

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action you should take, or the contents of this Circular, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred, or sell or transfer before 4.30 p.m. on 25 March 2015, all of your Ordinary Shares please send this document, but not any accompanying personalised Form of Proxy, Form of Direction and/or Election Form, to the purchaser or transferee or to the stockbroker, bank, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or otherwise transferred, or sell or transfer before 4.30 p.m. on 25 March 2015, only part of your holding of Ordinary Shares you should retain this document and the accompanying Form of Proxy, Form of Direction and Election Form and consult the stockbroker, bank or other agent through whom the sale or transfer was or will be effected.

The New Ordinary Shares to be issued pursuant to the proposed Return of Capital will be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities in place of the Existing Ordinary Shares. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 25 March 2015 and that Admission will become effective and dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 March 2015. No application will be made to any investment exchange or trading platform for listing or admission to trading of the E Shares, the F Shares, the E Deferred Shares or the Deferred Shares.

The New Ordinary Shares have not been marketed and are not available to the public, in whole or in part, in connection with the admission and listing of the New Ordinary Shares on the London Stock Exchange.

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## **Hiscox Ltd**

*(incorporated in Bermuda under registration number 38877)*

### **Proposed Return of Capital to Shareholders and a 88 for 100 Share Capital Consolidation Notice of Extraordinary General Meeting**

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This is not a prospectus but a shareholder circular (the “**Circular**”). The distribution of this Circular and/or any accompanying documents within or into jurisdictions other than the UK may be restricted by law. Persons into whose possession this Circular and/or any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, neither this Circular nor any accompanying documents should be distributed, forwarded to or transmitted in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

**Please read the whole of this Circular. Your attention is drawn in particular to the letter from the Chairman of the Company which is set out in Part 3 of this Circular, which contains the unanimous recommendation of the Directors that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, the notice of which is set out in Part 14 of this Circular.**

A summary of the action to be taken by Shareholders is set out in Part 5 of this Circular. If Shareholders have any queries in relation to the action to be taken they may call the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice.

**You should note that the Return of Capital is conditional upon (i) the approval by Shareholders of Resolution 1 to be proposed at the Extraordinary General Meeting; and (ii) Admission. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction or waiver by UBS (in its sole discretion) of a number of conditions including those as set out in paragraph 13 of Part 6 of this Circular.**

Notice of the Extraordinary General Meeting, which is to be held at 1.00 p.m. on 25 March 2015, at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP is set out in Part 14 of this Circular. For the convenience of Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company's registered office, 4th Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group's London office, 1 Great St. Helen's, London EC3A 6HX. A Form of Proxy and a Form of Direction for use by Shareholders and Depositary Interest Holders respectively in relation to the Extraordinary General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it so as to be received by the Company's registrars, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, BR3 4ZF, no later than 1.00 p.m. on 23 March 2015. Depositary Interest Holders should complete and sign the accompanying Form of Direction and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Capita Asset Services to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 20 March 2015. Depositary Interest Holders who are CREST members and who wish to appoint or give instruction to the Depositary through the CREST electronic proxy appointment service should follow the procedures as to the appointment of a proxy or as to instruction described in this Circular. Completion and return of a Form of Proxy or Form of Direction or transmission of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting, should they so wish and they are so entitled.

None of the E Shares, F Shares, New Ordinary Shares, E Deferred Shares or Deferred Shares have been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction that has been registered under the US Securities Act and the relevant state securities laws or that is not subject to the registration requirements of the US Securities Act or such laws, either due to an exemption therefrom or otherwise.

None of the E Shares, F Shares, New Ordinary Shares, E Deferred Shares, Deferred Shares or this Circular have been approved, disapproved or otherwise recommended by any US federal or state securities commission, including the SEC, or other regulatory authority or any non-US securities commission or regulatory authority, nor have such authorities confirmed the accuracy or determined the adequacy of this Circular. Any representation to the contrary is a criminal offence in the United States.

The attention of Non-UK Shareholders is drawn to paragraph 8 of Part 6 of this Circular. Restricted Shareholders are only eligible to elect to receive the E Share Dividend and will automatically receive E Shares. The Capital Alternative is not being made available to Restricted Shareholders.

This Circular does not constitute an invitation to participate in the Return of Capital in or from any jurisdiction in or from which, or to or from whom, it is unlawful to make such offer or participate under applicable securities laws or otherwise.

The Bermuda Monetary Authority ("BMA") and the Registrar of Companies in Bermuda accept no responsibility for the financial information or for the accuracy of any statements expressed in this Circular.

Securities may be offered or sold in Bermuda only in compliance with provisions of the Investment Business Act of 2003, the Exchange Control Act of 1972, and related regulations of Bermuda that regulate the sale of securities in Bermuda. In addition, specific permission is required from the BMA, pursuant to the provisions of the Exchange Control Act of 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA, in its policy dated 1 June 2005, provides that where any equity securities of a Bermuda company, which would include the New Ordinary Shares to be issued, are listed on an appointed stock exchange (the London Stock Exchange is deemed to be an appointed stock exchange under Bermuda law), general permission is given for the issue and subsequent transfer of any such securities from and/or to a non-resident of Bermuda, for as long as such securities of the company remain so listed.

UBS which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser and corporate broker exclusively for the Company and for no one else in connection with the matters referred to in this Circular and will not be responsible to anyone other than the Company for providing the protections afforded to clients of UBS or for providing advice in relation to the matters referred to in this Circular. No liability whatsoever is accepted by UBS for the accuracy of any information contained in this Circular or the omission of any material information for which it is not responsible. UBS is not making any warranty, express or implied as to the contents of this Circular.

Apart from the responsibilities and liabilities, if any, which may be imposed on UBS by FSMA or the regulatory regime established thereunder, UBS accepts no responsibility or liability, whether arising in tort, contract or otherwise, to Shareholders for the contents of this document or for any other statement made in connection with the Company and the proposed Return of Capital or the Resolutions.

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## **PART 1**

### **IMPORTANT INFORMATION**

#### **1. TO VOTE ON THE RESOLUTIONS**

Whether or not you plan to attend the Extraordinary General Meeting in person, please either:

1. complete a Form of Proxy if you are a Shareholder, in accordance with the instructions printed on it and return it so as to be received by no later than 1.00 p.m. on 23 March 2015;
2. complete a Form of Direction if you are a Depositary Interest Holder, in accordance with the instructions printed on it and return it so as to be received by no later than 1.00 p.m. on 20 March 2015; or
3. if you are a Depositary Interest Holder and you wish to appoint or give instructions to the Depositary as to a proxy or as to instructions through CREST please complete and transmit a CREST Proxy Instruction to ensure it is received by Capita Asset Services by no later than 1.00 p.m. on 20 March 2015.

The completion and return of the completed Form of Proxy or Form of Direction or transmission of a CREST Proxy Instruction will not prevent you from attending the Extraordinary General Meeting and voting in person (in substitution for your proxy vote) if you so wish and are so entitled.

A summary of the action to be taken by the Shareholders to vote at the Extraordinary General Meeting is set out in Part 3 (Letter from the Chairman) and Part 14 (Notice of Extraordinary General Meeting) of this Circular.

#### **2. DEFINITIONS**

Capitalised terms have the meanings ascribed to them in Part 13 of this Circular.

#### **3. TIMES**

All references to times are references to London times unless stated otherwise.

#### **4. NO INCORPORATION OF WEBSITE**

The content of the Company's website [www.hiscox.com](http://www.hiscox.com) does not form part of this Circular.

#### **5. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Circular (including any information incorporated by reference into this Circular) includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not current or historical facts. In particular, the statements of the Group regarding the Group's strategy, future financial position and other future events or prospects are forward-looking statements.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the control of the Group that could cause the actual results of the Group to differ materially from those indicated in any such statements. Such factors include, but are not limited to, poor investment performance, underwriting performance, premiums payable, reinsurance counterparty performance, ratings downgrades, the potential illiquidity of assets, the Company's indebtedness, increased competition, fluctuations in currency exchange rates, failure to attract and retain key personnel, risks associated with concentration and counterparty default, adverse regulatory developments or changes in government policy, misconduct of employees, changes in laws, third party litigation risk and failure to obtain necessary regulatory consent.

Shareholders should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Group. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not indicative of future performance and the actual results of operations and financial condition of the Group, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Circular.

These forward-looking statements reflect the Company's judgement at the date of this Circular and are not intended to give any assurances as to future results. To the extent required by the Listing Rules, the Disclosure and Transparency Rules and other applicable regulations, the Company will update or revise the information in this Circular. Otherwise, the Company undertakes no obligation to update or revise any forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this Circular. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Group, or persons acting on its behalf, may issue.

## PART 2

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and/or Date
<b>General</b>	
Announcement of the Return of Capital	2 March 2015
Posting of this Circular to Shareholders	3 March 2015
Latest time and date for receipt of Form of Direction or CREST Proxy Instruction for the Extraordinary General Meeting for Depositary Interest Holders	1.00 p.m. on 20 March 2015
Latest time and date for receipt of Form of Proxy for the Extraordinary General Meeting for Shareholders	1.00 p.m. on 23 March 2015
Election Deadline: latest time and date for receipt of TTE Instructions from Depositary Interest Holders in relation to the Share Alternatives	1.00 p.m. on 25 March 2015
Election Deadline: latest time and date for receipt of Election Forms in relation to the Share Alternatives for Certificated Holders	1.00 p.m. on 25 March 2015
Extraordinary General Meeting	1.00 p.m. on 25 March 2015
Record Time for the Share Capital Consolidation and entitlement to E Shares and/or F Shares	4.30 p.m. on 25 March 2015
Latest time and date for dealings in Existing Ordinary Shares: Existing Ordinary Shares register closed and Depositary Interests in respect of Existing Ordinary Shares disabled in CREST	4.30 p.m. on 25 March 2015
Cancellation of trading of Existing Ordinary Shares: New Ordinary Shares admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. Dealings commence in New Ordinary Shares	8.00 a.m. on 26 March 2015
CREST Accounts for Depositary Interests in respect of New Ordinary Shares credited	8.00 a.m. on 26 March 2015
Despatch of share certificates in respect of New Ordinary Shares	By 2 April 2015
<b>Alternative 1: E Share Dividend – the default option</b>	
E Shares issued	26 March 2015
E Share Dividend becomes payable	2 April 2015
Despatch of cheques, or if Depositary Interests held in CREST, CREST accounts credited in respect of the E Share Dividend	2 April 2015
E Shares automatically reclassified as E Deferred Shares	2 April 2015
<b>Alternative 2: Capital Alternative</b>	
F Shares issued	26 March 2015
F Share Purchase Date	31 March 2015
Despatch of cheques, or if Depositary Interests held in CREST, CREST accounts credited in respect of the Purchase Offer	2 April 2015

#### Notes:

1. References to times in this Circular are to London times unless stated otherwise. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
2. All events in the above timetable following the holding of the Extraordinary General Meeting are conditional on (i) the passing of Resolution 1 and (ii) Admission.
3. Share certificates will not be issued for E Shares, F Shares, E Deferred Shares or Deferred Shares and CREST accounts will not be credited.



**PART 3**  
**LETTER FROM THE CHAIRMAN**  
**Hiscox Ltd**

*(incorporated in Bermuda under registration number 38877)*

**Directors:**

R.S. Childs (Chairman and Chairman of the Nominations Committee)  
B. Masojada (Chief Executive)  
S. Bridges (Chief Financial Officer)  
R. Watson (Chief Underwriting Officer)  
C. Foulger (Non-Executive Director)  
R. Gillingwater (Senior Independent Director and Chairman of the Remuneration Committee)  
D.M. Healy (Non-Executive Director and Chairman of the Audit Committee)  
E.R. Jansen (Non-Executive Director)  
Dr J.A.C. King (Non-Executive Director and Chairman of the Conflicts Committee)  
R. McMillan (Non-Executive Director)  
A.S. Rosen (Non-Executive Director)  
G. Stockholm (Non-Executive Director)

**Registered and Head Office:**

Wessex House  
45 Reid Street  
Hamilton HM12  
Bermuda

3 March 2015

**PROPOSED RETURN OF CAPITAL TO SHAREHOLDERS AND A 88 FOR 100 SHARE  
CAPITAL CONSOLIDATION**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Dear Shareholder

**1. Introduction**

The Company announced on 2 March 2015 that it is proposed, subject to Shareholder approval, to make a return of capital comprising:

- a special distribution to Shareholders of 45 pence per Existing Ordinary Share (totalling approximately £144 million); and
- a further amount of 15 pence per Existing Ordinary Share, instead of the payment of a final dividend for the financial year ended 31 December 2014.

