

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are advised to consult your stockbroker, solicitor, accountant, or other professional adviser. If you have sold or otherwise transferred all your shares in Resolution Limited (the "Company"), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer for transmission to the person who now holds shares in the Company.

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# **RESOLUTION LIMITED**

(incorporated and registered in Guernsey under company number 49558)

## **Notice of Annual General Meeting**

to be held at 11.00 a.m. on 16 May 2013  
at The Queen Elizabeth II Conference Centre, Broad Sanctuary,  
Westminster, London SW1P 3EE, United Kingdom

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Whether or not you propose to attend the AGM, please complete and submit a Form of Proxy or, if you are a Resolution Limited Share Account holder, a Form of Instruction, in each case in accordance with the enclosed instructions. Forms of Proxy must be received by no later than **11.00 a.m. on 14 May 2013** and Forms of Instruction by no later than **11.00 a.m. on 12 May 2013**.

**Resolution Limited Share Account holders will only be entitled to attend and vote at the AGM if they have submitted a Form of Instruction in accordance with the relevant instructions.**

12 April 2013

Dear Shareholder,

### **Annual General Meeting – 16 May 2013**

This year's Annual General Meeting (the "**AGM**") will be held in the Mountbatten Room at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P 3EE. The formal notice of the AGM (the "**Notice**") is set out on pages 5 to 9 of this document.

#### Business of the AGM

Full details of the AGM and the resolutions to be put to shareholders are set out in the Notice. Explanatory notes to each of the resolutions are also included with the Notice.

#### Proceedings at the AGM

The AGM gives the Board the opportunity to present the Company's performance and future prospects to shareholders and to respond to any questions that shareholders might have. If you wish to ask any questions at the AGM, please register them with the Company in advance of the AGM (by writing to the Company Secretary, Resolution Limited, at One New Change, London EC4M 9EF) or on the day of the AGM at the allocated question registration points at the meeting venue in London. Questions can be registered prior to and during the course of the AGM, and while the Board will endeavour to answer all questions raised at the AGM, irrespective of whether they have been pre-registered, priority will be given to those shareholders who have pre-registered their question(s).

#### Voting at the AGM

If you are unable to attend the AGM, there are several ways to register your vote depending on the way in which you hold your shares in the Company. Full details are set out in the Notice.

Last year, the Company announced a proposal to adopt a more conventional governance structure by unifying membership of the boards of the Company and the main UK holding company for its regulated life insurance group, Friends Life Group plc ("**FLG**"), and ceasing to receive services from Resolution Operations LLP.

Following shareholder approval on 20 March 2013 to amend the Company's Articles of Incorporation, the proposed changes to Board membership were effected on 28 March 2013, and all of the directors are standing for election or re-election at the AGM, as set out in the Notice. As announced last year, I will remain Chairman of the new Board to oversee this period of change. However, I will not seek re-election at the AGM, since, by that time, the transition will have been completed.

On 21 January 2013, the Company announced that Sir Malcolm Williamson would be appointed as Chairman when I step down as Chairman and non-executive director of the Company at the conclusion of the AGM. Sir Malcolm's appointment is expected to become effective immediately after the close of the meeting, subject to shareholder approval.

### Dividend reinvestment plan

The directors have decided to introduce a dividend reinvestment plan (“**DRIP**”) in respect of any future dividends declared and/or paid by the Company, including the final dividend of 14.09 pence per ordinary share in the Company proposed to be approved at this year’s AGM (the “**Final Dividend**”). The DRIP will give shareholders the opportunity to receive ordinary shares in the Company instead of any cash dividend to which they would otherwise have been entitled, with the cash dividend used to purchase shares on the London Stock Exchange through a specially arranged share dealing service. As the DRIP does not require the creation of any new ordinary shares in the Company and thereby does not lead to dilution of the value of the existing ordinary shares in the Company, the directors believe that its introduction, in place of the scrip dividend scheme, will be beneficial to the shareholders as a whole.

In light of this, the current scrip dividend scheme, which was last offered to shareholders in respect of the 2012 interim dividend is also being terminated and, accordingly, no scrip dividend alternative will be offered in respect of any future dividend declared and/or paid by the Company, including the Final Dividend. The Company will pay by cheque any cash balances of £5 or more in respect of fractional entitlements to shareholders who have previously elected to participate in the scrip dividend scheme, which will be sent to such shareholders by the Company’s registrar, Computershare Investor Services Jersey Limited, as soon as reasonably practicable following this notice. Any amounts below £5 will not be returned and will instead be donated to charity.

The terms and conditions of the DRIP are set out in the enclosed brochure. If you choose to join the DRIP, the Final Dividend will be used to buy ordinary shares in the Company. A dealing commission of 0.5% of the value of the ordinary shares purchased will be charged (subject to a minimum commission of £1) and deducted from the amount of the Final Dividend. To join the DRIP you should either apply online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or, alternatively, complete and sign the enclosed mandate form and return it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY in the prepaid envelope provided, so as to arrive no later than 5.00 pm on 26 April 2013. If you wish to receive dividends in cash, you need take no further action.

Further information about how to join the DRIP, and terms and conditions, can also be found in the Investor Relations section of the Company’s website at [www.resolution.gg](http://www.resolution.gg) or by contacting the Company’s registrar on +44 (0) 870 707 1444.

### Recommendation

The Board is unanimously of the opinion that all of the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole and therefore recommend that you vote in favour of each of them, as the directors intend to do in respect of their own holdings.

We look forward to welcoming you to the AGM.

Yours sincerely,

**Michael N Biggs**  
Chairman

**EXPECTED TIMETABLE OF EVENTS FOR FINAL DIVIDEND**

<b>Date</b>	<b>Event</b>
17 April 2013	Shares in the Company quoted ex-dividend
19 April 2013	Record date for the Final Dividend
26 April 2013 (5.00 p.m.)	Final time and date for receipt of Dividend Election Input Messages or Mandate Forms
16 May 2013 (11.00 a.m.)	Annual General Meeting of the Company
20 May 2013	Final Dividend payment date and market purchase of shares
28 May 2013	Share certificates posted to register or CREST account credited

**Resolution Limited (the “Company”)**

(incorporated and registered in Guernsey under company number 49558)

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 2013 Annual General Meeting of shareholders of the Company (the “AGM”) will be held at 11.00 a.m. on 16 May 2013 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE, United Kingdom. The business of the AGM will be to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 25 (inclusive) will be proposed as ordinary resolutions and resolutions 26 and 28 will be proposed as special resolutions.

**ORDINARY RESOLUTIONS**

- Resolution 1 TO receive the Directors’ Report and Accounts for the financial year ended 31 December 2012 together with the report of the auditors of the Company.
- Resolution 2 TO approve the Directors’ Remuneration Report for the financial year ended 31 December 2012.
- Resolution 3 TO re-appoint Ernst & Young LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.
- Resolution 4 TO authorise the Board to determine the remuneration of the auditors of the Company.
- Resolution 5 TO elect David Allvey as a Director of the Company.
- Resolution 6 TO elect Andy Briggs as a Director of the Company.
- Resolution 7 TO re-elect Mel Carvill as a Director of the Company.
- Resolution 8 TO elect Clive Cowdery as a Director of the Company.
- Resolution 9 TO elect Peter Gibbs as a Director of the Company.
- Resolution 10 TO re-elect Phil Hodkinson as a Director of the Company.
- Resolution 11 TO elect Nick Lyons as a Director of the Company.
- Resolution 12 TO elect Robin Phipps as a Director of the Company.
- Resolution 13 TO elect Belinda Richards as a Director of the Company.
- Resolution 14 TO elect Karl Sternberg as a Director of the Company.
- Resolution 15 TO elect John Tiner as a Director of the Company.
- Resolution 16 TO elect Tim Tookey as a Director of the Company.
- Resolution 17 TO re-elect Tim Wade a Director of the Company.

