no change to the current processes
- 8) Annuity Fund asset management costs, risk management costs, asset allocation, product charges
 - a) Post-Merger: The same charges will apply to asset management costs, the risk management costs, the product charges. SPP will maintain the same rights under the T&C as Euroben to, over time, make adjustments to the asset allocation

Under the terms and conditions of the Occupational Pension Plan policy, Euroben can distribute the surplus with the following priority:

1. Adjustment to pensions in payment with pension supplements, if possible up to the annual percentage increase in the Swedish consumer price index ("CPI").

2. Adjustment to earned guaranteed insurance benefits, if possible up to the annual percentage increase in the Swedish consumer price index.
3. If a distributable surplus remains after measures 1 and 2 have been completed, a premium reduction is granted to the Policyholder.
4. Some other distribution of the surplus.

The Euroben policyholder terms and conditions are unchanged by the scheme as stated in the Scheme document and therefore there will be no change to the priority of surplus distribution.

Under the current process, the Euroben HoAF makes a recommendation every year to the Board regarding the distribution of surplus to the Beneficiaries and the Policyholder. In this letter, the HoAF sets out his understanding of the reasonable expectations of the Policyholder and Beneficiaries in relation to surplus distribution for consideration by the Board. Ultimately any such decisions are made by the Board.

The MoU states that post-Transaction decisions on indexation of benefits will be made by the SPP Executive Management after receiving advice from the SPP HoAF.

The MoU confirms that there are no changes to other aspects of policy servicing.

9.8 Ringfenced Funds & Occupational Pension Plan Surpluses

Euroben classified the Occupational Pension Plan as a ring-fenced fund (“RFF”) under Solvency II rules and has shared its documentation on this with SPP. SPP will not classify the Occupational Pension Plan as a RFF. The SPP Deputy Chief Actuary and Group Chief Actuary produced a report titled “Ring-fenced funds” (“the SPP RFF Report”) outlining the Swedish Industry approach to RFF and the impact of this approach on the Occupational Pension Plan. The SPP RFF Report states that this difference in treatment under Solvency II arises because established actuarial practice in the classification of RFF under Solvency II differs between countries and regulatory authorities and hence between SPP (Sweden) and Euroben (Ireland).

SPP confirmed in their RFF Report that the classification of the surplus in the Occupational Pension Plan as FDB is unchanged from the classification applied by Euroben and that this means those surplus assets do not boost the reported Solvency II cover ratio i.e. SPP solvency cover is not impacted by whether the Occupational Pension Plan is treated as a Solvency II RFF or not.

Euroben’s legal advisors confirmed that classification as a RFF under Solvency II gives no additional legal protections in Ireland or Sweden since it is effectively a regulatory matter rather than a legal matter and therefore that the surplus and insurance capital of the Pension Plan would be protected under Swedish law and the conditions of the contract to the same extent as they are currently protected under Irish law.

9.9 Classes of Insurance

9.9.1 Definitions

The European Union (Insurance and Reinsurance) Regulations 2015 (the “2015 Regulations”) defines the following classes of insurance relevant to this Transaction:

SCHEDULE 2: CLASSES OF LIFE INSURANCE

1. Life insurance and contracts to pay annuities on human life as described in points (a)(i), (ii) and (iii) of Article 2(3) of the Directive (“Article 2(3)”) excluding those referred to in classes 2 and 3.

3. The insurance referred to in points (a)(i) and (ii) of Article 2(3), which are linked to investment funds.

4. Permanent health insurance, that is contracts of insurance providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of a sickness or infirmity, being contracts that

(a) are expressed to be in effect for a period of not less than five years or until normal retirement age for the persons concerned, or without limit of time, and

(b) either:

(i) are not expressed to be terminable by the insurance undertaking under the terms of the contract, or

(ii) are expressed to be so terminable only in special circumstances mentioned in the contract.