I am writing to you to provide further details of this proposed return of capital (the “**Return of Capital**”) which will be combined with the 88 for 100 Share Capital Consolidation described further in this Circular.

**Return of Capital**

The Board has decided to effect the Return of Capital through a structure involving the issue of E Shares and/or F Shares, which may enable Shareholders, subject to applicable overseas restrictions and tax laws, to elect to receive their cash proceeds as income or capital or a combination of the two. The structure proposed is the same as the structure used by the Company in the previous return of capital in 2014. The Directors believe the Return of Capital represents an efficient and effective way to return cash to Shareholders, it treats all Shareholders equally relative to the size of their existing shareholdings in the Company and enhances the Company’s ability to maintain a progressive dividend policy.

**Background**

The Group actively manages its capital throughout the insurance cycle in order to maximise opportunities for profitable growth within the risk appetite framework set out by the Board. We have reviewed the future capital requirements of the Group considering the current rating environment and potential future growth opportunities. We have concluded that a special distribution of 45 pence per ordinary share, in addition to the final dividend equivalent of 15 pence per ordinary



share, should be made. Following the distribution, the Group's capital levels will be similar to those of the opening balance sheet post the 2014 capital return which will have a favourable impact on both the Group premium to capital gearing ratio and return on capital, whilst still providing sufficient headroom above existing internal and external capital constraints. This is now the third successive year in which capital has been returned to shareholders. However, this is a reaction to market conditions and not a long term strategy to return capital every year.

### ***Final Dividend***

As announced in the Group's preliminary statement of the full year results for the year ended 31 December 2014 a sum equal to 15 pence per Existing Ordinary Share will be payable to Shareholders as part of the Return of Capital in place of a final dividend. Such amount, together with the interim dividend of 7.5 pence per share paid in September 2014, is equivalent to a total dividend for 2014 of 22.5 pence per share, an increase of 7.1 per cent over the 2013 dividend, in line with our policy of progressive dividend growth.

### ***Share Capital Consolidation***

The special distribution of 45 pence per Existing Ordinary Share within the Return of Capital will be combined with a consolidation and subdivisions of the Existing Ordinary Shares. It is intended that the value of the net tangible assets ("NTA") of the Company per ordinary share should remain approximately similar before and after such special distribution. For every 100 Existing Ordinary Shares held at the Record Time, Shareholders will therefore receive 88 New Ordinary Shares.

The New Ordinary Shares will be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities in the same way as the Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares except that their par value will be different, including as to their dividend, voting and other rights.

### ***Extraordinary General Meeting***

The Return of Capital and Share Capital Consolidation requires the approval of Shareholders, which will be sought at an Extraordinary General Meeting to be held at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP at 1.00 p.m. on 25 March 2015. For the convenience of Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company's registered office, 4<sup>th</sup> Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group's London office, 1 Great St. Helen's, London EC3A 6HX. The notice of the Extraordinary General Meeting is set out in Part 14 of this Circular.

The purpose of this Circular is to explain, and seek Shareholder approval of, the Return of Capital and Share Capital Consolidation and to explain the choices available to Shareholders and how to decide between them.

Please read and rely on the whole of this Circular and not just the summarised information set out in this letter. Your attention is drawn to the further information set out in Part 6 of this Circular, including an expected timetable of key events in Part 2 and some frequently asked questions with answers in Part 4 in respect of the Return of Capital.

## **2. The Return of Capital**

The Return of Capital will comprise:

- a special distribution to Shareholders of 45 pence per Existing Ordinary Share (totalling approximately £144 million); and
- a further amount of 15 pence per Existing Ordinary Share, instead of the payment of a final dividend for the financial year ended 31 December 2014.

Under the Return of Capital and the Share Capital Consolidation, Shareholders will receive, in respect of their holding of Existing Ordinary Shares (other than in respect of treasury shares for the Return of Capital) at the Record Time:

- **either 1 E Share or 1 F Share for every 1 Existing Ordinary Share; and**
- **88 New Ordinary Shares for every 100 Existing Ordinary Shares.**

Shareholders will be able to choose how they receive their cash by choosing whether they receive one E Share or one F Share for each Existing Ordinary Share they hold at the Record Time by choosing any combination of the following Share Alternatives:

- the E Share Dividend whereby one E Share will be issued for each Existing Ordinary Share held at the Record Time and the E Share Dividend will be received by the Shareholder (cash expected to be sent or credited on 2 April 2015); and/or
- the Capital Alternative whereby one F Share will be issued for each Existing Ordinary Share held at the Record Time, such F Share is expected to be purchased pursuant to the Purchase Offer by UBS acting as principal (and not as agent, nominee or trustee) on the F Share Purchase Date (cash expected to be sent or credited on 2 April 2015).

**Shareholders who do not make a valid election will be deemed to have elected to receive the E Share Dividend in respect of ALL of their Share Entitlement. Restricted Shareholders will be deemed to have elected to receive the E Share Dividend and will automatically receive E Shares in respect of their Share Entitlement.**

Shareholders (other than Restricted Shareholders) may split the aggregate amount to be returned to them between either of the above Share Alternatives. The Share Alternatives and the Share Capital Consolidation are described more fully below in paragraphs 4 and 7 of Part 6 of this Circular.

As a result of this structure Shareholders (other than Restricted Shareholders) may elect for the Capital Alternative in respect of some or all of the amount comprising the final dividend equivalent included within the Return of Capital. It should be noted that a scrip dividend alternative will not be available in respect of any element of the Return of Capital.

### **3. The Share Alternatives**

The Share Alternatives available to Shareholders (other than Restricted Shareholders) are summarised below and explained in further detail in Part 6 of this Circular.

#### ● ***Alternative 1 – E Share Dividend – the default option***

Those Shareholders who choose or are deemed to have elected to receive the E Share Dividend in respect of some or all of their Share Entitlement, will receive one E Share for every Existing Ordinary Share held at the Record Time and will receive the E Share Dividend which will become payable on each E Share on the E Share Dividend Date. It is intended to pay the E Share Dividend amount to such Shareholders on 2 April 2015. Such receipts for individuals should be attributed to the 2014/2015 tax year.

Each E Share will be automatically reclassified as an E Deferred Share following the declaration of the E Share Dividend. The E Deferred Shares will not be listed, have extremely limited economic rights, carry no voting rights and have no value. Share certificates will not be issued, and CREST accounts will not be credited, for the E Shares or the E Deferred Shares. It is intended that the Company will acquire all of the E Deferred Shares for an aggregate price not exceeding one pence following which they will be cancelled.

The amounts received in respect of the E Share Dividend should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 11 of this Circular for further information.

The attention of Non-UK Shareholders is drawn to paragraph 8 of Part 6 of this Circular.

Details of how to complete and return an Election Form are set out in paragraph 1 of Part 5 of this Circular. Depositary Interest Holders electing through CREST should refer to paragraph 2 of Part 5 of this Circular for further information.

Shareholders wishing to receive the E Share Dividend in respect of all of their Share Entitlement should **NOT** complete or return the Election Form or make an election through CREST as the relevant E Shares will be issued and the E Share Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Share Alternatives.

Restricted Shareholders who will automatically receive E Shares and the E Share Dividend will not be sent an Election Form.

#### ● ***Alternative 2 – Capital Alternative***

Those Shareholders who elect for the Capital Alternative, will receive one F Share for every Existing Ordinary Share held at the Record Time. It is intended that UBS will purchase such F Shares as principal under the Purchase Offer on 31 March 2015, for 60 pence per F Share, free

and clear from all dealing expenses and commissions. If UBS exercises its put option pursuant to the Option Agreement, such F Shares will then be purchased from UBS by the Company and cancelled. Proceeds will be sent by cheque or credited through CREST to Shareholders on 2 April 2015. Such receipts for individuals should be attributed to the 2014/2015 tax year. In the event that UBS does not purchase any F Shares, for example because any of the conditions to the Purchase Offer set out in paragraph 13 of Part 6 of this Circular are not satisfied, the Shareholder will receive the Default Dividend.

The amounts received under the Capital Alternative should generally be taxed as capital for UK tax purposes, provided that UBS purchases the F Shares and the Default Dividend is not paid. UK tax resident Shareholders should read Part 11 of this Circular for further information.

The attention of Non-UK Shareholders is drawn to paragraph 8 of Part 6 of this Circular.

The making of the Purchase Offer is subject to certain conditions and Shareholders' attention is drawn to paragraph 13 of Part 6 of this Circular, where the Purchase Offer Deed is summarised.

Details of how to complete and return an Election Form are set out in paragraph 1 of Part 5 of this Circular. Depositary Interest Holders electing through CREST should refer to paragraph 2 of Part 5 of this Circular for further information.

**Shareholders who do not make a valid election will be deemed to have elected to receive the E Share Dividend in respect of ALL of their Share Entitlement. Restricted Shareholders are only eligible to elect to receive the E Share Dividend and will automatically receive E Shares. Restricted Shareholders will not be sent an Election Form.**

#### **4. The Share Capital Consolidation**

The Directors believe that the Existing Ordinary Shares, like those of other non-life insurers, are generally valued in the market by reference to the NTA value of the Company. Accordingly the Share Capital Consolidation is being calculated by reference to the Company's last published NTA value, being 31 December 2014, with the intention that the NTA value per New Ordinary Share after the Share Capital Consolidation is approximately equal to the NTA value per Existing Ordinary Share beforehand, disregarding any effect that the amount comprising the equivalent of the final dividend per ordinary share within the amount of the Return of Capital may have on the NTA value of the Company. The NTA value per ordinary share as at 31 December 2014 was 428.81 pence per ordinary share.

The effect of the Share Capital Consolidation will be to reduce the number of issued Ordinary Shares to reflect the reduction in the Company's overall NTA value (save in respect of the amount comprising the equivalent of the final dividend per ordinary share within the amount of the Return of Capital) but Shareholders will own the same proportion of ordinary shares in the Company as they did previously, subject to fractional entitlements.

For every 100 Existing Ordinary Shares held at the Record Time (including any Existing Ordinary Shares held as treasury shares), Shareholders will receive 88 New Ordinary Shares and 88 Deferred Shares.

The New Ordinary Shares will be traded on the London Stock Exchange in the same way as the Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares except that their par value will be different, including as to their dividend, voting and other rights. The New Ordinary Shares to be issued pursuant to the proposed Return of Capital will be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities in place of the Existing Ordinary Shares. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 25 March 2015 and that Admission will become effective and dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 March 2015. It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders who hold their Existing Ordinary Shares in certificated form by 2 April 2015. The CREST accounts of Depositary Interest Holders in respect of interests in Existing Ordinary Shares held in CREST are expected to be credited with Depositary Interests in respect of New Ordinary Shares as soon as practicable after 8.00 a.m. on 26 March 2015.

The Deferred Shares are being issued pursuant to the Share Capital Consolidation to enable the par value of the New Ordinary Shares to be 6.5 pence. The Deferred Shares will have extremely limited economic rights, carry no voting rights and have no value. It is intended that the Company will acquire all of the Deferred Shares from Shareholders, for an aggregate price not exceeding

one pence following which they will be cancelled. No share certificates will be issued in respect of the Deferred Shares, and CREST accounts will not be credited in respect of them. The Deferred Shares will not be listed or admitted to trading on the Official List or to trading on the London Stock Exchange's main market for listed securities or any other investment exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained.

Further information on the Share Capital Consolidation, and as regards any fractional entitlements to New Ordinary Shares that may result, is set out in paragraph 7 of Part 6 of this Circular.

## **5. UK taxation in relation to the Return of Capital**

Guidance on the general tax position in the UK in respect of the Share Alternatives as at the date of this Circular is set out in Part 11 of this Circular. Shareholders are strongly advised to read Part 11 before making an Election. All Shareholders including those who are subject to tax in a jurisdiction other than the UK should consult their professional advisers.

## **6. Non-UK Shareholders**

The attention of those Shareholders who are not resident in the UK or who are citizens, residents or nationals of other countries is drawn to the information set out in paragraph 8 of Part 6 of this Circular.

## **7. Proposed amendments to the Bye-Laws**

A number of amendments to the Bye-Laws of the Company are required to implement the Return of Capital and require the approval of Shareholders at the Extraordinary General Meeting. The proposed amendments relate to the rights and restrictions attaching to the E Shares, the F Shares, the E Deferred Shares and the Deferred Shares and certain consequential amendments to the Bye-Laws. The changes are summarised in Part 7, Part 8, Part 9 and Part 10 respectively, of this Circular.