- Resolution 18 TO elect Sir Malcolm Williamson as a Director of the Company.
- Resolution 19 TO declare a final dividend of 14.09 pence per share on the ordinary shares of the Company.
- Resolution 20 THAT the Board be and is hereby generally and unconditionally authorised to issue shares in the Company, and to grant rights to subscribe for or convert any security into shares in the Company, in accordance with Article 4.3 of the Articles of Incorporation of the Company:
- (A) up to a number of 472,703,009 ordinary shares in the Company (equal to one-third of the ordinary shares in issue as at the date of publication of this notice) (such number to be reduced by any issues or grants made under paragraph (B) below in excess of an equivalent number); and
- (B) up to a number of 944,460,612 ordinary shares in the Company (equal to two-thirds of the ordinary shares in issue as at the date of publication of this notice) (such number to be reduced by any issues or grants made under paragraph (A) above) solely in connection with an offer by way of a rights issue:
- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other shares or securities, as required by the rights of those securities or as the Board otherwise considers necessary,
- and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,
- such authorities to expire at the conclusion of the Company's 2014 Annual General Meeting or, if earlier, at the close of business on the date falling 15 months after the date of this resolution, but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require shares to be issued or rights to subscribe for or convert securities into shares to be granted after the authority given to the Board pursuant to this resolution ends and the Board may issue shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority given to the Board pursuant to this resolution had not ended.
- Resolution 21 THAT the Friends Life Group plc Deferred Share Award Plan 2010 (the "**DSAP**") be and is hereby amended in accordance with the copy of the rules of the DSAP marked to show the proposed amendments which is produced to the meeting and initialled by the Chairman for the purposes of identification and the Remuneration Committee of the Company's Board be and is hereby authorised to do all acts and things which it considers necessary or desirable to carry the same into effect.

- Resolution 22 THAT the Remuneration Committee of the Company's Board be and is hereby authorised to establish future share plans for the benefit of employees outside the United Kingdom based on the DSAP, modified to the extent necessary or desirable to take account of non-United Kingdom tax, securities and exchange control laws and regulations, provided that such plans must operate within the limits on overall participation summarised in Appendix 2 to the Chairman's Letter.
- Resolution 23 THAT the Friends Life Group plc Long Term Incentive Plan ("**LTIP**") be and is hereby amended in accordance with the copy of the rules of the LTIP marked to show the proposed amendments which is produced to the meeting and initialled by the Chairman for the purposes of identification and the Remuneration Committee of the Company's Board be and is hereby authorised to do all acts and things which it considers necessary or desirable to carry the same into effect.
- Resolution 24 THAT the Resolution Limited Sharesave Plan 2013 (the "**Sharesave Plan**"), the main features of which are summarised in Appendix 2 to the Chairman's Letter from page 27 of this AGM notice, and a copy of the rules of which is produced to the meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved and the Remuneration Committee of the Company's Board be and is hereby authorised to do all acts and things which it considers necessary or desirable to carry the same into effect, including but not limited to making such modification to the Sharesave Plan as they may consider appropriate to take account of the requirements of HM Revenue & Customs.
- Resolution 25 THAT the Remuneration Committee of the Company's Board be and is hereby authorised to establish future share plans for the benefit of employees outside the United Kingdom based on the Sharesave Plan, modified to the extent necessary or desirable to take account of non-United Kingdom tax, securities and exchange control laws and regulations, provided that such plans must operate within the limits on individual or overall participation summarised in Appendix 2 to the Chairman's Letter.

## **SPECIAL RESOLUTIONS**

- Resolution 26 THAT, if resolution 20 is passed, the Board be and is hereby authorised to dis-apply the right of shareholders to receive a pre-emptive offer pursuant to Article 4.12 of the Articles of Incorporation of the Company, provided that this authority shall be limited to the issue of up to 70,905,451 ordinary shares in the Company (equal to 5 per cent. of the ordinary shares in issue as at the date of publication of this notice) and shall expire (unless previously renewed, varied or revoked by the Company in a general meeting) at the end of the Annual General Meeting of the Company held in 2014, or, if earlier, at the close of business on the date falling 15 months after the date of this resolution, but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require ordinary shares to be issued (and/or treasury shares to be sold) after the authority given to the Board pursuant to this resolution ends and the Board may issue ordinary shares (and/or sell treasury shares) under any such offer or agreement as if the authority given to the Board pursuant to this resolution had not ended.

Resolution 27 THAT, conditional upon the ordinary shares of the Company remaining trading on the main market of the London Stock Exchange, the Company be and is hereby authorised in accordance with The Companies (Guernsey) Law, 2008, as amended (the “**Law**”) to make market acquisitions (as defined in the Law) of ordinary shares in the Company (for cancellation and/or holding in treasury) provided that:

- (a) the maximum number of ordinary shares in the Company authorised to be acquired is 141,810,902 (equal to 10 per cent. of the ordinary shares in issue as at the date of publication of this notice);
- (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share in the Company is £0.01; and
- (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share in the Company is the higher of:
  - (i) 105 per cent. of the average closing middle market quotation for an ordinary share in the Company (as derived from the London Stock Exchange Daily Official List) for the five business days prior to the day the purchase is contracted to be made; and
  - (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out,

such authority to expire at the conclusion of the Company’s 2014 Annual General Meeting, or, if earlier, at the close of business on the date falling 15 months after the date of this resolution, but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require ordinary shares to be purchased after the authority given to the Board pursuant to this resolution ends and the Company may purchase ordinary shares under any such offer or agreement as if the authority given to the Board pursuant to this resolution had not ended.

Resolution 28 THAT the Articles of Incorporation of the Company be and are hereby amended as follows:

- (a) article 16.1 shall be amended by the addition of the words “*and subject to article 16.1A*” after “*Unless special notice is required under the Companies Law*” and the following words shall be deleted “*Notwithstanding the above, with the consent in writing of all the Members entitled to receive notices of such meeting, a meeting may be convened by a shorter notice or at no notice and in any manner they think fit*”; and
- (b) a new article 16.1A be inserted after article 16.1 as follows:

*“Notwithstanding article 16.1, the Company shall not, unless otherwise determined by the Company by Special Resolution and permitted by the Laws and these Articles, convene any general meeting for a date where the period commencing on the date on which notice is deemed to have been served, sent or supplied in accordance with article 40.2 (ignoring for this purpose any*



*mandatory period which may from time to time be specified by the Laws) and ending on the date of the general meeting convened in accordance with the notice requirements specified in article 16.1 is less than 21 clear days. Notwithstanding the provisions of article 16.1 and this article 16.1A, with the consent in writing of all the Members entitled to receive notices of such meeting, a meeting may be convened by a shorter notice or at no notice and in any manner they think fit."*

By order of the Board

**V E Hames**

Company Secretary

12 April 2013

Registered office:

Resolution Limited

Trafalgar Court

Les Banques

St. Peter Port

Guernsey GY1 3QL

Channel Islands

Correspondence address:

Resolution Limited

One New Change

London EC4M 9EF

## Notes:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM whether by show of hands or on a poll. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy please follow the instructions set out in the Form of Proxy. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the shareholder helpline on +44 (0)870 707 1444 or the Company's registrars either by email to [info@computershare.co.je](mailto:info@computershare.co.je) or in writing to Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

2. To be valid, the Form of Proxy or other instrument appointing a proxy (together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority) must be received by the proxy processing agent of the Company's registrars, Computershare Investor Services PLC ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 11.00 a.m. on 14 May 2013, either in hard copy form, by post, by courier or by hand. If you would like to submit your Form of Proxy electronically, you may do so by going to the Investor Relations page at [www.resolution.gg](http://www.resolution.gg) and clicking on the "AGM Information" link on the left-hand side of the screen. You will need your Shareholder Reference Number and PIN, both of which can be found on the Form of Proxy sent to you, in order to use the electronic proxy appointment service.