7. Management of group pension funds as described in point (b)(iii) and (iv) of Article 2(3).

SCHEDULE 1: CLASSES OF NON-LIFE INSURANCE (Part 1)

1. Accident (including industrial injury and occupational diseases):

(a) fixed pecuniary benefits,

(b) benefits in the nature of indemnity,

(c) combinations of the 2, and

(d) injury to passengers.

9.9.2 SPP Classes

According to its Article of Association as translated into English, SPP is authorised to write the following classes of insurance:

- Life insurance
 - Insurance where payment of the sum insured (lump sum payment or periodic payments) is dependent upon a person’s or several persons’ life as well as supplements to such insurance (life insurance classes Ia and Ib).
 - Insurance, as referred to in the classes Ia, IIa and IIb which is connected to funds which are managed by a party which is entitled to conduct investment fund operations pursuant to the Swedish Investment Funds Act (2004:46) (Unit-linked Insurance) (life insurance class III).

- Accident insurance and health insurance which applies for a term in excess of five years, during an indefinite period or until such time as the insured has reached a certain age and which may not be terminated by the insurer or may only be terminated under specific circumstances as set out in the insurance agreement (life insurance class IV).
- Non-life insurance
 - Accident insurance other than as referred to above (non-life insurance class 1).

We have interpreted these references to relate to the following classes of business: Life classes 1, 3 and 4 and Non-life class 1.

9.9.3 Euroben Classes

Euroben is authorised to write the following classes of insurance business: 1, 3, 4 and 7. The in-force business of Euroben falls within classes 1, 3 and 4. .

9.10 Classes of Policyholder

The present section considers the relative interests of the different classes of policyholder and concludes that their interests regarding the Transaction are aligned.

For the purposes of this section, I shall refer to the following classes of policyholder:

- Sponsor: this is the corporate Policyholder.
- Beneficiary: this is the individual covered under the policy.

In both Euroben and SPP the majority of Policyholders are corporate entities i.e. “sponsor” employers providing pension benefits for their current and former employees and their dependents. In the context of the corporate pension plans these individuals are sometimes called “members” of the plans while in the context of the insurance plans they are more often called “insured lives”, and in either case they and their dependents are all “beneficiaries” of such plans.

In general it is clear that the interests of employers and employees are not necessarily aligned. Employers will usually be focused on generating returns for the shareholder and meeting targets under the business plan subject to meeting their commitments, while employees will usually be concerned with working conditions and compensation including pension benefits. The employer will usually seek to attract and retain talented employees, and this aspect, associated with the flexibility of the labour market, is where the interests of both parties will tend to align. The degree of alignment will vary greatly by country and sector. As an obvious example in recent times of the imperfect alignment of interest, we observe the general shift from Defined Benefit pension schemes to Defined Contribution schemes, generally allowing the employer to stabilise the cost base and leaving the employee exposed to investment and longevity risks.

To determine whether the respective interests under the Transaction (not in general) of sponsors and beneficiaries are aligned, I have considered the following questions:

- 1) On the one hand, does the Transaction give the Sponsor any increased flexibility to reduce benefits or service levels to Beneficiaries (for example by cutting discretionary benefits, or taking refunds from the policy, or cutting fees in exchange for lower service levels from the insurer)? I consider the answer to be “no” for the following reasons:
 - a) In general, the agreements governing the benefits, services and fees and variations thereof are unchanged by the Transaction . This comment applies to all policyholders (Sponsors and Beneficiaries) of Euroben and SPP.
 - b) In particular, for the Occupational Pension Plan, SPP has committed to preserving the practice regarding the management (including asset management) and distribution of surplus, with the aim to cover indexation in line with that declared by Alecta.
 - c) It should be borne in mind that irrespective of the Transaction, the Sponsor of the Occupational Pension Plan will continue to have significant rights regarding the Occupational Pension Plan, whose exercise may or may not be in the interests of the Beneficiaries, notably the periodic right to review fees with the insurer, the right to move the plan to another provider subject to a notice period and the right to fund ongoing accrual by new premiums to the plan (or fund them outside of the insured plan). The Sponsor will also retain its rights as an employer to change its compensation / pension packages, such changes being more likely for new employees but potentially also affecting future pension accrual for existing employees. This point is made not

to suggest that any such intentions exist, but to point out that the Sponsor will continue to have the right to consider such changes irrespective of the Transaction .