## **8. The Resolutions**

The Return of Capital is conditional on the passing of Resolution 1, and Resolution 1 itself is conditional on Admission.

Resolution 1 sets out the formal mechanics for the implementation of the Return of Capital as follows:

- a) authorises the Directors to capitalise the Company's share premium account to pay up, in full, the E Shares and the F Shares;
- b) authorises the Directors to allot and issue as fully paid one E Share or one F Share for each Existing Ordinary Share, other than those shares held in treasury;
- c) authorises the subdivision and consolidation of the unissued shares of 50 pence in the capital of the Company into unissued new ordinary shares of 6.5 pence in the capital of the Company which, when and if issued, will have the same rights and rank *pari passu* with the New Ordinary Shares;
- d) authorises the subdivision of each Existing Ordinary Share (including treasury shares and each unissued Ordinary Share in the capital of the Company) into 88 shares of par value  $\frac{6}{88}$  pence each and authorises that upon the subdivision, 100 of such shares are consolidated into one new share of par value  $6\frac{72}{88}$  pence which will then be subdivided into one New Ordinary Share and one Deferred Share;
- e) provides for the adoption of new Bye-Laws which set out the rights and restrictions attaching to the E Shares, the F Shares, the E Deferred Shares and the Deferred Shares, including without limitation the revisions to the Bye-Laws as a result of the Return of Capital;
- f) approves the terms of the Option Agreement entered into between the Company and UBS described in paragraph 13 of Part 6 of this Circular and authorises the Company to purchase the F Shares from UBS pursuant to the Option Agreement and to purchase the E Deferred Shares and the Deferred Shares; and
- g) approves the Company carrying out any other act necessary in relation to the Return of Capital.

In addition, Resolutions 2, 3 and 4 deal with matters ancillary to the proposed Return of Capital. The proposed Return of Capital is not conditional on the passing of Resolutions 2, 3 or 4.

Resolution 2 refreshes the authority given to Directors at the 2014 Annual General Meeting and allows the Directors to allot and issue 93,640,358 New Ordinary Shares without the prior consent of Shareholders and a further 93,640,358 New Ordinary Shares in the case of a Rights Issue without first needing to obtain Shareholder consent, in accordance with Bye-Law 5(b) of the Company's Bye-Laws.

Resolution 3 disapplies pre-emption rights in accordance with Bye-Law 7(a) of the Company's Bye-Laws.

Resolution 4 authorises the Company to purchase up to 28,092,107 of its own New Ordinary Shares in accordance with Bye-Law 9(a) of the Company's Bye-Laws.

A summary explanation of the Resolutions relating to the Return of Capital is set out in paragraph 12 of Part 6 of this Circular.

## **9. Additional Information**

Shareholders' attention is drawn to the additional information set out in Part 12 of this Circular. Shareholders should read and rely on the whole of this Circular and not just the summarised information set out in this letter.

## **10. Action to be taken**

An Extraordinary General Meeting has been convened to be held at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP at 1.00 p.m. on 25 March 2015 for the purposes of approving the Return of Capital. For the convenience of Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company's registered office, 4<sup>th</sup> Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group's London office, 1 Great St. Helen's, London EC3A 6HX. The notice of the Extraordinary General Meeting is set out in Part 14 of this Circular.

### ***Shareholders***

A Form of Proxy for use by Shareholders in connection with the Extraordinary General Meeting is enclosed. Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete and sign the accompanying Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Capita Asset Services to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 23 March 2015.

An Election Form for use by Shareholders (with the exception of Depositary Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST and Restricted Shareholders who will automatically receive E Shares and the E Share Dividend and will not be sent an Election Form) in connection with the Share Alternatives is enclosed with this Circular. To be valid, Election Forms must be validly completed and returned in the prepaid envelope provided so as to be received by Capita Asset Services by no later than 1.00 p.m. on 25 March 2015. If Shareholders do not use the envelope provided, the Election Form should either be:

1. sent by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and postage (where applicable) will be payable; or
2. delivered by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Full details on how to complete and return the Election Form are set out in paragraph 1 of Part 5 of this Circular.

### ***Depositary Interest Holders***

Any Depositary Interest Holder wishing to instruct Capita IRG Trustees Limited to vote in respect of the holder's interest should use the enclosed Form of Direction. Whether or not Depositary Interest Holders intend to be present at the Extraordinary General Meeting, they are requested to complete and sign the accompanying Form of Direction and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Capita Asset Services to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 20 March 2015.



Depository Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST may instruct the Depository by completing and transmitting a CREST Proxy Instruction to Capita Asset Services so that it is received by no later than 1.00 p.m. on 20 March 2015.

Depository Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST will not be sent an Election Form and may only elect in respect of the Share Alternatives through CREST. Please see paragraph 2 of Part 5 of this Circular for further information.

Restricted Shareholders who will automatically receive E Shares and the E Share Dividend will not be sent an Election Form.

The return of a completed Form of Proxy, Form of Direction or CREST Proxy Instruction will not prevent a Shareholder or Depository Interest Holder from attending the Extraordinary General Meeting and voting in person (in substitution for their proxy vote) should they wish to do so and are so entitled.

## **11. New Share certificates**

### ***New Ordinary Shares***

Certificates for the New Ordinary Shares will be issued following the Share Capital Consolidation. It is important that, if you hold certificates in respect of your Existing Ordinary Shares, you retain them for the time being until the New Ordinary Share certificates are despatched, which is expected to be by 2 April 2015. Share certificates are despatched to Shareholders at their own risk. When you receive your share certificate for your holding of New Ordinary Shares, you should destroy the certificate for your Existing Ordinary Shares.

For Depository Interest Holders wishing to hold interests in respect of any New Ordinary Shares in uncertificated form through the CREST system, the relevant CREST securities accounts are expected to be credited on 26 March 2015. Depository Interest Holders holding their interests in New Ordinary Shares in uncertificated form through the CREST system will not receive any share certificates.

### ***E Shares, F Shares, E Deferred Shares and Deferred Shares***

No share certificates will be issued by the Company in respect of any E Shares, F Shares, E Deferred Shares or Deferred Shares and CREST accounts will not be credited in respect of any such shares.

## **12. Share Plans**

It is intended that the value of each option and award under the Share Plans after the Return of Capital should remain approximately the same. No adjustments therefore are proposed to be made to options or awards that have been made under the Share Plans. Accordingly the number of New Ordinary Shares over which participants have options or awards, the exercise price and the other terms of the relevant options or awards will remain unchanged.

## **13. Shareholder helpline**

If Shareholders and Depository Interest Holders have any queries in relation to the Form of Proxy, the Form of Direction, CREST Proxy Instructions, the Election Form or TTE Instructions, they may call the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice. **For financial advice, including taxation advice, you should consult your own financial and/or taxation adviser.**

#### **14. Recommendation**

The Directors have received financial advice from UBS in relation to the Return of Capital. In providing their financial advice to the Directors, UBS has relied on the Directors' commercial assessment of the Return of Capital.

The Board believes the Return of Capital and the Resolutions to be in the best interests of Shareholders and the Company as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as all of the Directors intend to do in respect of their own beneficial holdings.

Yours sincerely

R.S. Childs  
Chairman



## PART 4

### FREQUENTLY ASKED QUESTIONS

The following sets out some frequently asked questions and provides brief answers about the Return of Capital. It is aimed particularly at the Company's individual Shareholders. Shareholders should read and rely on the whole of this Circular and not just this Part 4.

If Shareholders have any further questions, they may call the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. **The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice. For financial advice, including taxation advice, you should consult your own financial and/or taxation adviser.**

**You should be aware that the Return of Capital is conditional upon approval by Shareholders of Resolution 1 to be proposed at the Extraordinary General Meeting and upon Admission. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction or waiver by UBS (in its sole discretion) of a number of conditions including those as set out in paragraph 13 of Part 6 of this Circular.**

#### 1. What is being proposed?

We intend to distribute to Shareholders 45 pence by way of a special distribution and 15 pence instead of the payment of a final dividend for the financial year ended 31 December 2014, for each Existing Ordinary Share (other than in respect of treasury shares) that they hold at the Record Time. This Return of Capital will comprise a bonus issue of E Shares and F Shares. The E Shares will pay a dividend of 60 pence and it is intended that UBS, acting as principal (and not as agent, nominee or trustee), will purchase the F Shares from Shareholders for 60 pence per F Share under the Purchase Offer. In the event that UBS does not purchase any F Shares on or before 2 April 2015, for example because any of the conditions to the Purchase Offer set out in paragraph 13 of Part 6 of this Circular are not satisfied, the Default Dividend will be paid. We also intend to subdivide and consolidate all of the Existing Ordinary Shares of the Company (including any treasury shares and each unissued Ordinary Share in the capital of the Company). This means that, in addition to any E Shares and/or F Shares received, for every 100 Existing Ordinary Shares that you own at the Record Time, you will receive in place of your Existing Ordinary Shares, 88 New Ordinary Shares and 88 Deferred Shares. Existing Ordinary Shares will be replaced with effect from 26 March 2015.

#### 2. Why are you doing it in this way?

The structure is similar in many respects to that used by other listed companies to return capital to shareholders and is the same as the structure used by the Company in the previous return of capital in 2014. We have chosen this structure as it allows Shareholders (save for Restricted Shareholders) to be treated equally on a pro-rata basis and gives each Shareholder the choice to receive their share of the Return of Capital as income or capital or a combination of both. This structure has been chosen to effect the Return of Capital because:

- it treats all Shareholders equally relative to the size of their existing shareholdings in the Company;
- it gives all Shareholders (with the exception of Restricted Shareholders) a choice as to how they receive their cash, which is intended to afford UK tax-resident Shareholders flexibility in the tax treatment of their proceeds; and
- it enhances the Company's ability to maintain a progressive dividend policy.

#### 3. What happens to the final dividend?

As announced in the Group's preliminary statement of the full year results for the year ended 31 December 2014 a sum equal to 15 pence per Existing Ordinary Share will be payable to Shareholders as part of the Return of Capital in place of a final dividend. Such amount, together

with the interim dividend of 7.5 pence per share paid in September 2014, is equivalent to a total dividend for 2014 of 22.5 pence per share, an increase of 7.1 per cent over the 2013 dividend, in line with our policy of progressive dividend growth. Shareholders (other than Restricted Shareholders) may elect for the Capital Alternative in respect of some or all of the amount comprising the final dividend equivalent included within the Return of Capital. It should be noted that a scrip dividend alternative will not be available in respect of any element of the Return of Capital.

#### **4. What happens to my Existing Ordinary Shares?**

The Return of Capital involves the Share Capital Consolidation where the Existing Ordinary Shares will be subdivided and consolidated, reducing the number of ordinary shares that all Shareholders will hold. As a result of the Share Capital Consolidation, for every 100 Existing Ordinary Shares (including in respect of treasury shares) held at the Record Time, you will receive 88 New Ordinary Shares and 88 Deferred Shares.

If the Share Capital Consolidation is not effected as part of the Return of Capital, the Company's ordinary share price would fall. The intention of the Share Capital Consolidation is that, subject to market movements, the NTA value per New Ordinary Share after the Share Capital Consolidation will be approximately equal to the NTA value per Existing Ordinary Share beforehand, disregarding any effect that the amount comprising the equivalent of the final dividend per ordinary share within the amount of the Return of Capital may have on the NTA value of the Company. The NTA value per ordinary share as at 31 December 2014 was 428.81 pence per ordinary share.

While you will be holding fewer in number of Ordinary Shares as a result of the Share Capital Consolidation (i.e. 88 New Ordinary Shares for every 100 Existing Ordinary Shares held), you will however receive one E Share or one F Share for each Existing Ordinary Share that you hold at the Record Time without the need to sell any shares or incur dealing charges or commissions. In addition, you will continue to own the same proportion of the Company (subject to fractional entitlements) as you did before.

#### **5. What happens to fractions of the New Ordinary Shares?**

Any fractional entitlements arising pursuant to the Share Capital Consolidation will not be allotted to Shareholders and will, as far as is practicable, be aggregated with the fractions of a New Ordinary Share (if any) to which other Shareholders would be similarly entitled and sold in the market. The net proceeds of such sale will be distributed among those Shareholders (except that any proceeds in respect of a holding of less than £5 will be retained for the benefit of the Company).