3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

4. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) by 11.00 a.m. on 14 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

7. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any

particular message. Therefore, normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. The return of a completed Form of Proxy or any CREST Proxy Instruction will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

10. The Company specifies that, pursuant to Article 18.6 of the Articles of Incorporation of the Company (the “**Articles**”), only those shareholders included in the register of members as at 6.00 p.m. on 14 May 2013 or, in the event that the AGM is adjourned, in the register of members 48 hours before the time of the adjourned AGM, shall be entitled to attend and vote at the meeting (or any adjourned meeting) in respect of the number of shares registered in their name at that time. Changes to the register of members after 6.00 p.m. on 14 May 2013 or, in the event that the AGM is adjourned, in the register of members 48 hours before the time of the adjourned AGM, shall be disregarded in determining the rights of any person to attend or vote at the AGM (or the adjourned AGM).

11. In accordance with Article 18.15 of the Articles, any corporation which is a shareholder may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder, as if the corporation were an individual shareholder, provided that they do not do so in relation to the same shares and provided that on a poll vote if two or more corporate representatives of the same shareholder purport to exercise a power in respect of the same shares, then (i) if they exercise the power in the same manner, it shall be exercised in such manner, but (ii) if they exercise the power in a different manner, it shall be deemed not to have been exercised.

12. Indirect holders (who hold shares via a stockbroker or other nominee) have been sent this document for information only, but may have the right to be appointed a proxy by the registered shareholder to attend, speak and vote at the AGM, and may also be able to give voting instructions to the registered shareholder via a stockbroker or nominee administrator.

13. Resolution Limited Share Account holders should complete the Form of Instruction and return it to the proxy processing agent of Computershare at The Pavilions, Bridgwater Road, Bristol BS99 6ZY or give instructions online by going to the Investor Relations page at [www.resolution.gg](http://www.resolution.gg) and clicking on the “AGM Information” link on the left-hand side of the screen by no later than 11.00 a.m. on 12 May 2013. Forms of Instruction can be requested from the shareholder helpline on +44 (0)870 707 1444 or through the proxy processing agent of Computershare, either by email to [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk), or in writing at The Pavilions, Bridgwater Road, Bristol BS99 6ZY.

14. Voting on each of the resolutions will be conducted by way of a poll rather than on a show of hands. The Company believes that a poll is more representative of the shareholders’ voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be announced to the London Stock Exchange and will be made

available on the Company's website at [www.resolution.gg](http://www.resolution.gg) as soon as practicable following the conclusion of the AGM.

15. Shareholders may at any time choose to receive all shareholder documents in electronic format via the internet, rather than through the post in paper format. Shareholders who decide to register for this option will receive an email notification each time a statutory document is published on the Company's website. Shareholders who wish to receive documents in electronic format should contact the Company's Registrars, Computershare, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or register your e-mail address online at [www.resolution.gg](http://www.resolution.gg) by going to the Investor Relations page and clicking on the "Shareholder Information" link on the left-hand side of the screen.

16. If shareholders opt to receive email notifications, the Company's obligation to notify shareholders will be satisfied when it transmits the notification that documents are available on the website to the email address most recently provided, but the Company cannot be held responsible for any failure in transmission beyond its control. The Company reserves the right to send hard copy documents to shareholders at any time: for example, where overseas securities laws do not permit electronic communications; or in other circumstances where the Company considers that electronic delivery may not be appropriate. Shareholders resident outside the European Economic Area ("EEA") are responsible for ensuring that they may validly receive shareholder documents electronically without the Company or the Company's registrars being required to comply with any governmental or regulatory procedures or any similar formalities.

17. Any electronic address provided either in this notice or any related documents (including Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

18. A copy of the service contracts of executive directors and the letters of appointment of non-executive directors of the Company will be available at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE, United Kingdom from 15 minutes before the start of the AGM until its conclusion.

19. The total issued share capital of the Company as at 10 April 2013, the latest practicable date prior to publication of this notice is 1,418,109,028 ordinary shares, none of which are held in treasury. Therefore, the total number of voting rights in the Company as at the date of publication of this notice is 1,418,109,028.

20. A copy of this notice, the Company's Annual Report and other shareholder documents can be found on the Company's website at [www.resolution.gg](http://www.resolution.gg) by going to the Investor Relations page and clicking on the "General Meeting Information" link on the left-hand side of the screen.

21. The documents noted in (i) to (iii) below are available for inspection during normal business hours at the Company's registered office and at the Company's correspondence address One New Change, London EC4M 9EF on any business day and will be available at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE from at least 15 minutes prior to and during the AGM:

- (i) copies of directors' service contracts (or, where, appropriate, letters of appointment);
- (ii) copies of the share plan rules referred to in resolutions 21 to 25; and
- (iii) a copy of the Company's Articles of Incorporation marked up to show the proposed amendments.

## EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

At the AGM there are 28 resolutions which shareholders will be asked to consider and, if thought fit, approve. An explanation of each of these resolutions is given below. Resolutions 1 to 25 (inclusive) are proposed as ordinary resolutions. An ordinary resolution requires more than 50 per cent. of votes cast relating to that resolution to be in favour of it for the resolution to be passed. Resolutions 26 to 28 are proposed as special resolutions. A special resolution requires at least 75 per cent. of votes cast relating to that resolution to be in favour of it for the resolution to be passed.

### ORDINARY RESOLUTIONS

#### **Resolution 1: Directors' Report and Accounts**

The Directors are required to present the Directors' report, the audited accounts and the independent auditors' report in respect of the financial year ended 31 December 2012 to the AGM.

#### **Resolution 2: Directors' Remuneration Report**

The Annual Report and Accounts for the financial year ended 31 December 2012 contains a Directors' Remuneration Report, which sets out the remuneration policy for the Group and reports on the remuneration arrangements in place for its non-executive Directors and senior management during the year ended 31 December 2012, and proposed arrangements for Directors of the Company appointed on 28 March 2013. Shareholders are invited to vote on the Directors' Remuneration Report, which may be found on pages 90 to 104 of the Annual Report and Accounts. This is an advisory vote only.

#### **Resolutions 3 and 4: Appointment and remuneration of the auditors**

Resolution 3 deals with the re-appointment of Ernst & Young LLP as the Company's auditors for the next year, and resolution 4 seeks authority for the Board to determine their remuneration.