- 2) On the other hand, does the Transaction give the Beneficiaries any increased power to increase benefits at the cost of the Sponsor (this is a less plausible outcome, but might in theory derive for example from different legislation or practice)? I consider the answer to be “no” for the following reasons:
 - a) Point 1a above applies equally here. Furthermore, the policies are all issued in Sweden and governed by Swedish law: this does not change.
 - b) In particular, the Occupational Pension Plan Beneficiaries are represented by a trade union and changes to the pension arrangements are subject to collective bargaining. The Transaction does not change the role or powers of the union to represent the Beneficiaries and does not alter the existing agreements.

Given my finding that the responses to these questions are both negative, I conclude that their interests under the Transaction are aligned.

9.11 Rationale for Key Criteria

The scope of the Report relates to assessment of whether the Scheme, in the context of the proposed Transaction, might generate any material adverse impacts (direct or indirect) to the affected policyholders of either firm, in particular in respect of the following key criteria:

- **Benefit Security:** This means security of guaranteed benefits and is largely based upon the financial strength of the insurer.
- **Policyholder Reasonable Expectations (“PRE”):** This means a reasonable interpretation of policyholder expectations regarding future discretionary benefits, and is largely based upon the policyholder contract terms and conditions (“T&C”), policyholder communications and prior practice in relation to distribution of discretionary benefits.
- **Customer Service:** This means all aspects of the relationship between the policyholder and the insurer, other than the benefit amounts covered above, and would cover matters such as responsiveness to queries and complaints handling.

The reason for selecting these criteria is grounded in the relevant legislation and in ASP LA-6 as follows:

- 1) Legislation: The relevant legislation is understood to mean:
 - a) Section 13 of the Assurance Companies Act 1909 Act,
 - b) Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) (“2015 Regulations”),
 - c) Section 36 of the Insurance Act 1989.

None of the relevant legislation defines directly the scope of the IA report. While Regulation 41 and Section 36 refer to wider matters concerning the powers of the Court and the involvement of the CBI, Section 13 refers to the requirements for notifications to policyholders including the IA report and to the sanction being conditional upon the Court being satisfied that no sufficient objection to the arrangement has been established. The spirit and wording of the Act therefore suggest strongly that the IA should focus on the interests of policyholders.

- 2) Industry practice including that in the UK (where the “Part VII” transfer is very similar to the “Section 13” transfer and also subject to an independent actuarial report to the UK court) then developed accordingly and related guidelines for Ireland are duly set out in ASP LA-6. These guidelines are particularly helpful in the absence of detailed requirements under the legislation. A checklist is shown in the next section (9.12) which confirms the focus on policyholders, with emphasis on security of benefits (see point (ix)) and ability to meet PRE (points (x), (xi), (xii)). In considering PRE, I have followed the common practice of distinguishing between discretionary benefits and customer service.

9.12 Compliance with ASP LA-6

This section sets out how this Report complies with the requirements of ASP LA-6. The table is an extract from the standard, setting out the required content of such reports. In addition to these requirements for the Report content itself, I have taken into account the full standard and can confirm that I have complied with all relevant guidelines.

The current version of ASP LA-6 (version 2.2) took effect on 1 November 2010 and is currently under review by the SAI to allow for interim developments notably the introduction of Solvency II in 2016. Most of the proposed amendments relate to simple updates to reflect the shift from Solvency I to Solvency II, for example:

- Remove reference to Appointed Actuary and replaced it with Head of Actuarial Function
- Include definition of Head of Actuarial Function
- Update the definition of the Financial Regulator to CBI
- Introduce reference to various reports and opinions produced under the Solvency II regulatory framework

While the current version is classified as “Recommended” the new version may be classified as “Mandatory”.

In any case, I am not aware of any areas where my Report would not be consistent with the current draft version of the changes expected to be made within the updated standard, which is expected to be finalised during 2021.