#### **6. What does this mean for me and am I being forced to sell my Existing Ordinary Shares?**

Nobody is being forced to sell his or her Existing Ordinary Shares. Although you will hold fewer ordinary shares in the Company after the Share Capital Consolidation than you did before, you will continue to own the same percentage holding in the Company (subject to fractional entitlements to New Ordinary Shares). The New Ordinary Shares will be equivalent in all material respects to the Existing Ordinary Shares except that their par value will be different, including as to their dividend, voting and other rights.

The intention is that the NTA value per New Ordinary Share after the Share Capital Consolidation is approximately equal to the NTA value per Existing Ordinary Share beforehand by reference to the last published NTA value, disregarding any effect that the amount comprising the equivalent of the final dividend per ordinary share within the amount of the Return of Capital may have on the NTA value of the Company. The NTA value per ordinary share as at 31 December 2014 was 428.81 pence per ordinary share.

Holders of Existing Ordinary Shares can elect to receive: (i) one E Share for every Existing Ordinary Share held at the Record Time and will receive a dividend (income) on the E Share Dividend Date; or (ii) one F Share for every Existing Ordinary Share held at the Record Time and elect to have their F Share purchased (capital) on the F Share Purchase Date; or (iii) a combination of the two. In reaching your decision you should consider your personal tax position.

Restricted Shareholders will be deemed to have elected to receive the E Share Dividend and will automatically receive E Shares.

## **7. What are the conditions of the Return of Capital?**

The Return of Capital is conditional upon the approval by Shareholders of Resolution 1 to be proposed at the Extraordinary General Meeting and on Admission. If these conditions are not satisfied by 8.00 a.m. on 26 March 2015, or such later date as the Directors may decide, no New Ordinary Shares, Deferred Shares, E Shares or F Shares will be issued and the Return of Capital will not take effect. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction, or waiver by UBS (in its sole discretion) of a number of conditions including those set out in paragraph 13 of Part 6 of this Circular.

## **8. Do I need to vote at the Extraordinary General Meeting?**

Before it can be implemented, the Return of Capital requires the approval by Shareholders of Resolution 1 at the Extraordinary General Meeting. The Directors recommend that you vote in favour of this Resolution. The notice of the Extraordinary General Meeting, which includes the Resolutions to be voted on at the Extraordinary General Meeting, is set out in Part 14 of this Circular.

Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete the Form of Proxy and return it to Capita Asset Services as soon as possible but in any event so as to be received by no later than 1.00 p.m. on 23 March 2015.

Any Depositary Interest Holder wishing to instruct Capita IRG Trustees Limited to vote in respect of the holder's interest should use the enclosed Form of Direction. Whether or not Depositary Interest Holders intend to be present at the Extraordinary General Meeting, they are requested to complete and sign the accompanying Form of Direction and return it to Capita Asset Services as soon as possible and, in any event, by no later than 1.00 p.m. on 20 March 2015. Depositary Interest Holders also have the option of transmitting a CREST Proxy Instruction by the same time and date.

When completing and returning the Form of Proxy or Form of Direction you will need to take into account the postal time necessary for your form to reach the Registrar. If you do not vote at the Extraordinary General Meeting you should still make an election for the Share Alternatives except where you wish to receive (or are deemed to have elected to receive) the E Share Dividend in respect of all of your Share Entitlement.

## **9. How do I decide which Share Alternative to elect for?**

You can split your entitlement between the Share Alternatives. The most appropriate Share Alternative(s) for you, depends on your own individual tax and other circumstances. If you are in any doubt as to what action to take, such as which Share Alternative(s) to elect for, you should seek your own independent professional advice without delay.

## **10. What if I do not make my election in time or do nothing?**

Shareholders who do not validly complete and return their Election Form, or in the case of Depositary Interest Holders who hold interests in respect of Existing Ordinary Shares in CREST, do not send a valid TTE Instruction, to be received by 1.00 p.m. on 25 March 2015, will be deemed to have elected to receive the E Share Dividend in respect of all of their Share Entitlement.

Restricted Shareholders who will automatically receive E Shares and the E Share Dividend will not be sent an Election Form.

## **11. When do I get my New Ordinary Share certificate? When will my CREST account be credited with New Ordinary Shares?**

It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders by 2 April 2015. Share certificates are sent to Shareholders at their own risk. Shareholders will be able to trade their New Ordinary Shares in the normal manner prior to receipt by them of their new share certificates.

It is expected that the CREST accounts of Depositary Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST will be credited in respect of interests in New Ordinary Shares as soon as practicable after 8.00 a.m. on 26 March 2015 under the new ISIN BMG4593F1389.

Share certificates will not be issued for the Deferred Shares, and CREST accounts will not be credited in respect of the Deferred Shares.

**12. Will I get a certificate for my E Shares, F Shares or E Deferred Shares and can I sell them in the market?**

No, share certificates will not be issued, and CREST accounts will not be credited, in respect of the E Shares, F Shares or E Deferred Shares. Whilst the E Shares, F Shares and E Deferred Shares are transferable, they will not be listed or admitted to trading on the Official List or to trading on the London Stock Exchange's main market for listed securities or any other investment exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained.

The E Deferred Shares will have extremely limited economic rights, carry no voting rights and have no value. Following the E Share Dividend Date, the E Shares will automatically be converted into E Deferred Shares. It is intended that the Company will acquire all of the E Deferred Shares from Shareholders, for an aggregate price not exceeding one pence following which they will be cancelled.

The F Shares will be cancelled following any purchase of them by the Company from UBS pursuant to the Option Agreement.

**13. Why are you issuing Deferred Shares? What will happen to the Deferred Shares?**

Pursuant to the Share Capital Consolidation, for every 100 Existing Ordinary Shares you hold, you will receive 88 New Ordinary Shares and 88 Deferred Shares. The Deferred Shares are being issued to enable the par value of the New Ordinary Shares to be 6.5 pence.

The Deferred Shares issued pursuant to the Share Capital Consolidation will have extremely limited economic rights, carry no voting rights and have no value. It is intended that the Company will acquire all of the Deferred Shares from all of the Shareholders, for an aggregate price not exceeding one penny following which they will be cancelled.

No share certificates will be issued in respect of the Deferred Shares, and CREST accounts will not be credited in respect of them. The Deferred Shares will not be listed or admitted to trading on the Official List or to trading on the London Stock Exchange's main market for listed securities or any other investment exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained.

**14. What shall I do if I need a replacement Election Form?**

If you need a replacement Election Form, you should call the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice. You will need to take into account the postal time necessary for a replacement Election Form to reach Capita Asset Services by 1.00 p.m. on 25 March 2015.

Restricted Shareholders who will automatically receive E Shares and the E Share Dividend, will not be sent an Election Form.

**15. What if I hold my Ordinary Shares in a PEP or an ISA?**

The E Shares and F Shares cannot be retained in a PEP or an ISA as they will be unlisted and so will not constitute qualifying investments. If you elect for the Capital Alternative and the F Shares issued are added to a PEP or ISA, under current HMRC practice, your plan manager must, within 30 days of the issue of the F Shares, sell the F Shares or transfer them to you to be held outside the PEP or ISA. Cash proceeds from a sale of such F Shares may, however be retained in the PEP or ISA. If you hold your Existing Ordinary Shares in a PEP or ISA, you should contact your plan manager who will be able to advise you of their procedure for voting on the Resolutions to be proposed at the Extraordinary General Meeting.

## PART 5

### MAKING YOUR ELECTION

Shareholders or Depositary Interest Holders wishing to receive the E Share Dividend in respect of all of their Share Entitlement should **NOT** complete or return the Election Form or make an election through CREST. E Shares will be issued and the E Share Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder or a Depositary Interest Holder has not elected for the Capital Alternative.

Such Shareholders should still complete and return the Form of Proxy and ensure it is received by Capita Asset Services by 1.00 p.m. on 23 March 2015, and such Depositary Interest Holders should still complete and return the Form of Direction or transmit a CREST Proxy Instruction and ensure it is received by Capita Asset Services by 1.00 p.m. on 20 March 2015.

To make an election, Shareholders who hold their Existing Ordinary Shares in certificated form must complete and return the Election Form enclosed with this Circular. Depositary Interest Holders who hold interests in respect of Existing Ordinary Shares in CREST will not be sent Election Forms and instead should refer to paragraph 2 of this Part 5 for further information.

Restricted Shareholders do not need to make any elections and will automatically receive E Shares and the E Share Dividend. Election Forms will not be sent to Restricted Shareholders.

Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the UK, should consult an appropriate independent professional adviser without delay.

#### 1. Completing your Election Form

The following instructions describe what Shareholders should do when completing an Election Form. References to “Boxes” refer to the boxes indicated on the Election Form.

##### ***Name(s) of Shareholder(s)***

The Election Form shows the name of the Shareholder, or names of joint Shareholders and the number of Existing Ordinary Shares held as at 27 February 2015 and is for information purposes only. When the Election Form is completed, the Shareholder, or all joint Shareholders, must sign the Election Form (in Box 2, as applicable) and the signatures of Shareholders who are individuals signing in Box 2(A) need to be witnessed (the witness must be over 18 years of age and cannot be the Shareholder or one of the joint Shareholders, or otherwise have any financial interest in the relevant shares or in the proceeds resulting from the execution of the Election Form, although one person could separately witness the signature of all joint Shareholders). If the Election Form is executed under a power of attorney, a certified copy of such power of attorney should be lodged with the Election Form.

##### ***Number of Existing Ordinary Shares held***

Box A shows the number of Existing Ordinary Shares in the name(s) of Shareholder(s) at 27 February 2015 and is for information purposes only. If Shareholders do not purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) between that date and the Record Time, then this number will also be the same as their Share Entitlement in respect of which they may make an election. If Shareholders do purchase, sell or transfer any Existing Ordinary Shares registered in their name(s), they should take care to ensure that their election is in respect of their Share Entitlement corresponding to the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

##### ***How Shareholders may elect for one Share Alternative in respect of all of their Share Entitlement***

- To choose to receive E Shares and to elect to receive the E Share Dividend in respect of all of their Share Entitlement, Shareholders should take no further action. Shareholders who do not complete or return the Election Form will automatically receive E Shares and the E Share Dividend for all of their Share Entitlement.
- To elect to receive F Shares in respect of all of their Share Entitlement, such F Shares intended to be purchased pursuant to the Purchase Offer by UBS acting as principal (and not as agent, nominee or trustee), on the F Share Purchase Date, Shareholders should mark an “X” in Box 1.



### ***How Shareholders may split their Share Entitlement between the Share Alternatives***

To split their Share Entitlement between the Share Alternatives, a Shareholder should enter, in numbers, the number of Existing Ordinary Shares of their total Share Entitlement they wish to elect for the Capital Alternative in Box 1. The balance of Existing Ordinary Shares remaining within a Shareholder's total Share Entitlement will automatically receive E Shares and the E Share Dividend. Shareholders should not complete any boxes in respect of any election to receive E Shares.

### ***The default position where a Shareholder makes an election which in total exceeds their holding of Existing Ordinary Shares at the Record Time***

If Shareholders enter a number or numbers in Box 1 of the Election Form, which in total exceeds their holding of Existing Ordinary Shares at the Record Time, their election will be disregarded to the extent of such excess.

### ***The default position where a Shareholder makes an election which in total is less than their holding of Existing Ordinary Shares at the Record Time***

If Shareholders enter a number or numbers in Box 1 of the Election Form, which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected to receive E Shares and the E Share Dividend in respect of the balance of their holding.

### ***Subsequent dematerialisation in respect of Existing Ordinary Shares***

If the Existing Ordinary Shares to which any election made on the enclosed Election Form relates are currently held in certificated form and are subsequently dematerialised into Depositary Interests in uncertificated form before the Election Deadline, any election made by the submission of an Election Form will become invalid. Shareholders who subsequently hold Depositary Interests in respect of their Existing Ordinary Shares in uncertificated form in CREST will need to give a valid TTE Instruction in place of the submitted Election Form by the Election Deadline.

### ***General***

The Company shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. Neither the Company nor any of its Directors shall be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction, unless and to the extent attributable to its own wilful default, fraud or negligence. The Company shall not be under any duty to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 6 of Part 6 of this Circular). No authority conferred by or agreed to by the signing of an Election Form will be affected by, and all such authorities will survive, the death or incapacity of the Shareholder executing such form. All obligations of such Shareholder will be binding upon the surviving joint holder(s), the heirs, executors, personal representatives, successors and assigns of such Shareholder.

Any E Shares and/or F Shares which are transferred or otherwise disposed of shall remain subject to the relevant Shareholder's election (or deemed election) for any Share Alternatives made in respect of such E Shares and/or F Shares.