#### **Resolutions 5 to 18 (inclusive): Election and re-election of Directors**

The Directors will all retire at the AGM and all Directors other than Mike Biggs will submit themselves for election or re-election by shareholders. This is in accordance with the recommendations of the UK Corporate Governance Code and, in the case of Directors appointed since the 2012 AGM, the Articles of Incorporation. Mel Carvill, Phil Hodgkinson and Tim Wade all served on the Board from the 2012 AGM (the rest of the Board was appointed on 28 March 2013) and their performance as Directors have been subject to performance evaluation, which concluded that they continue to be effective and have demonstrated commitment to their roles.

Biographical information relating to each of the Directors proposed for election or re-election to the Board is set out in Appendix 1.

#### **Resolution 19: Dividend**

The Company is seeking the approval of the final dividend of 14.09 pence per ordinary share. The amount of the final dividend is recommended by the Board. The final dividend of 14.09 pence per ordinary share will be paid on 20 May 2013 to those shareholders registered on the Company's register of members on 19 April 2013, subject to solvency testing in accordance with the Companies (Guernsey) Law, 2008 (the "**Law**"). A company satisfies the "solvency test" if: (i) it is able to pay its debts as they become due; and (ii)

the value of its assets is greater than the value of its liabilities. In recommending the payment of the final dividend the Directors have already considered the "solvency test". However, payment of the final dividend will remain conditional on the Directors re-confirming that the solvency test will be satisfied immediately following such payment being made on 20 May 2013.

#### **Resolution 20: Authority to issue shares**

Paragraph (A) of this resolution would give the Directors the authority to issue shares or grant rights to subscribe for or convert any securities into shares up to an aggregate number of 472,230,306 ordinary shares in the Company. This amount represents one-third of the issued ordinary share capital of the Company as at the date of publication of this notice.

In line with guidance issued by the Association of British Insurers ("**ABI**"), paragraph (B) of this resolution would give the Directors authority to issue shares or grant rights to subscribe for or convert any securities into shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate number of 944,460,612 ordinary shares. This amount (before any reduction) represents two-thirds of the issued ordinary share capital of the Company as at the date of publication of this notice.

In order to ensure that the maximum amount of shares issuable under resolution 20 does not exceed an amount equal to two-thirds of the issued ordinary share capital, deductions will be made from (A) or (B) to ensure that this remains the case, whether or not the Company issues shares under (A) or (B) first.

The Directors have no specific present intention to exercise either of the authorities sought under this resolution, except in connection with Group employee share plans. However, if they do exercise the authorities, the Directors intend to follow ABI recommendations concerning their use (including as regards the Directors standing for re-election in certain cases).

The authorities sought under paragraphs (A) and (B) of this resolution will expire at the conclusion of the Company's 2014 AGM, or, if earlier, 15 months after the date of this AGM.

#### **Resolutions 21 and 22: Amendment of the DSAP**

FLG operates the DSAP which is used to award part of an employee's annual discretionary bonus in the form of ordinary shares in the Company.

The Remuneration Committee of the Company ("**Committee**") is recommending to shareholders that the DSAP is amended to include "malus" and "claw-back" provisions which will provide the Committee with discretion to reduce the vesting of awards or claw-back amounts already vested. It is also proposed to amend the plan to give the Committee flexibility to satisfy awards using newly issued Shares (subject to ABI compliant dilution limits), and to allow dividend accrual. The amended plan would be known as "The Resolution Limited Deferred Share Award Plan 2013". A summary of the plan is set out in Appendix 2 to the Chairman's Letter.

If approved, the first awards made under the amended plan will be granted in 2013 in respect of bonuses awarded for 2012, after the AGM.

The DSAP did not require shareholder approval when it was established and, equally, the changes to the plan do not strictly require shareholder approval under the UKLA Listing Rules because the Company is incorporated in Guernsey. However, in light of the Company's move to a more conventional, simplified

governance structure, the Committee has decided to seek shareholder approval of the plan as a matter of best practice and good corporate governance.

Resolution 22 will give authority to establish comparable plans for employees working outside the UK.

#### **Resolution 23: Amendment of the LTIP**

The LTIP was established in 2010 as the sole long-term incentive plan for key individuals within FLG for the duration of the UK Life Project. It was designed to incentivise participants to help achieve a successful exit by the Company of all or part of its ownership of FLG.

As the Company has announced changes to its strategy and, in particular, is no longer seeking a specific exit of its ownership of FLG, the Committee has reviewed the operation of the LTIP. The Committee has decided that the LTIP should be retained but it is proposing to amend the plan so that it remains a meaningful incentive for participants given the Company's new strategy. The Committee envisages introducing a more standard long-term incentive plan going forward, with shareholder approval of the plan being sought in 2014 and the first awards being made once shareholder approval has been obtained.

A summary of the proposed amendments to the current LTIP is set out in Appendix 2 to the Chairman's Letter.

The LTIP did not require shareholder approval when it was established and, equally, the changes to the LTIP do not require shareholder approval. However, as with the deferred share award plan, the Committee has decided to seek shareholder approval of the changes to the LTIP as a matter of best practice and good corporate governance.

#### **Resolutions 24 and 25: Approval of the Sharesave Plan**

The Committee is recommending the adoption of the Sharesave Plan, which will be known as "The Resolution Limited Sharesave Plan 2013". A summary of the Sharesave Plan is set out in Appendix 2 to the Chairman's Letter.

Although the Sharesave Plan does not strictly require shareholder approval, the Committee has decided to seek shareholder approval as a matter of best practice and good corporate governance.

Resolution 25 will give authority to establish comparable plans for employees working outside the UK.

### **SPECIAL RESOLUTIONS**

#### **Resolution 26: Disapplication of pre-emption rights**

Article 4.12 of the Articles of Incorporation requires that where ordinary shares are issued wholly for cash or sold out of treasury for cash either shareholder approval must be sought to make a non-pre-emptive offer or a pre-emptive offer must be made to all existing shareholders (but allowing the Directors to make such provision as they think fit in relation to fractional entitlements and/or certain overseas shareholders and/or other classes of shares). The Board believes that the ability to issue new ordinary shares on a non-pre-emptive basis is in the best interests of the Company as this affords considerable flexibility and a significant reduction in time and costs in effecting fund-raising.

If approved, the disapplication authority will allow the Board to issue up to 70,905,451 ordinary shares, equal to 5 per cent. of the total number of ordinary shares in issue as at the date of publication of this notice. The Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of disapplication of pre-emption rights authorities within a rolling three year period where the Principles provide that usage in excess of 7.5 per cent. should not take place without prior consultation with shareholders.

The authority sought under this resolution will expire at the conclusion of the Company's 2014 AGM, or, if earlier, 15 months after the date of this AGM.

#### **Resolution 27: Authority to purchase own shares**

At the last AGM, the Company was granted authority to make market acquisitions of its ordinary shares to address, among other things, any imbalance in the supply of, and demand for, ordinary shares. The current authority expires at the end of this AGM.

This resolution proposes to renew the authority of the Company to make market acquisitions of up to 10 per cent. of the ordinary shares in issue. The Directors have no present intention of exercising the authority to make market purchases; however, the authority provides the flexibility to allow them to do so in the future. The Directors will only exercise this authority when to do so would be in the best interests of the Company, and of its shareholders generally, and could be expected to result in an increase in the earnings per share of the Company.

In accordance with the Law, the Company may only make market purchases of its ordinary shares provided it satisfies the "solvency test" (as detailed in the Law) immediately after the shares are acquired. A company satisfies the "solvency test" if: (i) it is able to pay its debts as they become due; and (ii) the value of its assets is greater than the value of its liabilities. In connection with any purchase of the Company's ordinary shares, the Directors will therefore need to confirm that the solvency test will be satisfied immediately following such purchase being made.