Item	Reference
4.4 It is a responsibility of the directors and managers of the relevant insurance company to consider alternative arrangements in order that the company may fulfil its obligations to conduct its business with due regard to the interests of policyholders and potential policyholders. The term ‘Independent Actuary’ might be interpreted by members of the public to indicate that the actuary was advising on the relative merits of one scheme of transfer against other possible arrangements, although this is not specifically required by the legislation. The report should, therefore, include a comparison of the likely effects on the long-term policyholders of the relevant companies if the scheme of transfer being presented to the court is or is not implemented. In addition, the Independent Actuary should state clearly whether or not reports of alternative arrangements were considered.	
4.5 The contents of the Independent Actuary’s report will be influenced by the circumstances of each case; the following are, however, some of the matters which the Independent Actuary should, where appropriate, cover in it:	
(i) The name of the party which has appointed the Independent Actuary and a statement of who is bearing the costs of that appointment.	2.4 6.10
(ii) A statement of the Independent Actuary’s professional qualification.	2.4 9.15
(iii) Whether or not the Independent Actuary has a direct or indirect interest in any of the parties which might be thought to influence the Independent Actuary’s independence; if the Independent Actuary has an interest, it should be disclosed.	2.4
(iv) The scope of the report in accordance with paragraph 4.4 above.	2.5
(v) The purpose of the scheme.	1.4 6.1
(vi) A summary of the terms of the scheme insofar as they are relevant to the contents of the Independent Actuary’s report.	6

Item	Reference
(vii) What documents and reports the Independent Actuary has considered in relation to each of the companies involved in transfer and whether there was any additional information which was requested but not provided.	9.1
(viii) The cost and tax consequences of the scheme, in so far as these will affect policyholders' funds.	6.10 7.4.1
(ix) The effect of the scheme on the security of policyholders' contractual benefits.	7.6 8
(x) The effect of the scheme on the nature and value of any rights of policyholders to participate in profits. In particular, if any such rights will be diluted by the scheme, how any compensation being offered to those policyholders as a group (which might take the form of an injection of funds, an allocation of shares, or cash payments) compares with the value of that dilution, and whether the extent and method of its proposed division is equitable as between different classes and generations of policyholders.	7.6.1.2 8
(xi) The likely effect of the scheme on the approach used to determine the amounts of non-guaranteed benefits such as reversionary (or similar bonus which is added periodically over the term of the contract) and terminal bonuses and surrender values, and the levels of discretionary charges, for example under unit-linked policies; and what safeguards are provided by the scheme against a subsequent change of approach that could act to the detriment of existing policyholders of either company and is not due to external circumstances beyond its control.	7.6.1.2 8
(xii) The likely effects of the scheme on matters such as investment management, new business strategy, administration, expense levels and valuation bases, in so far as they may affect the ability of the companies to meet throughout the lifetime of existing policies the reasonable expectations of the holders of those policies.	7.6.1.2 8
(xiii) In the case of any mutual company involved in the scheme, the effect of the scheme on the proprietary rights of members of that company and, in particular, the significance of any loss or dilution of the rights of those members to secure or prevent further constitutional changes which could affect their expectations as policyholders (for example, losing the ability to change the board and therefore control over a board's decision to convert to a closed fund). The Independent Actuary should state whether, and to what extent, members will receive compensation under the scheme for any diminution in their proprietary rights, and comment on its appropriateness. Also, when commenting on the fairness of the scheme, the Independent Actuary should pay particular attention to any differences in treatment between policyholders with voting rights and those without. It will assist the Independent Actuary if the issues involved are adequately explained in the directors' circular to policyholders.	N/A
(xiv) Which matters, if any, the Independent Actuary has not taken into account or evaluated in the report that might nevertheless be relevant to policyholders' consideration of the scheme.	2.6
(xv) The Independent Actuary's overall assessment of the likely effects of the scheme on the reasonable expectations of long-term policyholders; whether the Independent Actuary is satisfied that for each of the companies concerned the scheme is equitable to all classes and generations of its policyholders; and whether for each relevant company the scheme places obligations on the directors, or provides for future certification by its Appointed Actuary, sufficient in the Independent Actuary's opinion for the protection of those expectations.	7.6.1.2 8
4.6 Where the Independent Actuary expresses an opinion in the report, the Independent Actuary should outline the reasons for it.	7 8