Non-UK Shareholders should note that, by making a valid election for the Capital Alternative, such Non-UK Shareholders will be deemed to represent, warrant and undertake and agree to the terms set out in paragraphs 5 and 8 of Part 6 of this Circular.

### ***Final instructions on completing an Election Form***

Shareholders returning an Election Form must sign in Box 2(A) or 2(B).

All Shareholders named on an Election Form must sign the Election Form. Once completed, signed and witnessed in accordance with the instructions set out therein, this Election Form should be returned in the prepaid envelope provided. Shareholders should not enclose any share

certificate(s) with their Election Form. No stamps will be needed if posted in the UK. To be valid, Election Forms must be returned so as to be received by Capita Asset Services by the Election Deadline. If Shareholders do not use the envelope provided, the Election Form should either be:

1. sent by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and postage (where applicable) will be payable; or
2. delivered by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Depositary Interests in CREST, do not send a valid TTE instruction will be deemed to have elected to receive the E Share Dividend in respect of all of their Share Entitlement.

Shareholders who need assistance in completing the Election Form or have any queries relating to it should telephone the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice. **For financial advice, including taxation advice, you should consult your own financial and/or taxation adviser.**

## **2. Electing through CREST**

If Depositary Interest Holders hold interests in respect of Existing Ordinary Shares in CREST they will not be sent an Election Form with this Circular. Such holders should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of interests in respect of Existing Ordinary Shares held at the Record Time in respect of which they are making an election to an escrow balance, specifying Capita IRG Trustees Limited in its capacity as a CREST receiving agent (under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than the Election Deadline. If Depositary Interest Holders purchase, sell or transfer any interests in respect of any Existing Ordinary Shares registered in their name(s) before the Record Time, they should take care to ensure that their election is in respect of the number of interests in respect of the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

If Depositary Interest Holders are CREST personal members, they should refer to their CREST sponsor before taking any action. CREST sponsors will be able to confirm details of Depositary Interest Holders' participant ID and the member account ID under which their interests in respect of Existing Ordinary Shares are held. In addition, only CREST sponsors will be able to give the TTE Instruction to Euroclear by which Depositary Interest Holders are making their election.

To make an election, Depositary Interest Holders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction, which must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of interests in respect of Existing Ordinary Shares to be transferred to the escrow account;
- your participant ID;
- your member account ID;
- the corporate action ISIN, which is BMG4593F1207;
- the corporate action number of the Return of Capital. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event not later than the Election Deadline which is at 1.00 p.m. on 25 March 2015;
- the participant ID of Capita Asset Services, which is RA10;
- the member account ID of Capita Asset Services, which for these purposes is 40295HIS;



- the standard delivery instruction priority of 80; and
- the name and contact number inserted in the shared note field.

#### ***How to elect to receive the E Share Dividend***

Depository Interest Holders who hold interests in respect of Existing Ordinary Shares in CREST and who wish to elect to receive the E Share Dividend in respect of all of their Share Entitlement need take no action. Shareholders who do not give a TTE Instruction will automatically receive E Shares and the E Share Dividend in respect of all of their Share Entitlement.

#### ***How to elect for the Capital Alternative***

Depository Interest Holders who hold interests in respect of Existing Ordinary Shares in CREST and who wish to elect for the Capital Alternative, in respect of some or all of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the information listed above.

#### ***The default position where a Depository Interest Holder makes an election which in total exceeds their holding of interests in respect of Existing Ordinary Shares at the Record Time***

If Depository Interest Holders send a TTE Instruction which details a number of interests in respect of Existing Ordinary Shares to be transferred to the escrow account which in total is more than their holding of interests in respect of Existing Ordinary Shares at the Record Time, their election will be disregarded to the extent of such excess.

#### ***The default position where a Depository Interest Holder makes an election which in total is less than their holding of interests in respect of Existing Ordinary Shares at the Record Time***

If Depository Interest Holders send a TTE Instruction which details a number of interests in respect of Existing Ordinary Shares to be transferred to the escrow account which in total is less than their holding of interests in respect of Existing Ordinary Shares at the Record Time, they will be deemed to have elected to receive the E Share Dividend in respect of the balance of their holding.

#### ***Subsequent rematerialisation of Existing Ordinary Shares***

If the interests in respect of Existing Ordinary Shares to which any TTE Instruction relates are currently held in uncertificated form in CREST and are subsequently rematerialised into shares held in certificated form before the Election Deadline, any TTE Instruction given will become invalid. Shareholders who subsequently hold Existing Ordinary Shares in certificated form will need to submit a valid Election Form bearing details of the new shareholding account to be received by Capita Asset Services by the Election Deadline. Election Forms can be obtained by telephoning the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice.

#### ***General***

The Company shall determine all questions as to the form and validity (including time and place of receipt) of any TTE Instruction, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any TTE Instruction completed by or on behalf of any Depository Interest Holder, and such determination will be binding on such Depository Interest Holder. Neither the Company nor any of its Directors shall be liable to Depository Interest Holders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any TTE Instruction, unless and to the extent attributable to its own wilful default, fraud or negligence. The Company shall not be under any duty to give notification of any defect or irregularity in any TTE Instruction or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 6 of Part 6 of this Circular). No authority conferred by or agreed to by the giving of a TTE Instruction will be affected by, and all such authorities will survive, the death or incapacity of

the Depositary Interest Holder giving such instruction. All obligations of such Depositary Interest Holder will be binding upon the surviving joint holder(s), heirs, executors, personal representatives, successors and assigns of such Depositary Interest Holder.

Any E Shares and/or F Shares which are transferred or otherwise disposed of shall remain subject to the relevant Depositary Interest Holder's election (or deemed election) for any Share Alternatives made in respect of such E Shares and/or F Shares.

Non-UK Shareholders should note that, by making a valid election for the Capital Alternative, such Non-UK Shareholders will be deemed to represent, warrant, undertake and agree in the terms set out in paragraph 5 and 8 of Part 6 of this Circular.

#### ***Final instructions on sending a TTE Instruction***

In order for an election through CREST to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by the Election Deadline.

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is the Election Deadline.

Depositary Interest Holders who do not send a valid TTE Instruction or, in the case of Shareholders who hold their Existing Ordinary Shares in certificated form, do not validly complete and return their Election Form will be deemed to have elected to receive the E Share Dividend in respect of all of their Share Entitlement.

Depositary Interest Holders who need assistance in electing through CREST or have any queries relating to it should telephone the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice. **For financial advice, including taxation advice, you should consult your own financial and/or taxation adviser.**

## **PART 6**

### **DETAILS OF THE RETURN OF CAPITAL**

#### **1. Return of Capital**

The proposed Return of Capital consists of the E Share Issue and/or F Share Issue and the Share Capital Consolidation.

#### **2. Conditions to the implementation of the Return of Capital**

The Return of Capital is conditional on:

- (a) the passing of Resolution 1 to be proposed at the Extraordinary General Meeting; and
- (b) Admission.

If these conditions are not satisfied by 8.00 a.m. on the Admission Date or such later time and/or date as the Directors may elect, no E Shares or F Shares will be issued and no New Ordinary Shares or Deferred Shares will be created, and the Return of Capital will not take effect.

#### **3. The E Share Issue and/or F Share Issue**

Subject to the passing of Resolution 1 by Shareholders at the Extraordinary General Meeting, at the election of Shareholders (save in the case of Restricted Shareholders who will be deemed to have elected to receive the E Share Dividend) one E Share or one F Share will be issued to Shareholders for each Existing Ordinary Share held at the Record Time (other than in respect of treasury shares). Holders of the E Shares will receive the E Share Dividend and holders of the F Shares will, subject to the making of the Purchase Offer, have such F Shares purchased by UBS acting as principal (and not as agent, nominee or trustee) under the Purchase Offer on the F Share Purchase Date. In the event that UBS does not purchase any F Shares, for example because any of the conditions of the Purchase Offer set out in paragraph 13 of this Part 6 are not satisfied, the Shareholder will receive the Default Dividend. Shareholders will automatically receive one E Share for every Existing Ordinary Share held at the Record Time and will consequently receive the E Share Dividend in respect of each E Share unless they elect to receive the Capital Alternative.

The exact number of E Shares and F Shares to be issued will depend on the elections made (or deemed to have been made) but in total, will together be equal to the number of Existing Ordinary Shares held at the Record Time (other than treasury shares). As at 27 February 2015 (the latest practicable date prior to the publication of this Circular) there were 331,874,127 Existing Ordinary Shares in issue (including treasury shares) and 12,645,632 Existing Ordinary Shares in treasury, (which treasury shares will not be eligible to receive the E Shares or the F Shares).

The rights and restrictions to be attached to the E Shares and the F Shares are more fully set out in Part 7 and Part 8 respectively of this Circular. No application has been, or will be, made for the E Shares or the F Shares to be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities or any other investment exchange or trading platform.

The Company will announce the exact number of E Shares and F Shares issued under the Return of Capital on the Admission Date.

#### **4. The Share Alternatives**

Shareholders (other than Restricted Shareholders) may choose between the Share Alternatives or a combination of the Share Alternatives in respect of their Share Entitlement. Details of how to make an election are set out in Part 5 of this Circular in respect of certificated holders, and on the Election Form enclosed with this Circular. Restricted Shareholders who will be deemed to have elected to receive the E Share Dividend, will not receive an Election Form. Depositary Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST will not be sent Election Forms. Such holders (other than Restricted Shareholders) may only elect in respect of the Share Alternatives through CREST and should refer to paragraph 2 of Part 5 of this Circular for further information.

Shareholders who do not make a valid election will be deemed to have elected to receive the E Share Dividend in respect of ALL of their Share Entitlement.

The general guidance on the UK tax treatment included below is only a summary, is based on current UK law and practice as at the date of this Circular and applies only to Shareholders who are resident in the UK for tax purposes and who hold their Existing Ordinary Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 11 of this Circular before electing for any of the Share Alternatives as the two Share Alternatives will have different UK tax consequences. Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser without delay.

The Share Alternatives available to Shareholders are summarised below. Shareholders (other than Restricted Shareholders) may split the aggregate amount to be returned to them between the Share Alternatives.

- ***Alternative 1 – E Share Dividend – default option***

Those Shareholders who choose or are deemed to have elected to receive the E Share Dividend in respect of some or all of their Share Entitlement, will receive one E Share for every Existing Ordinary Share held at the Record Time and will receive the E Share Dividend which will become payable on each E Share on the E Share Dividend Date. It is intended to pay the E Share Dividend amount to such Shareholders on 2 April 2015. Such receipts for individuals should be attributed to the 2014/2015 tax year.

Each E Share will be automatically reclassified as an E Deferred Share following the declaration of the E Share Dividend. The E Deferred Shares will not be listed, have extremely limited economic rights, carry no voting rights and have no value and will be capable of being acquired by the Company for an aggregate price of one penny following which they will be cancelled. Share certificates will not be issued for the E Deferred Shares and CREST accounts will not be credited in respect of such shares.

The amounts received under the E Share Dividend should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 11 of this Circular for further information.

The attention of Non-UK Shareholders is drawn to paragraph 8 of Part 6 of this Circular.

Details of how to complete and return an Election Form are set out in paragraph 1 of Part 5 of this Circular. Depositary Interest Holders electing through CREST should refer to paragraph 2 of Part 5 of this Circular for further information.

Shareholders wishing to receive the E Share Dividend in respect of all of their Share Entitlement should **NOT** complete or return the Election Form or make an election through CREST as the relevant E Shares will be issued and the E Share Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for the Capital Alternative.

Share Certificates will not be issued for the E Shares or the E Deferred Shares and CREST accounts will not be credited with E Shares or E Deferred Shares.

**Shareholders who do not make a valid election will be deemed to have elected to receive the E Share Dividend in respect of ALL of their Share Entitlement. Restricted Shareholders are only eligible to elect for the E Share Dividend and will automatically receive the E Shares. Restricted Shareholders will not be sent an Election Form.**

- ***Alternative 2 – Capital Alternative***

Those Shareholders (other than Restricted Shareholders who will automatically be deemed to have elected to receive the E Share Dividend) who elect for the Capital Alternative, will receive one F Share for every Existing Ordinary Share held at the Record Time. It is intended that UBS will purchase such F Shares, acting as principal (and not as agent, nominee or trustee) under the Purchase Offer by 31 March 2015, for 60 pence per F Share, free and clear from all dealing expenses and commissions. If UBS exercises its put option pursuant to the Option Agreement, it is intended that any F Shares purchased by UBS will in turn be purchased from UBS by the Company for 60 pence per F Share and subsequently cancelled. In the event that UBS does not purchase any F Shares, for example because any of the conditions set out in paragraph 13 of this Part 6 are not satisfied, the Shareholder will receive the Default Dividend. Proceeds in respect of the Purchase Offer will be sent by cheque or credited through CREST to Shareholders on 2 April 2015. Such receipts for individuals should be attributed to the 2014/2015 tax year.