The minimum price, exclusive of expenses, which may be paid for an ordinary share is £0.01. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the higher of: (i) an amount equal to 105 per cent. of the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

Any ordinary shares purchased under the renewed authority will either be cancelled or held in treasury. Such decision will be made by the Directors at the time of the purchase.

As at the close of business on 10 April 2013, there were options and awards over 43,452,273 ordinary shares in the capital of the Company, which represented 3.06% of the Company's issued ordinary share capital (excluding treasury shares) as at that date. If the remainder of the authority to purchase the Company's ordinary shares granted at last year's AGM and the authority proposed to be granted under resolution 27 were both exercised in full, these options and awards would, assuming no further ordinary shares are issued after that date, represent 3.81% of the Company's issued ordinary share capital (excluding treasury shares) as at that date. The options and awards do not include units allocated to Group employees under the LTIP, since these are currently cash settled. This percentage would reduce to 3.41% if no further purchases are made under the authority granted at last year's AGM but the authority proposed to be granted under resolution 27 was exercised in full. As at the close of business on 10 April



2013, the Company did not hold any treasury shares and, other than as referred to above, no warrants over ordinary shares in the capital of the Company existed.

The authority sought under this resolution will expire at the conclusion of the Company 2014 AGM, or, if earlier, 15 months after the date of this AGM.

#### **Resolution 28: Amendment to Articles of Incorporation**

The Company adopted new Articles of Incorporation ("**Articles**") on 20 March 2013. The new Articles provide for the Company's notice period for general meetings to be a minimum of 10 clear days' notice, consistent with the minimum period required under the Companies Law. This was a reduction in the notice period that the Company was required to provide shareholders under its previous Articles.

The intended purpose of the change was to better align the Company's notice requirements with the requirements for UK listed companies when taking into account the practical effect of the mandatory deemed receipt provision for service of documents by Guernsey companies under the Companies Law. Section 523(8) of the Companies Law provides that documents are only deemed served outside the UK, Channel Islands and the Isle of Man after seven working days. The Company needs therefore to add this period to the minimum notice period required for convening general meetings under article 16.1.

Prior to the General Meeting to adopt the new Articles, a number of shareholders expressed concerns about the proposed reduction in the notice period for general meetings. Following the General Meeting on 20 March 2013, the Company reassured shareholders of its intention to comply with the highest standards of UK corporate governance and undertook to propose changes to the relevant provisions at the AGM to address shareholder concerns.

Whilst the formal notice period in article 16.1 is retained at 10 clear days for the reasons given above, the provisions of the proposed new article 16.1A overlay this requirement. The new article 16.1A ensures that there will never be less than 21 clear days from the date on which the Company posts or publishes a notice of general meeting and the date on which the meeting is held, unless otherwise approved by shareholders by special resolution.

The Company is able to include in the 21 clear day period the number of days by which the mandatory deemed receipt provision for service of documents in the Companies Law exceeds the express provision in the Articles (article 40.2). This places the Company in the same position as English incorporated, UK listed companies.

The introduction of a requirement for shareholders to consent to the holding of a general meeting on a shorter period than 21 clear days is intended to observe UK corporate governance best practice and aligns to the Shareholder Rights Directive, although the Directive does not apply to the Company as it is incorporated outside the EEA. The Company has not however proposed a separate special resolution at this AGM to reduce the 21 clear days referred to in article 16.1A to the UK minimum notice period of 14 clear days. This would be less than the minimum permitted by Guernsey law when taking into account the mandatory deemed receipt provision for service of documents. The new requirement nevertheless provides shareholders with the protection that, were Guernsey law to change, the Company would only be permitted to reduce the period between the date of posting of notice and the date of the meeting to 14 clear days by passing a special resolution.

**APPENDIX 1****Resolution Limited directors' biographies (resolutions 5 to 18 (inclusive))**

David Allvey – Independent Non-executive Director, Chairman of Risk and Compliance Committee, member of Audit Committee, Nomination Committee and Remuneration Committee

David has extensive experience in the financial services sector, having held senior executive positions in major international businesses including appointments as Group Finance director of BAT Industries and Barclays plc, and as Chief Operating Officer for Zurich Financial Services. David was a member of the UK Accounting Standards Board and has held directorships with Intertek Group plc, William Hill plc, Thomas Cook Group plc. In addition, he was Chairman of Arena Coventry Limited until May 2012.

David was appointed as an independent non-executive director of Friends Life Group plc in November 2009 and as Senior Independent Director in November 2010. He was appointed to the Company's Board in March 2013.

Principal external appointments:

David is the Chairman of Costain Group plc and holds non-executive directorships with Clydesdale Bank plc and National Australia Group Europe Limited.

Andy Briggs – Group Chief Executive Officer

Andy has significant expertise in the insurance sector, having previously held positions as CEO of Scottish Widows and of the General Insurance businesses of Lloyds Banking Group. Prior to joining Lloyds Banking Group, Andy was at the Prudential Group for 19 years, working in the intermediated, face to face and online businesses, both in the UK and overseas. Andy's last role at the Prudential Group was as CEO of their Retirement Income business.

Andy was appointed as Group Chief Executive Officer of Friends Life Group plc in June 2011. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Andy is a member of the Board of the Association of British Insurers ("ABI") and was appointed Chairman of the ABI Audit Committee in July 2012. He is also a member of the NSPCC's fundraising committee, and chairs one of their larger fundraising sub-committees.

Mel Carvill – Independent Non-executive Director, member of Nomination Committee and Risk and Compliance Committee

Mel has worked across a range of sectors in the European financial services industry, in a variety of different capacities. From 1985 until 2009 Mel worked at Generali where he held a number of senior positions in the group, including Head of Western Europe, Americas and Middle East, Head of M&A and Head of International Regulatory Affairs (2007–2009), Head of Corporate Development, Risk Management and Investor Relations (2005–2007), and Head of Corporate Finance (2000–2005). Mel was previously a Commissioner of the Guernsey Financial Services Commission, a position he held for nine years. Mel is a Fellow of the Institute of Chartered Accountants in England and Wales, holds the Advanced

Diploma in Corporate Finance, and is an Associate of the Chartered Insurance Institute, a Chartered Insurer and a Fellow of the Securities Institute.

Mel was appointed to the Company's Board in February 2010.

Principal external appointments:

Mel is the founder and President of PPF Partners (a private equity firm), a joint venture with Generali and PPF Group. In addition, Mel holds a number of directorships within financial services companies operating in Europe, the Americas and Asia.

Clive Cowdery – Non-executive Director

Clive co-founded Scottish Amicable International/Rothschild International in 1992, a European cross-border insurance business based in Dublin. In 1998 Clive was appointed Chairman and Chief Executive of GE Insurance Holdings, leading Europe's largest credit insurer and the life and pensions operations in the UK and France. Clive was previously the Chief Executive of Resolution Life Group Limited, which he founded in 2003. Following the merger of Britannic Group plc and Resolution Life Group Limited in 2005, he was appointed Chairman of Resolution plc, which was acquired by Pearl Group in 2008.

Clive was appointed as a non-executive director of Friends Life Group plc in November 2009. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Clive is Chairman of the Resolution Foundation and a non-executive director of Prospect Publishing Limited and Capital Investments (SICAV) plc. Clive is the Founding Partner of Resolution Operations LLP.