9.13 Glossary of Terms

Item	Description
1909 Act	The Assurance Companies Act 1909
AF	Annuity Fund, i.e. EuroPlan
Alecta	Swedish mutual company originally part of SPP and former administrator of the Occupational Pension Plan
ASP	Actuarial Standard of Practice
BEL, Best Estimate Liability	Best estimate liability under Solvency II
CBI	Central Bank of Ireland (the financial regulator in Ireland)
Contract boundary	Solvency II concept which limits the valuation recognition (in the BEL) of future premiums to those which are not subject to risk adjustment or cancellation by the insurer
Court, The	The High Court of Ireland
EEA	The European Economic Area. The EEA comprises the EU plus Iceland, Liechtenstein and Norway
Effective Date, The	00:00:01 Swedish Standard Time on 1 November 2021 (UTC +1), or other such time as the Merger shall be registered by the Swedish Companies Registration Office, the Bolagsverket
EIOPA	European Insurance and Occupational Pensions Authority, the body charged with setting EU regulation for insurance and pensions
Euroben	Euroben Life and Pensions d.a.c., the Transferor company
Euroben Policyholders	The policyholders of Euroben; these are corporate pension schemes, and do not include the underlying insured lives or beneficiaries.
FI	Finansinspektionen (the financial regulator in Sweden)
First Hearing	The initial motion to the Court for directions
FSAI	Fellow of the Society of Actuaries in Ireland
GAAP	Generally Accepted Accounting Principles
Group	The Storebrand group
HoAF, Head of Actuarial Function	The person with overall responsibility for the tasks called out for the actuarial function under Solvency II. In Ireland this role is subject to additional requirements.
IFoA	Institute & Faculty of Actuaries, UK
Independent Actuary	Olive Gaughan, a Fellow of the Society of Actuaries in Ireland and Head of Actuarial Services for Mazars
Insurance Portfolio	The portfolio of insurance contracts of Euroben.
Merger	The legal process to execute the merger by absorption of Euroben into its parent SPP
MoU	Memorandum of Understanding relating to SPP Practice Pre and Post Transaction (per Section 9.7)
OF, Own Funds	The assets available to cover the SCR and MCR. There are 3 tiers of own funds which relate to the availability to cover losses, and restrictions on the eligibility for tiers 2 and 3.
OPP	Occupational Pension Plan
ORSA	Own Risk & Solvency Assessment"
PRE	Policyholder Reasonable Expectations
RM, Risk Margin	TP = BEL + RM, the RM being a fair value adjustment under Solvency II
SAI	Society of Actuaries in Ireland
Scheme	The terms covering the proposed transfer of the Insurance Portfolio
Scheme Companies	Euroben and SPP

SCR, Solvency Capital Requirement	Required risk capital under Solvency II calculated by stressing the Own Funds to simulate a loss which is expected to occur with a 0.5% probability within the next 12 months ("1 in 200 year event")
Second Hearing	The hearing of the petition, when final approval of the Scheme will be sought
SEK, MSEK	Swedish Kronor (10 SEK = approx. 1 Euro subject to currency variation), Million Swedish Kronor (1 M SEK = approx. €100,000 subject to currency variation)
SPP	SPP Pension & Försäkring AB, the Transferee company
SPP Policyholders	The policyholders of SPP
Standard Formula	The default Solvency II method to calculate the SCR
Storebrand	Storebrand ASA, the parent company in the Group
TP, Technical Provisions	The fair value of the liabilities which a third party should receive in order to take on the liabilities
Transaction	The combination of the Scheme and the Merger which must occur simultaneously.
Transfer	The legal process to execute the transfer of insurance liabilities in accordance with the Scheme
Yield Tax	A tax levied in Sweden on the income earned by insurance policies