Any stamp duty and stamp duty reserve tax payable on any sale of the F Shares to UBS under the Purchase Offer and any subsequent sale of the F Shares by UBS to the Company will be paid by the Company although it is not anticipated that any stamp duty or stamp duty reserve tax will be payable.

The amounts received under the Capital Alternative should generally be taxed as capital for UK tax purposes, provided that UBS acquires the F Shares and no Default Dividend is paid. UK tax resident Shareholders should read Part 11 of this Circular for further information.

No share certificates will be issued in respect of the F Shares or E Deferred Shares issued pursuant to the Capital Alternative and CREST accounts will not be credited with F Shares or E Deferred Shares.

The making of the Purchase Offer is subject to certain conditions and, although it is expected that UBS will purchase under the Purchase Offer those F Shares issued to satisfy valid elections for the Capital Alternative, there can be no guarantee that it will do so. In the event that such F Shares have not been purchased on or before 2 April 2015, for example because any of the conditions set out in paragraph 13 of this Part 6 are not satisfied, the Default Dividend will be paid. The amounts received under the Default Dividend should generally be taxed as income for UK tax purposes. In the event that the Default Dividend is paid, the proceeds of such Default Dividend are expected to be sent to the Shareholder on 2 April 2015. Each F Share will be automatically reclassified as an E Deferred Share following the payment of the Default Dividend. The E Deferred Shares will not be listed, have extremely limited economic rights, carry no voting rights and have no value and will be capable of being acquired by the Company for an aggregate price of one penny following which they may be cancelled. Share certificates will not be issued for the E Deferred Shares and CREST accounts will not be credited with respect to such shares.

**Shareholders who do not make a valid election will be deemed to have elected to receive the E Share Dividend in respect of ALL of their Share Entitlement. Restricted Shareholders are only eligible to elect to receive the E Share Dividend and will automatically receive E Shares.**

The attention of Non-UK Shareholders is drawn to paragraph 8 of this Part 6.

The rights and restrictions attaching to the F Shares are more fully set out in Part 8 of this Circular. The terms of the Purchase Offer are more fully set out in paragraph 5 of this Part 6.

## **5. Terms of the Purchase Offer**

The following terms will apply to the Purchase Offer:

- (i) by making a valid election to participate in the Capital Alternative, each applicable Shareholder agrees that no contract between a Shareholder and UBS will arise in relation to the sale and purchase of any F Shares, or under which UBS may (subject to conditions or otherwise) become entitled or obliged to purchase any F Shares under the Purchase Offer, unless and until UBS (acting as principal, and not as agent, nominee or trustee) makes the Purchase Offer, which will be by way of an announcement made by the Company through a Regulatory Information Service expected to be on the F Share Purchase Date. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction, or waiver by UBS, of a number of conditions which are summarised in paragraph 13 of this Part 6. In addition, under the terms of the Purchase Offer Deed, UBS shall only be obliged to make the Purchase Offer if the Company serves written notice on UBS by 7.30 a.m. on 31 March 2015 (or such other time or date as the Company and UBS may agree in writing), and if made UBS has certain termination rights which may be exercised prior to settlement of the purchase to be made in connection with the Purchase Offer;
- (ii) execution by or on behalf of a Shareholder of an Election Form, or the giving of a TTE Instruction, which includes a valid election to participate in the Purchase Offer under the Capital Alternative will irrevocably appoint each of the Company, or any officer or employee of any company in the Group for the time being, or UBS or any director or authorised signatory of UBS for the time being, severally as attorneys for and/or agents of the Shareholder with authority on that Shareholder's behalf and in his or their name, to exercise all rights, powers and privileges attached to the F Shares or otherwise capable of being exercised by that Shareholder in respect of the F Shares in order to give effect to his or their election and do



all acts and things and execute all such deeds, transfers and other documents as such attorney and/or agent shall consider necessary or desirable to give effect to that Shareholder's election;

- (iii) the Election Form or the giving of a TTE instruction, which includes a valid election to participate in the Purchase Offer under the Capital Alternative and all contracts and matters (whether contractual or non-contractual) resulting therefrom will be governed by and construed in accordance with English law. Execution by or on behalf of a Shareholder of such an Election Form, or as the case may be, the giving of a TTE Instruction constitutes that Shareholder's submission, in relation to all matters arising out of or in connection with such form or instruction (including without limitation, the exercise of the powers of attorney and/or authority of any agent appointed thereunder) to the exclusive jurisdiction of the English courts;
- (iv) upon execution of an Election Form or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Alternative, the Shareholder represents and warrants that such Shareholder has full power and authority to offer, tender, sell, assign, transfer or otherwise dispose of the F Shares in relation to which that Shareholder has elected for the Capital Alternative under the Election Form or TTE Instruction and that when such F Shares are purchased by UBS, UBS will acquire such F Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto (including full power and authority to tender, sell, assign and transfer such F Shares). In addition, by execution of the Election Form or the giving of a TTE Instruction which includes a valid election to participate in the Purchase Offer under the Capital Alternative, the Shareholder (i) agrees that he or she will do all other things and execute any additional documents which may be necessary or, in the opinion of UBS, desirable to effect the purchase of the F Shares by UBS and/or to perfect any of the authorities expressed to be given under the Election Form or by virtue of giving the TTE Instruction; and (ii) acknowledges that UBS shall have no liability whatsoever to such Shareholder in respect of acts done or omitted to be done by it or on behalf of such Shareholder in connection with the instructions given to it by such Shareholder pursuant to the Election Form, the TTE Instruction or otherwise in relation to the Purchase Offer;
- (v) each Shareholder by whom, or on whose behalf an Election Form is executed or TTE Instruction is given irrevocably represents, warrants, undertakes and agrees to and with the Company and UBS that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes or payments due from such Shareholder in any territory in connection with any election for any of the Share Alternatives (or any transaction resulting therefrom) and such Shareholder has not taken or omitted to take any action which will or may result in the Company, UBS or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Return of Capital or such Shareholder's election for any of the Share Alternatives (or any transaction resulting therefrom);
- (vi) upon execution of an Election Form, or the giving of a TTE Instruction, which includes a valid election to participate in the Purchase Offer under the Capital Alternative, the Shareholder irrevocably represents and warrants, undertakes and agrees to and with the Company and UBS that such Shareholder does not have its registered address in the US or Canada and is not a resident, citizen or national of or located in the US or Canada or a trustee, custodian, agent or nominee making an election in respect of the Capital Alternative on behalf of any such person;
- (vii) by execution of the Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Alternative, the Shareholder shall make his F Shares available for acquisition by UBS in accordance with the terms of the Purchase Offer and authorise a director, officer, authorised signatory or employee of any company in the Group or UBS to take any steps necessary or desirable to effect the transfer of the Shareholder's F Shares pursuant to the Purchase Offer once made and shall authorise the Company, following the making of the Purchase Offer, to enter the name of UBS in the Register of Members in respect of the F Shares sold pursuant to the Purchase Offer and a share transfer form or other instrument of transfer executed by a director, officer, authorised signatory or employee of any company in the Group or UBS so authorised shall be as

effective as if it had been executed by such Shareholder and the title of UBS to such F Shares shall not be affected by an irregularity or invalidity in the procedures for such transfer;

- (viii) no authority conferred by or agreed to by execution of the Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Alternative shall be affected by, and all such authority shall survive the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder shall be binding upon any surviving joint holder(s), the heirs, executors, personal representatives, successors and assigns of such Shareholder;
- (ix) by execution of the Election Form, or the giving of a TTE Instruction, which includes a valid election to participate in the Purchase Offer under the Capital Alternative, the Shareholder agrees and undertakes that any tender, transfer, sale, assignment or other disposal of any F Share subject to the Purchase Offer by or on behalf of such Shareholder shall be: (a) effected in accordance with the Company's new Bye-Laws to be adopted pursuant to Resolution 1; and (b) on terms that each such F Share is tendered, transferred, sold, assigned or otherwise disposed of subject to such Shareholder's election and, in particular, on and subject to the terms of the Purchase Offer (including, for the avoidance of doubt, such Shareholder's grant of a power of attorney on the terms set out in paragraph (ii) above);
- (x) UBS may assign to any of its subsidiaries or associated companies from time to time or to the Company any covenants, representations and warranties in respect of any F Shares purchased or agreed to be purchased by it; and
- (xi) the Directors may, if they so determine in their absolute discretions, accept an Election Form or TTE Instruction which includes an election to participate in the Purchase Offer under the Capital Alternative which is received after the relevant time, which is not correctly completed or which is otherwise invalid and any such determination will be final and binding.

Details of the agreements relating to the Purchase Offer are set out in paragraph 13 of this Part 6.

## **6. Withdrawal rights**

Shareholders should note that any election, whether made by the signing of an Election Form or the giving of a TTE Instruction, relating to the Share Alternatives may be withdrawn by Shareholders at any time prior to the end of the Election Period. If an election is validly withdrawn, the Shareholder may make a new election within the Election Period, but if a new valid election is not made by the end of the Election Period, the Shareholder will be deemed to have elected to receive the E Share Dividend in respect of all of their Share Entitlement. After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended.

For a withdrawal of any election to be effective, a written notice of withdrawal signed by the person(s) who signed the relevant Election Form must:

- (a) specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn, the account number and the exact number of their Share Entitlement to be withdrawn; and
- (b) in the case of an election originally made by a TTE Instruction, be made by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction,

and be received by Capita Asset Services before the Election Deadline by post or by email to [withdraw@capita.co.uk](mailto:withdraw@capita.co.uk).

Each ESA message must, in order to be valid and settle, include the following details:

- the ISIN number for the interest in respect of Existing Ordinary Shares. This is BMG4593F1207;
- the number of interests in respect of Existing Ordinary Shares to be withdrawn;
- the participant ID of the accepting Shareholder;
- the member account ID of the accepting Shareholder;
- the participant ID of the Escrow Agent. This is RA10;



- the member account ID of the Escrow Agent included in the relevant electronic acceptance. This is 40295HIS for the election for F Shares to be purchased on the F Share Purchase Date;
- the CREST transaction ID of the electronic acceptance to be withdrawn, to be inserted at the beginning of the shared note field;
- input with a standard delivery instruction priority of 80;
- the intended settlement date for the withdrawal; and
- the corporate action number of the Return of Capital. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon Capita Asset Services verifying that the withdrawal is validly made. Accordingly, Capita Asset Services will, on behalf of the Company, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or a receiving agent accept (AEAN) message, as the case may be.

Telex, facsimile, electronic mail or other electronic means of transmission or any form of copy of written notice will not constitute a written instruction of withdrawal.

Withdrawals may not be rescinded, but re-elections may be made at any time prior to the end of the Election Period. Withdrawals and any re-elections in respect of Share Entitlements that are received by Capita Asset Services after the end of the Election Period will be deemed invalid for the purposes of the Share Alternatives. Any Shareholder who withdraws their election before the end of the Election Period and does not re-elect their Share Entitlement will be deemed to have elected to receive the E Share Dividend in respect of all of their Share Entitlement.

The Company shall determine all questions as to the form and validity (including time and place of receipt) of all notices of withdrawal, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any withdrawal by any Shareholder, and such determination will be binding on such Shareholder. None of the Company, Capita Asset Services or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification or for any reason with regard to withdrawal and re-election.

## **7. Share Capital Consolidation**

Subject to the passing of Resolution 1 by Shareholders at the Extraordinary General Meeting, each Existing Ordinary Share (including treasury shares) in the Company will be sub-divided into 88 Ordinary Shares of par value 6/88 pence each and upon such subdivision, 100 of such shares will be consolidated into one new share of par value 6 72/88 pence which will then be subdivided into one New Ordinary Share of par value 6.5 pence and one Deferred Share of par value 28/88 pence.