Peter Gibbs – Independent Non-executive Director, member of Investment Oversight Committee

Peter has brought the benefit of significant knowledge of the financial services and asset management sectors to the boards of Friends Life Group plc and its asset management subsidiary Friends Life Investments Limited, for which Peter is the non-executive Chairman. Until its takeover by Investec in December 2011, Peter was the senior independent non-executive director of The Evolution Group plc, and a member of its Audit, Remuneration and Nomination Committees. Peter was also the non-executive Chairman of Turquoise, the pan-European trading platform, until 2009. Peter was Chief Investment Officer and Head of Region for the non-US Investment Management activities of Merrill Lynch, having spent his early career at Brown Shipley and Bankers Trust.

Peter was appointed as a non-executive director of Friends Life Group plc in July 2011. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Peter holds non-executive directorships at Impax Asset Management Group plc, UK Financial Investments Limited and Intermediate Capital Group plc. Peter is also a director of Merrill Lynch (UK) Pension Plan Trustees Limited.

Phil Hodgkinson – Senior Independent Director, member of Audit Committee, Nomination Committee, and Remuneration Committee

Prior to his retirement in 2007, Phil held a number of senior executive positions in the UK financial services industry including Chief Executive Officer of Zurich Financial Services UK Life (1996–2001), Chairman of Clerical Medical and Insight Investment (2001–2005) and Group Finance Director of HBOS plc (2005–2007). Phil was also Chairman of the ABI's Raising Standards Accreditation Scheme (2001–2006), and is a Fellow of the Institute of Actuaries in England and Wales.

Phil was appointed to the Company's Board in October 2008 and was appointed the Company's Senior Independent Director in March 2009.

Principal external appointments:

Phil is non-executive director of BT Group plc and Travelex Holdings Ltd. He is also a Trustee of BBC Children in Need, Action Medical Research and Business in the Community, and is Chairman of the Community Mark Independent Approvals Panel and BT Group's Equality of Access Board.

Nick Lyons – Independent Non-executive Director, Chairman of Remuneration Committee, member of Investment Oversight Committee and Risk and Compliance Committee

Nick was formally a managing director of Lehman Brothers in London, where he headed the European Financial Institutions Group until 2001 and held the role of Global Co-Head of Recruitment, Training and Career Development on the European Operating Committee. Having also held executive positions at JP Morgan & Co and Salomon Brothers, Nick has a broad range of financial and insurance sector experience gained in large and complex international businesses. Nick was previously the Chairman of Miller Insurance Investment Limited and a non-executive director of Quayle Munro plc.

Nick was appointed as a non-executive director of Friends Life Group plc in February 2010. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Nick is Chairman of Longbow Capital LLP and Miller Insurance Services LLP and a non-executive director at Catlin Group Limited.

Robin Phipps – Independent Non-executive Director, member of Risk and Compliance Committee

Robin has extensive knowledge of the life insurance and pensions industry, having been a member of the board of Legal & General Group plc from 1996 to 2007, holding the position of Group Director UK. Prior to his appointment as a director, he held various senior roles within Legal & General Group plc. He brings significant knowledge of the heritage Friends business to the Friends Life Group Board, having been a director of Friends Provident plc from November 2008 until its takeover by the Company in November 2009. Robin is also Chairman of the With Profits Committee, a Committee of the boards of the life companies within the Friends Life Group.

Robin was appointed as a non-executive director of Friends Life Group plc in November 2009. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Robin holds non-executive directorships at the Partnership Group of Companies and IFG Group plc.

Belinda Richards – Independent Non-executive Director, member of Nomination Committee and Risk and Compliance Committee

Belinda has a wealth of insight and experience in the financial and insurance sectors to contribute to the Board, having previously held the position of Vice Chairman at Deloitte LLP, where she was a senior Corporate Finance partner for ten years, and the Global Head of Merger Integration and Separation Advisory Services. Clients at Deloitte included a number of leading UK and global banks and insurance companies.

Belinda was appointed as a non-executive director of Friends Life Group plc in June 2010. She was appointed to the Company's Board in March 2013.

Principal external appointments:

Belinda holds a non-executive directorship at Grainger plc, where she is Chairman of the Audit Committee and a member of the Risk and Compliance and Remuneration Committees.

Karl Sternberg – Independent Non-executive Director, Chairman of Investment Oversight Committee, member of Audit Committee

Karl has brought the benefit of his considerable financial sector and investment experience to the Board of Friends Life Group. He spent his early career at Mercury Asset Management and Barclays de Zoete Wedd, followed by twelve years at Morgan Grenfell which became part of Deutsche Asset Management, where he held a number of Chief Investment Officer roles in different regions. Karl was a founding partner of Oxford Investment Partners Limited, from which he resigned in January 2013.

Karl was appointed as a non-executive director of Friends Life Group plc in May 2010. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Karl is Chairman of JP Morgan Income & Growth Trust plc and a director of Lowland Investment Company plc. Karl is also a member of the Governing Body of Christ Church Oxford.

John Tiner – Non-executive Director

John held a number of senior positions at the FSA, including as Chief Executive between 2003 and 2007, and as Managing Director of Consumer, Insurance and Investment Business from 2001 until 2003. At the FSA, John led the review which substantially overhauled regulation of the UK insurance industry and promoted financial capability to become a public policy priority. Before joining the FSA, John was a Managing Partner at Arthur Andersen, responsible for its worldwide financial services practice. John was

also a member of the Committee of European Insurance and Occupational Pensions Regulators which steered the development of the Solvency II proposals. John was formerly Chief Executive of Resolution Operations LLP, a position from which he stepped down on 31 March 2013.

John was appointed as a non-executive director of Friends Life Group plc in November 2009. He was appointed to the Company's Board in March 2013.

Principal external appointments:

John holds non-executive directorships with Credit Suisse Group AG and Lucida plc.

Tim Tookey – Chief Financial Officer

Tim held a number of senior positions at Lloyds Banking Group including Interim Group Chief Executive Officer for a short period between 2011 and 2012, Group Finance Director from 2008 to 2012, and Deputy Group Finance Director from 2006. Prior to his time at Lloyds, Tim was Finance Director at Prudential UK, which he had joined in 2002. Tim was instrumental in the development of Heath Lambert, the insurance broker where he was Finance Director. Before his corporate roles, Tim qualified as a chartered accountant at KPMG.

Tim was Chairman of the Audit and Remuneration Committees of the British Bankers' Association from 2008 to 2012.

Tim was appointed a director of Friends Life Group plc on 5 March 2012 and became Chief Financial Officer on 30 March 2012. He was appointed to the Company's Board in March 2013.

Principal external appointments:

Tim is a member of the Development Strategy Board of the Zoological Society of London.

Tim Wade – Independent Non-executive Director, Chairman of Audit Committee, member of Risk and Compliance Committee

Tim was formerly a Managing Director of AMP Limited. Between 1997 and 2000, Tim was Chief Financial Officer of Colonial Limited, where he was closely involved in the rationalisation of the life insurance industry in Australia, having previously held the role of Chief Taxation Counsel (1994–1997). From 1984 until 1994, Tim worked at Arthur Andersen in Melbourne and Singapore where he became a Partner in 1992. Tim is qualified as a lawyer and an accountant, and has a long career in financial services around the world.

Tim was appointed to the Company's Board in May 2010.