9.14 Terms of Engagement

The following extract is taken from the Letter of Engagement:

“SCOPE AND APPROACH

The Independent Actuary will consider and report on whether there are any material adverse impacts (direct or indirect) on the interests of any group of policyholders. The Independent Actuary will perform the investigative work and analysis necessary to enable them to opine on the scheme and prepare their reports. This work may include, but is not limited to, the following tasks:

- *Meetings with the management of the Companies;*
- *Meetings with the actuarial and legal advisors to the Companies;*
- *Review of existing company documentation from both Companies;*
- *Review of the scheme documentation and if necessary, proposal of draft amendments to address any concerns;*
- *Review of internal actuarial assessments of the scheme;*
- *Review of the valuation of the liabilities proposed to transfer, the financial projections post-merger and consideration of any impacts on policyholders’ contractual rights, benefit security and benefit expectations;*
- *Review of the assets proposed to transfer and consideration of their adequacy and appropriateness;*
- *Review of the solvency position of the Companies and the projected solvency position post-merger;*
- *Review of the business plans and proposed operational structure of the merged entity to understand the impact of the merger on policy administration and service levels;*
- *Review of the application of discretion where applicable by the Companies;*
- *Review of policyholder communications issued by the Companies concerning the scheme;*
- *Review of the impact of any reinsurance changes;*
- *Review of any impact of tax changes affecting policyholders or their benefit security;*
- *Consideration of any policyholders’ concerns arising and responses to these proposed by the Companies;*
- *Consideration of the impact of any differences in the laws and regulations applicable post-merger;*
- *Engagement with the relevant regulators (in Ireland and Sweden) and the High Court as required (including attendance at two Court hearings) and review of any other issues brought to our attention by regulators or the Court;*
- *Discussion of any queries and/or potential issues with the relevant stakeholders of both Companies; and*
- *Issuance of two reports to the High Court (the Main Report and the Supplementary Report).*

This list is not exhaustive and the Independent Actuary shall determine the amount of investigative work that is required to provide an opinion based on the terms of the scheme and circumstances of the case. In performing this engagement, we must have regard to the statutory duty that we owe to assist the Court on those matters within the expertise of the Independent Actuary. This duty overrides any obligations to the companies involved.

Our work will not constitute legal, commercial, tax or other professional advice beyond the scope of this letter. Any other services which you may request will be the subject of separate correspondence at the time of request.”

9.15 Curriculum Vita

Olive Gaughan is a Director at Mazars in Ireland based in their Dublin office. She is leader of the Mazars in Ireland Actuarial practice. She joined the firm in 2018.

Olive is a Fellow of the Society of Actuaries in Ireland (“SAI”) and a Fellow of the Institute & Faculty of Actuaries (“IFoA”) in the UK. She is a member of the SAI’s Life Committee and Cross Border Life sub-committee and is currently chair of a working party on PRE.

Olive started her actuarial career in 1990 and has worked exclusively within Life Insurance over the last 30 years. Prior to joining Mazars she spent a number of years in PCF roles in Ireland including Appointed Actuary, Head of Underwriting, and Head of Actuarial Function (HoAF).

She is a highly experienced and respected actuary with significant experience in actuarial reserving, financial reporting, business planning and strategy, solvency and capital management.

She has worked extensively on Solvency II from implementation of valuation and capital models through to leading the tasks of the actuarial function as HoAF, contributing to and opining on ORSAs, acting as Reviewing Actuary, opining on underwriting and reinsurance in line with the requirements of the Domestic Actuarial Regime in Ireland, and leading the audit of actuarial aspects of firms’ year end Solvency II submissions.

She has substantial experience of a broad range of products including unit linked business, long term savings and investment business (including pensions products) with and without guarantees, traditional protection risk products, annuity business, etc

Olive has not previously acted as an Independent Expert in Ireland but has been involved in a portfolio transfer as the Appointed Actuary / HoAF of an entity and has been a member of the support team for a portfolio transfer within Mazars.

Contacts



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