The intention of the Share Capital Consolidation is that the NTA value per New Ordinary Share after the Share Capital Consolidation will be approximately equal to the NTA value per Existing Ordinary Share beforehand, disregarding any effect that the amount comprising the equivalent of the final dividend per ordinary share within the amount of the Return of Capital may have on the NTA value of the Company. The NTA value as at 31 December 2014 was 428.81 pence per ordinary share. Consequently the Share Capital Consolidation will reduce the number of ordinary shares in issue to reflect such Return of Capital to Shareholders.

As a result of the subdivisions and consolidation of the Existing Ordinary Shares, for every 100 Existing Ordinary Shares held at the Record Time, Shareholders will receive 88 New Ordinary Shares and 88 Deferred Shares. Each New Ordinary Share will have a par value of 6.5 pence and it is expected there will be 292,049,231 New Ordinary Shares in issue immediately following the Share Capital Consolidation. Each Deferred Share will have a par value of 28/88 pence and it is expected that there will be 292,049,231 Deferred Shares in issue following the Share Capital Consolidation.

The New Ordinary Shares will be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities in the same way as Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares except that their par value will be different, including as to their dividend and voting rights.

The Deferred Shares issued pursuant to the Share Capital Consolidation will have extremely limited economic rights, carry no voting rights and have no value. It is intended that the Company will acquire all of the Deferred Shares from all of Shareholders, for an aggregate price not exceeding one penny following which they will be cancelled. No share certificates will be issued in respect of the Deferred Shares, and CREST accounts will not be credited in respect of them and the Deferred Shares will not be listed or admitted to trading on the Official List or to trading on the London Stock Exchange's main market for listed securities or any other investment exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained.

So, for example, a Shareholder who holds 5,000 Existing Ordinary Shares at the Record Time would, after the Share Capital Consolidation, receive 4,400 New Ordinary Shares and 4,400 Deferred Shares. No fractions of shares are being issued (see below).

Whilst the effect of the Share Capital Consolidation will be to reduce the number of ordinary shares in issue to reflect the effect of the special distribution of 45 pence per Existing Ordinary Share to Shareholders, Shareholders will own the same proportion of the Company as they did previously, subject to fractional entitlements.

The Share Capital Consolidation will take place on 26 March 2015.

The New Ordinary Shares to be issued pursuant to the proposed Return of Capital will be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities in place of the Existing Ordinary Shares. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 25 March 2015 and that Admission will become effective and dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 March 2015. Interests in respect of the New Ordinary Shares will be enabled in CREST with effect from Admission so that general market transactions in interests in respect of the New Ordinary Shares may be settled within the CREST system.

Share certificates representing the New Ordinary Shares will be issued following the Return of Capital and are expected to be sent to Shareholders by 2 April 2015. Depositary Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST will automatically have their interests in respect of New Ordinary Shares credited to their CREST account. The relevant CREST accounts are expected to be credited as soon as practicable after 8.00 a.m. on 26 March 2015. The ISIN in respect of Depositary Interests in respect of the New Ordinary Shares will be BMG4593F1389.

### ***Fractional entitlements to New Ordinary Shares***

Unless a holding of Existing Ordinary Shares is exactly divisible by 100, a Shareholder will have a fractional entitlement to a New Ordinary Share following the Share Capital Consolidation. So for example, a Shareholder having or holding an interest in respect of 5,001 Existing Ordinary Shares would be entitled to 4,400 New Ordinary Shares and a fractional entitlement to 0.88 of a New Ordinary Share. By contrast, a Shareholder with 5,000 Existing Ordinary Shares would be entitled to 4,400 New Ordinary Shares and no fractional entitlement. Any fractional entitlements arising pursuant to the Share Capital Consolidation will not be allotted to Shareholders and will, as far as is practicable, be aggregated with the fractions of a New Ordinary Share (if any) to which other Shareholders would be similarly entitled and sold in the market. The net proceeds of such sale will be distributed among those Shareholders (except that any proceeds in respect of a holding of less than £5 will be retained for the benefit of the Company).

## **8. Non-UK Shareholders**

Non-UK Shareholders should consult their professional advisers to ascertain whether the Return of Capital (including, as may be relevant in each case, the creation, holding or cancellation of the E Shares and the F Shares) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Non-UK Shareholder to satisfy himself as to full observance of the laws of each relevant jurisdiction in connection with the Return of Capital, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this Circular in certain jurisdictions may be restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Neither this Circular nor any other document issued or to be issued by or on behalf of the Company in connection with the Return of Capital constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

The Capital Alternative is not being made available to Restricted Shareholders. Any purported election by a Restricted Shareholder for the Capital Alternative will be deemed by the Company to be an election for the E Share Dividend in respect of the entirety of that Shareholder's Share Entitlement and accordingly the Shareholder will receive the E Share Dividend.

Each Shareholder by whom, or on whose behalf, an Election Form is executed or TTE Instruction is given, irrevocably represents, warrants, undertakes and agrees to and with the Company and UBS that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in connection with any election for either or both of the Share Alternatives in any territory and such Shareholder has not taken or omitted to take any action which may result in the Company or any other persons acting in breach of the legal or regulatory requirements of any territory in connection with the Return of Capital or such Shareholder's election for either or both of the Share Alternatives.

If the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or that the Company would or might be required to make filings or take any other action in any jurisdiction as a result of an election made pursuant to an Election Form or TTE Instruction by a Non-UK Shareholder, such Non-UK Shareholder shall be deemed to have elected to receive the E Share Dividend (unless the Directors otherwise determine in their absolute discretion).

The above provisions of this paragraph relating to Non-UK Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Directors in their absolute discretion.

## **9. Proposed amendments to the Bye-Laws**

A number of amendments to the Bye-Laws are required to implement the Return of Capital and require approval at the Extraordinary General Meeting. Such amendments include the insertion into the Bye-Laws of the rights and restrictions attaching to the E Shares, F Shares, E Deferred Shares and Deferred Shares. Such rights and restrictions are set out in Parts 7, 8, 9 and 10 respectively of this Circular.

## **10. Share Plans**

It is intended that the value of each option and award under the Share Plans after the Return of Capital should remain approximately the same. No adjustments therefore are proposed to be made to options or awards that have been made under the Share Plans. Accordingly the number of New Ordinary Shares over which participants have options or awards, the exercise price and the other terms of the relevant options or awards will remain unchanged. The Company's remuneration committee will modify the basis for the Return on Equity calculation for the purposes of the performance conditions under and in accordance with the rules of the Company's Performance Share Plan to ensure that any options and awards which are dependent upon the 2015 return on equity should be determined by reference to the balance sheet of the Company following the Return of Capital and Share Capital Consolidation rather than the opening balance sheet for 2015.

## **11. Dealings and despatch of documents**

The Return of Capital will be made by reference to holdings of Existing Ordinary Shares on the Company's Register of Members at the Record Time (other than in respect of treasury shares).

Dealings and settlement within the CREST system of interests in respect of the Existing Ordinary Shares will continue until 4.30 p.m. on 25 March 2015 when, in the case of Existing Ordinary Shares held in certificated form, the Register of Members will be closed for transfers and no further transfers of Existing Ordinary Shares will be possible. The registration of uncertificated holdings in respect of interests in respect of the Existing Ordinary Shares will be 'disabled' in CREST at the Record Time.

The depositary interests in respect of the New Ordinary Shares will be admitted to CREST with effect from the Admission Date. Accordingly, settlement of transactions of such interests in respect of the New Ordinary Shares may take place within the CREST system in respect of general market transactions. The E Shares, F Shares, New Ordinary Shares, Deferred Shares and E Deferred Shares are not renounceable and will be in registered form.

Depository Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST are expected to have their CREST accounts credited with respect to New Ordinary Shares as soon as practicable after 8.00 a.m. on 26 March 2015 under the new ISIN BMG4593F1389.

From the Record Time, Existing Ordinary Share certificates will no longer be valid. New Ordinary Share certificates will only be issued following the Share Capital Consolidation. It is therefore important that, if Shareholders hold certificates in respect of their Existing Ordinary Shares, they retain them until New Ordinary Share certificates are sent, which will be by 2 April 2015. Following this date, the certificates in respect of the Existing Ordinary Shares can be destroyed. Share certificates are sent to Shareholders at their own risk.

No share certificates will be issued by the Company in respect of E Shares, F Shares, E Deferred Shares or Deferred Shares and CREST accounts will not be credited in respect of any such shares.

Depository Interest Holders holding interests in respect of New Ordinary Shares through the CREST system will not receive any share certificates.

Temporary documents of title will not be issued and, pending despatch of share certificates, transfers of New Ordinary Shares held in certificated form will be certified against the register held by Capita Registrars (Jersey) Limited.

Shareholders entitled to receive F Shares pursuant to the Capital Alternative are expected to be sent cheques or have their CREST accounts credited on 2 April 2015.

Shareholders entitled to receive the E Share Dividend are expected to be sent cheques on 2 April 2015 or have their CREST accounts credited on 2 April 2015.

All share certificates and cheques will be sent by post, at the risk of the Shareholder entitled to them, to the registered address of the relevant Shareholders (or, in the case of joint Shareholders, to the address of that joint Shareholder whose name stands first in the register in respect of such joint Shareholding).

Subject to any instructions to the contrary, share registration and dividend payment mandates in respect of holdings of Existing Ordinary Shares will continue to apply in respect of New Ordinary Shares.

## **12. Extraordinary General Meeting and explanation of the Resolutions relating to the Return of Capital**

The Return of Capital requires the approval of Resolution 1 by Shareholders at the Extraordinary General Meeting. In addition, Resolutions 2, 3 and 4 deal with ancillary matters connected to the Return of Capital. Notice of the Extraordinary General Meeting is set out in Part 14 of this Circular. The Extraordinary General Meeting will be held at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP at 1.00 p.m. on 25 March 2015. For the convenience of Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company's registered office, 4<sup>th</sup> Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group's London office, 1 Great St. Helen's, London EC3A 6HX.

Shareholders will find enclosed with this Circular a Form of Proxy for use in respect of the Extraordinary General Meeting.

Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete and sign the accompanying Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, BR3 4ZF to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 23 March 2015.

Any Depository Interest Holder wishing to instruct Capita IRG Trustees Limited to vote in respect of the holder's interest should use the enclosed Form of Direction. Whether or not Depository Interest Holders intend to be present at the Extraordinary General Meeting, they are requested to complete and sign the accompanying Form of Direction and return it, in accordance with the instructions



printed on it, by post or (during normal business hours only) by hand to Capita Asset Services to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 20 March 2015. Depositary Interest Holders who hold their interests in respect of Existing Ordinary Shares in CREST may instruct the depositary by completing and transmitting a CREST Proxy Instruction to Capita Asset Services so that it is received by no later than 1.00 p.m. on 20 March 2015.

The return of a completed Form of Proxy, Form of Direction or CREST Proxy Instruction will not prevent Shareholders or Depositary Interest Holders from attending the Extraordinary General Meeting and voting in person (in substitution for their proxy vote) should they wish to do so and are so entitled.

Resolutions 1, 3 and 4 will be proposed as special resolutions and will be passed if at least 75 per cent of the votes cast (whether in person or by proxy) are in favour. Resolution 2 will be proposed as an ordinary resolution and will be passed if more than 50 per cent of the votes cast (whether in person or by proxy) are in favour.

A summary of the Resolutions relating to the Return of Capital follows below.

### ***Explanation of the Resolutions relating to the Return of Capital***

Resolution 1 sets out the formal mechanics for the implementation of the Return of Capital. Resolution 1 is conditional on Admission.

Paragraph (a) of Resolution 1 provides authority to the Directors of the Company to capitalise a sum not exceeding £32,000 standing to the credit of the Company's share premium account to pay up in full up to 320,000,000 E Shares of par value 0.01 pence each and up to 320,000,000 F Shares of par value 0.01 pence each. The capitalisation is required to pay up the E Shares and F Shares being issued. Based on the Existing Ordinary Shares in issue on 27 February 2015 (other than treasury shares), the amount to be capitalised would be approximately £31,923 and the balancing amount is a margin to take account of, for example, potential option exercises prior to the Record Date.

Paragraph (b) of Resolution 1 provides authority to the Directors of the Company to allot and issue as fully paid one E Share or one F Share for each Existing Ordinary Share, other than in respect of shares held in treasury. The Directors intend to exercise this authority in order to implement the Return of Capital. The authority granted to the Directors will expire on the conclusion of the next Annual General Meeting of the Company held after the passing of Resolution 1, or if earlier, 24 March 2016.

Paragraph (c) of Resolution 1 provides authority for the subdivision and consolidation of the unissued shares of 50 pence in the capital of the Company into unissued new ordinary shares of 6.5 pence in the capital of the Company which, when and if issued, will have the same rights and rank *pari passu* with the New Ordinary Shares.