Principal external appointments:

Tim is currently non-executive director and Chairman of the Audit Committee of Macquarie Bank International Limited and Monitise Plc, non-executive director and Chairman of the Credit and Remuneration Committees of Access Bank UK Limited, and Chair of the Board of Governors of the Coeliac Society.

Sir Malcolm Williamson – Chairman Designate, Chairman of Nomination Committee\*, member of Remuneration Committee

Sir Malcolm has a wealth of experience in the insurance and financial services industry, having served as Chairman of Clydesdale Bank plc, National Australia Group Europe Limited, CDC Group plc, and Britannic Group plc. He was Deputy Chairman of Resolution plc until 2008, a non-executive Director for G4S plc and JPMorgan Cazenove Holdings, Chairman of Signet Jewelers Limited and a member of the Board of Trustees for the International Business Leaders Forum. Prior to this, he was President and Chief Executive Officer of Visa International between 1998 and 2004 and Group Chief Executive of Standard Chartered plc from 1993 to 1998.

Sir Malcolm was appointed as a non-executive director of Friends Life Group plc in November 2009 and became Chairman in February 2010. He was appointed to the Company's Board in March 2013. The Company has named Sir Malcolm its Chairman Designate, to succeed Mike Biggs when Mike steps down as Chairman at the conclusion of the Company's AGM.

Principal external appointments:

Sir Malcolm is the Chairman of Cass Business School's Strategy and Development Board and Invicta Card Services Limited. He is also Chairman of the Board of Trustees of The Prince of Wales Youth Business International Limited, and a trustee member of Youth Business America.

\* Sir Malcolm will take over as chairman of the Nomination Committee when he succeeds Mike Biggs as Chairman of the Company.

## APPENDIX 2

### 1 Summary of the Friends Life Group plc Deferred Share Award Plan 2010 (the "DSAP") and proposed amendments

The DSAP is used to award part of an employee's annual discretionary bonus in the form of Shares. Set out below is a summary of its main features and the amendments proposed to it. If amended, the DSAP will be known as the Resolution Limited Deferred Share Award Plan 2013.

#### Eligibility

Under the DSAP awards may be granted to employees (including executive directors) of the Company and its subsidiary companies, at the discretion of FLG's board of directors. It is proposed to amend the DSAP so that this discretion rests with the Committee in the future.

#### Awards

Awards may normally only be granted in the six weeks beginning with the date on which the DSAP is approved by the Company's shareholders and then in the six week period commencing on the dealing day following the date on which the Company announces its results for any period. Awards may be granted outside these periods in exceptional circumstances.

Subject to shareholder approval of the amendments to the DSAP, it is anticipated that the first awards under the amended DSAP will be granted in 2013. No awards may be granted more than ten years from the date of approval of the DSAP by the Company's shareholders. Awards granted under the DSAP are personal to the participant and, except on the death of the participant, may not be transferred. No payment is made for the grant of an award. Awards granted under the DSAP are not pensionable.

An award takes the form of a conditional right to acquire shares in the future at no cost to the participant.

#### Individual limits

The Committee will determine the value of awards to be granted to each participant in each financial year. It is currently intended that one-third of annual discretionary bonuses awarded to executive directors and other employees selected to participate in the DSAP will be deferred into DSAP awards.

The Committee will determine the number of Shares subject to the award or the basis on which the number of Shares subject to the award will be calculated.

#### Overall limits

It is proposed to amend the DSAP to allow awards to be satisfied by newly issued Shares or treasury shares and this will be subject to the following limits:

- (i) the number of the Company's unissued Shares that may be issued or placed under award or option under the DSAP and under any other executive share plan in any 10 year period may not exceed such number of Shares as represents 5% of the Company's ordinary share capital in issue from time to time;
- (ii) the number of the Company's unissued Shares that may be unissued or placed under award under the DSAP and under any other employee share plan in any 10 year period may not exceed



such number of Shares as represents 10% of the Company's ordinary share capital in issue from time to time.

Shares transferred out of treasury to satisfy awards granted under the DSAP will count towards these limits for so long as this is required by institutional investor guidelines.

### **Vesting of awards**

In normal circumstances, an award will vest on the later of the third anniversary of grant and the date that the Committee determines whether any other conditions that it has imposed have been satisfied.

If a participant ceases employment before an award vests, the following provisions shall apply:

- (i) if a participant ceases to be employed by reason of retirement, ill-health, injury, disability, redundancy or because the company or business for which he works is transferred out of the group, or for any other reason at the discretion of the Committee, the award will vest on either the date of cessation of employment or on any other date determined by the Committee; and
- (ii) if a participant dies, the award will vest on the date of death, unless the Committee decides otherwise.

Early vesting is also permitted in the circumstances of a change of control or reconstruction of the Company. Internal reorganisations do not automatically trigger the early vesting of awards.

### **Malus/claw-back provisions**

It is proposed to amend the DSAP to include "malus" and "claw-back" provisions which provide the Committee with discretion to reduce the vesting of an award (to nil, if appropriate) and/or "claw-back" amounts already vested within three years of the vesting of an award. For example, awards may be reduced where the Committee in its discretion determines that there is evidence of employee misconduct or where the business in which the participant works has suffered a material failure of risk management.

### **Entitlement to dividends**

It is proposed to amend the DSAP so that the Committee may decide that participants should receive an additional benefit equal in value to any dividends that they would have received during the vesting period, if they had been the holders of the vested Shares. The benefit can be provided as a cash sum or in the form of Shares. The Committee may make this decision when an award is granted or at the point of vesting. Alternatively, the Committee may grant an award on terms that the number of Shares subject to the award shall increase by assuming that dividends that would have been paid on those Shares during the vesting period would have been used to buy further Shares.

### **Cash alternative**

The Committee may elect at any time, instead of issuing or procuring the transfer of Shares, to satisfy an award by paying an equivalent amount in cash (subject to deduction of tax or similar liabilities) to the participant.

### **Variation of capital**

In the event of any variation in the share capital of the Company, or in the event of a demerger, special dividend, or other similar event which might affect the current or future value of any award, the Committee

may make such adjustments as it considers appropriate to the number or class of shares subject to an award.

### **Alterations**

The Committee may at any time amend the DSAP. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility or overall limits, the basis for determining a participant's entitlement to, and the terms of, Shares provided under the DSAP, and the adjustments that may be made in the event of any variation of share capital. Minor amendments to benefit the administration of the DSAP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any group member, do not require the approval of the Company in general meeting. Any amendment that is to the material disadvantage of participants in relation to awards already granted to them requires their majority consent.

## **2 Summary of the proposed amendments to the Friends Life Group plc Long Term Incentive Plan (the "LTIP")**

The LTIP creates a profit pool which is divided into a maximum of 10,000 units.

The LTIP operates by reference to contributions made by the Company to Resolution Holdco No.1 LP ("**RHN1**") and distributions made by RHN1 to the Company. RHN1 is a subsidiary of the Company that owns the Friends Life Group ("**FLG**"). For units to vest, the distributions made by RHN1 to the Company must exceed the contributions made by the Company to RHN1 plus 12% per annum (the "**Threshold**"). The maximum aggregate entitlement of all participants if all 10,000 units were allocated would be 2% of the value above the Threshold. After the impact of pro-rating (see "Participation" below), no more than 75% of the units will be allocated to participants.

Units were expected to vest on an exit by the Company of all or part of its ownership of FLG when distributions would have been made by RHN1 to the Company. As the Company has announced changes to its strategy and, in particular, is no longer seeking a specific exit of its ownership of FLG, the Committee is proposing to amend the LTIP so that it remains a meaningful incentive for participants given the Company's new strategy but without, in the view of the Committee, making the Threshold easier to achieve.

Set out below is a summary of the proposed amendments to and the operation of the LTIP.

### **Participation**

Units are awarded to participants as a one-off award (with the possibility of top-up awards for individuals identified as high performers and critical to the business) and are not awarded on an annual basis. Where participants joined FLG after 5 November 2009 (the date on which the Company's first acquisition, of Friends Provident Group plc, completed), their awards are normally time pro-rated to take into account that they have only been with the business for part of the time since the Company's original restructuring project was launched. The pro-rating provisions will continue to apply to the amended LTIP. This means that pro-rating will apply to the relevant measurement date (except that, as now, if a person leaves the Group as a result of the disposal of a single business only where the plan itself does not vest, those participants will not be pro-rated to reflect such early disposal).

Further awards may be made under the LTIP to new joiners and as top-up awards to current participants but no further top-up awards will be made to the Group Chief Executive Officer or Chief Financial Officer.

#### **Performance measurement**

It is proposed to amend the LTIP so that one-third of the units (calculated before the application of pro-rating) held by each participant will be measured against the Threshold as at each of 30 June 2014, 30 June 2015 and 30 June 2016 (rather than on an exit event as is currently the case). The existing Threshold will be used so that the target is no less (nor more) stretching than currently. The Committee will retain discretion to adjust the calculation so that it operates as originally intended and does not give rise to unintended consequences. Units may also vest on a takeover of the Company.

In the absence of a specific exit event, the calculation of the Threshold will be amended so that it takes account of the value of RHN1 and not only distributions actually made by RHN1. The value of RHN1 will be determined by reference to the share price of the Company at each measurement date, with an adjustment for any net assets of the Company itself. (A 40 dealing day average share price for the Company from the measurement date will be used). As a result of the amendment, units will vest if the aggregate actual distributions made by RHN1 to the Company plus the value of RHN1 exceed the contributions made by the Company to RHN1 plus, on the outstanding invested capital, 12% per annum.

#### **Timing and method of payment**

Currently, amounts due in respect of units are paid in three tranches. A third of the amount is paid when the entitlement arises, a third 12 months later and the final third another 12 months later. This will continue to be the case if there is an event which means that the Threshold is met on or before 30 June 2014.

As it is proposed to amend the LTIP so that performance is measured on three separate dates, it is proposed that any resulting amounts due under the LTIP would be settled in full following calculation and not in three tranches. This would result in payments being made in September 2014 for any entitlement arising as at June 2014, in September 2015 for any entitlement arising as at June 2015 and in September 2016 for any entitlement arising as at June 2016.

The LTIP currently provides for awards to normally be satisfied in cash. It is proposed to amend the LTIP to give the Committee discretion to satisfy awards either in cash or in ordinary shares in the Company. Any ordinary shares in the Company delivered under the LTIP will be existing shares and no new shares will be issued by the Company to satisfy awards.

#### **Change of control of the Company**

If a takeover of the Company occurs between 1 July 2014 and 30 June 2015, previously unmeasured units would be measured on the event and paid out 50% in September 2015 and 50% in September 2016. For an exit event between 1 July 2015 and 30 June 2016, the payment would be made in full in September 2016.

### **3 Summary of the Resolution Limited Sharesave Plan 2013 (the "Sharesave Plan")**

The Sharesave Plan is an all-employee savings-related share option plan which is approved by HM Revenue & Customs ("HMRC"). Set out below is a summary of its main features.

**Eligibility**

An individual must be an employee or full-time director of the Company or a participating subsidiary who is resident in the UK on the date that options are granted and who has been an employee or full-time director for a qualifying service period (not exceeding five years) to be determined by the Board. An individual is a full-time director if he is obliged to devote not less than 25 hours per week to his duties with the company concerned. The Company's Board has discretion to nominate employees who do not satisfy the above conditions to participate in the Sharesave Plan. The Board can decide which subsidiaries participate in the Sharesave Plan.

**Grant of options**

The Board may at any time (but subject to any relevant regulatory restrictions) invite all eligible employees to apply for options.

No options may be granted after the period of ten years from the date of approval of the Sharesave Plan by the Company's shareholders. Options granted under the Sharesave Plan are personal to optionholders and, except on the death of an optionholder, may not be transferred. Options granted under the Sharesave Plan are not pensionable.

**Savings contracts**

An eligible employee who applies for an option under the Sharesave Plan must also enter into a savings contract approved by HMRC for a specified period of three or five years. The Board has discretion to determine which of the savings contracts will be available in respect of any invitation to apply for options. Under this contract, the employee will agree to make monthly savings contributions of a fixed amount which is set by the Board (which may not exceed the statutory maximum (currently, £250 per month)). Shares may only be acquired under the Sharesave Plan on the exercise of the option using the payment under this contract. Payment will be taken as including any bonus payable under the savings contract, unless otherwise decided by the Board.

**Price**

The Board shall determine the price payable for each Share under option, provided that the price shall not be less than the higher of:

- (a) 80% of the middle-market quotation for a Share in the Daily Official List of the London Stock Exchange (Daily Official List) on the dealing day preceding the date on which invitations to apply for options are issued or 80% of the average of the middle-market quotations for a Share in the Daily Official List on the 5 consecutive dealing days prior to the date on which invitations to apply for options are issued (or on such other dealing day or days as may be agreed with HMRC); and
- (b) the nominal value of a Share, if the option relates to new Shares.

**Overall limit**

The number of the Company's unissued Shares that may be issued or placed under option or award in any period of ten years under the Company's employee share plans may not exceed such number of Shares as represents 10% of the Company's ordinary share capital in issue from time to time.

Shares transferred out of treasury to satisfy options under the Sharesave Plan will count towards this limit for so long as this is required by institutional investor guidelines.

**Scaling down**

Applications to participate in the Sharesave Plan may be scaled down by the Board if applications exceed the number of Shares available for the grant of options. The ways in which scaling down may be carried out are set out in the rules of the Sharesave Plan.

**Exercise of options**

An option may not normally be exercised until the optionholder has completed his three-year or five-year savings contract and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy or because the Company or business which employs the optionholder is transferred out of the group.

If an optionholder ceases employment for any other reason within three years of the grant date, his option will lapse. If an optionholder ceases employment for any reason (other than dismissal for misconduct) more than three years after the grant date, he may exercise his options for six months after the date of cessation, after which his option will lapse. Special provisions also allow early exercise in the event of a change of control, reconstruction or winding up of the Company. Internal reorganisations do not automatically trigger the early exercise of options.

**Variation of capital**

In the event of any variation in the share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of Shares under option and the price at which they may be acquired. Adjustments to the terms of options must be approved by HMRC.

**Amendments**

The Board may at any time amend the Sharesave Plan. Any change to the key features of the Sharesave Plan (being provisions necessary to meet the requirements of the relevant tax legislation) requires the prior approval of HMRC. In addition, the prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of the optionholders which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining a participant's entitlement to, and the terms of, Shares provided under the Sharesave Plan, and the adjustments that may be made in the event of any variation of share capital. Minor amendments to benefit the administration of the Sharesave Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the group do not require the approval of the Company in general meeting. Any amendment to the material disadvantage of participants in relation to options already granted to them requires their majority consent.