Paragraph (d) of Resolution 1 provides authority for the subdivision of each Existing Ordinary Share (including shares held in treasury and each unissued ordinary share of 6 pence in the capital of the Company) into 88 shares of 6/88 pence each and provides authority that upon the subdivision of the Existing Ordinary Shares, 100 of such shares be consolidated into one new share of par value 6 72/88 pence and upon such consolidation each such new share will be subdivided into one New Ordinary Share of par value 6.5 pence and one Deferred Share of par value 28/88 pence.

Paragraph (e) of Resolution 1 provides for the adoption of new Bye-Laws which set out the rights and restrictions attaching to the E Shares, F Shares, E Deferred Shares and Deferred Shares.

Paragraph (f) of Resolution 1 provides for the approval of the terms of the Option Agreement to be entered into between the Company and UBS, the purchase of the F Shares by the Company from UBS, and for the purchase of the E Deferred Shares and the Deferred Shares by the Company.

Resolution 2 refreshes the authority given to Directors at the 2014 Annual General Meeting and allows the Directors to allot and issue 93,640,358 New Ordinary Shares without the prior consent of Shareholders and a further 93,640,358 New Ordinary Shares in the case of a Rights Issue without first needing to obtain Shareholder consent for a period expiring at the earlier of the conclusion of the next Annual General Meeting of the Company or if earlier, 24 March 2016, in accordance with Bye-Law 5(b) of the Company's Bye-Laws. Resolution 2 is conditional on the passing of Resolution 1. The Directors consider it appropriate to renew this authority at the Extraordinary General Meeting. In accordance with the institutional guidelines issued by the

Association of British Insurers, the proposed new authority will allow the Directors to allot relevant securities equal to an amount of up to one third of the Company's issued share capital following the Return of Capital plus, in the case of a fully pre-emptive Rights Issue only, a further amount of up to an additional one third of the Company's issued share capital (excluding any shares held in treasury) following the Return of Capital.

The Directors have no present intention to allot shares, other than in relation to the proposed Return of Capital, in connection with the Share Plans or to pay scrip dividends. However if they do exercise the authority, the Directors intend to follow emerging best practice as regards its use, as recommended by The Investment Association.

The nominal amount of securities to which the new authority will relate represents approximately one third, or up to two thirds in the case of a fully pre-emptive Rights Issue only, of the Company's issued share capital (excluding any shares held in treasury) following the Return of Capital and 29.33 per cent and 58.67 per cent of such issued share capital at 27 February 2015 (being the latest practicable date prior to publication of this Circular). As at 27 February 2015 (being the latest practicable date prior to publication of this Circular), the Company's issued share capital (excluding treasury shares) comprised 319,228,495 ordinary shares and the Company held 12,645,632 shares in treasury, representing 3.81 per cent of such issued share capital.

Resolution 3 disapplies pre-emption rights in accordance with Bye-Law 7(a) of the Company's Bye-Laws to authorise the Directors to allot equity securities of up to £949,160 nominal amount for cash without first being required to offer such shares to existing Shareholders (including in respect of shares held in treasury). Resolution 3 is conditional on the passing of Resolution 1.

The authority will expire at the earlier of the conclusion of the next Annual General Meeting of the Company or, if earlier, 24 March 2016. The £949,160 nominal amount of equity securities to which this authority relates represents approximately 5 per cent of the nominal amount of the issued share capital of the Company following the Return of Capital. The Directors have no current intention of exercising this authority. The Directors do not intend to issue more than 5 per cent of the issued share capital of the Company for cash, on a non pre-emptive basis, in any rolling three year period without prior consultation with Shareholders and the Investment Committee of The Investment Association and the National Association of Pension Funds.

Resolution 4 authorises the Company to purchase its own New Ordinary Shares in accordance with Bye-Law 9(a) of the Company's Bye-Laws.

Resolution 4 will give the Company a general authority to make market purchases of its own shares. The maximum number of shares that the Company may purchase under this authority will be 28,092,107 New Ordinary Shares representing approximately 10 per cent of the nominal amount of the issued capital of the Company (excluding shares held in treasury) following the Return of Capital. The resolution also sets out the maximum and minimum price which the Company may pay for those shares. Any shares purchased under this authority will be cancelled or held in treasury.

Resolution 4 is conditional on the passing of Resolution 1. The authority under Resolution 4 will expire at the earlier of the conclusion of the next Annual General Meeting of the Company or if earlier, 24 March 2016. The power given by this Resolution will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and, accordingly, that the purchase is in the interests of Shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position.

The total number of shares over which an option under a Share Plan exists as at 27 February 2015 (being the latest practicable date prior to the publication of this Circular) is 14,474,446 representing 4.53 per cent of the Company's issued share capital (excluding shares held in treasury) at such date. If the authority to be given by Resolution 1 was fully utilised (and assuming no options are exercised) these shares would represent 5.15 per cent of the Company's issued share capital (excluding shares held in treasury) following the implementation of the Return of Capital and 4.53 per cent of such issued share capital at 27 February 2015.

### **13. Agreements in relation to the Purchase Offer**

The following agreements have been entered into in relation to the Purchase Offer:

### *Option Agreement*

On 2 March 2015, the Company entered into the Option Agreement with UBS. Pursuant to the terms of the Option Agreement, and conditional on the Purchase Offer Deed becoming unconditional in all respects and not being terminated in accordance with its terms, the Company has granted a put option to UBS which, on exercise, will oblige the Company to purchase from UBS each F Share purchased by UBS pursuant to the Purchase Offer, at a price per F Share of 60 pence. The Company will reimburse to UBS any stamp duty and/or stamp duty reserve tax, transfer taxes or registration charges paid by UBS as a result of its purchase of such F Shares.

### *Purchase Offer Deed*

On 2 March 2015, the Company entered into the Purchase Offer Deed with UBS. Under the Purchase Offer Deed, UBS has agreed that it will, as principal (and not as agent, nominee or trustee), purchase those F Shares (if any) which are issued under the Capital Alternative and in respect of which Shareholders, by electing for the Capital Alternative, make their F Shares available for acquisition by UBS in accordance with the terms of the Purchase Offer.

The Purchase Offer will be made in the manner and on the terms set out in this Circular, the Election Form and the Purchase Offer Deed. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction, or waiver by UBS (in its sole discretion), of a number of conditions including: (i) the passing of Resolution 1 to be proposed at the Extraordinary General Meeting without amendment; (ii) Admission having occurred; (iii) the execution by the Company of the Option Agreement; (iv) the execution by the Company, UBS and the Escrow Agent of, and their compliance with the terms of, the Escrow Agreement, including the payment by the Company into the escrow account of an amount to be agreed between UBS and the Company; (v) the allotment and issue of the E Shares and/or F Shares, in accordance with this Circular; (vi) the Company having sufficient funds which would be available for dividend or distribution in order to lawfully purchase from UBS, pursuant to the Option Agreement, the F Shares elected to the Purchase Offer, and pay the E Share Dividend in accordance with this Circular; and (vii) subject to the approval of the Option Agreement by Shareholders, there otherwise being nothing that would make such purchase or payment unlawful.

The Purchase Offer Deed is also conditional upon UBS not having exercised its right to terminate the Purchase Offer Deed either before making the Purchase Offer or, having made the Purchase Offer, before settling the purchase to be made in connection with the Purchase Offer. Such termination right is exercisable upon the occurrence of certain events, including: (i) failure by the Company to comply with its obligations under the Purchase Offer Deed, the Option Agreement, the Escrow Agreement or this Circular; (ii) breach by the Company of the representations, warranties and/or undertakings given to UBS under the Purchase Offer Deed; (iii) termination by the Company of the Option Agreement; (iv) the occurrence of a material adverse change (in the *bona fide* opinion of UBS) in the condition, solvency, liquidity position or earnings, business affairs or prospects of the Company or the Group and (v) certain force majeure events.

### *Escrow Agreement*

Under the Escrow Agreement, the Company has agreed to transfer into an escrow account held by the Escrow Agent an amount of 60 pence for each F Share in respect of which Shareholders have elected to participate in the Purchase Offer. The funds held in this account will be used to pay UBS if UBS exercises its rights under the Option Agreement to require the Company to purchase from it the F Shares acquired by UBS under the Purchase Offer. Any balance of the account will be returned to the Company following such payment.



## PART 7

### RIGHTS AND RESTRICTIONS ATTACHING TO THE E SHARES

*The following sets out the rights of the E Shares and the restrictions to which they are subject. These are included in the revised Bye-Laws proposed to be adopted at the Extraordinary General Meeting.*

*The following paragraphs will be inserted as a new Bye-Law 4A in the revised Bye-Laws.*

#### 4A. Rights and restrictions attaching to the E Shares

Notwithstanding the provisions in these Bye-Laws which relate to Shares, the following paragraphs (a) to (h) of this Bye-Law 4A comprise all the rights and restrictions relating to the non-cumulative E preference shares of par value 0.01 pence each in the capital of the Company (the “**E Shares**”).

##### (a) Election Form

- (i) Together with a circular to Members dated 3 March 2015 (the “**Circular**”) holders of ordinary shares (“**Shareholders**”), other than Restricted Shareholders, were sent an election form or, if they held their interest in such ordinary shares in the form of a depositary interest, they were notified of their entitlement to submit a transfer to escrow instruction relating to the depositary interest arising in respect of the Shares (each an “**Election Form**”) under which in relation to any such Shares to be issued to them:
  - a. they could elect to or could receive E Shares and to receive the E Share Dividend (as defined below) in respect of some or all of such E Shares on 2 April 2015 or such other later date as the Directors may determine prior to such date (the “**E Share Dividend Date**”); and/or
  - b. they could elect to receive F Shares (as defined in Article 4B) in respect of which it is expected that UBS Limited would make an offer to purchase acting as principal (and not as agent, nominee or trustee) (the “**Purchase Offer**”) on 31 March 2015 or such other later date as the Directors may determine prior to such date (the “**Purchase Offer Date**”).

Elections made by Shareholders on their Election Forms in respect of the E Shares and/or F Shares will not take effect until 1.00 p.m. on 25 March 2015 or such other time and/or date as the Directors may determine.

Restricted Shareholders who will automatically receive E Shares and the E Share Dividend will not be sent an Election Form and are not entitled to receive F Shares.

- (ii) Shareholders who have not returned a duly completed Election Form by 1.00 p.m. on 25 March 2015 (or such later time and/or date as the Directors may determine) will receive E Shares and will receive the E Share Dividend on the E Share Dividend Date in respect of all of their Existing Ordinary Shares.
- (iii) The Directors may, if they so determine in their absolute discretion, accept an Election Form which is received after the relevant time or which is not correctly completed. The Directors may, in addition, if they so determine in their absolute discretion, treat any other document or action as a valid Election Form or as the completion or delivery of a valid Election Form, as the case may be.
- (iv) For these purposes a Restricted Shareholder is a Shareholder who has a registered address in the United States or Canada or is a resident, citizen of or located in the United States or Canada.

##### (b) Income and contributed surplus

- (i) Out of the funds available for distribution and/or from any other sum standing to the credit of the contributed surplus account of the Company a special dividend/distribution of 60 pence per E Share (the “**E Share Dividend**”) shall be payable to those holders of E Shares who are deemed to receive the E Share Dividend on the E Share Dividend Date.

- (ii) The E Share Dividend shall be payable on the E Share Dividend Date. Each E Share in respect of which such dividend/distribution becomes payable shall, on such date, be automatically converted without any further action or consent being required from or of the E Shareholder into a deferred share of par value 0.01 pence each in the capital of the Company with the rights and restrictions described in Bye-Law 4C below (each a “**E Deferred Share**”).
- (iii) The holders of the E Shares shall not be entitled to any further right of participation in the profits or contributed surplus account of the Company other than those described in paragraphs (i) and (ii) of paragraph (b) of this Bye-Law 4A.

**(c) Capital**

- (i) Except as provided in this Bye-Law 4A, on a return of capital on winding up or otherwise, the holders of the E Shares shall be entitled, in priority to any payment to the holders of Shares or E Deferred Shares to 0.01 pence per E Share (which shall be the par value capital paid up or credited as paid up on the E Shares) held by them.
- (ii) On a winding up, the holders of the E Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in paragraph (i) of this Bye-Law. In the event that there is a winding up to which such paragraph applies and the amounts available for payment are insufficient to pay the amounts due on all the E Shares in full, the holders of the E Shares shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.
- (iii) The aggregate entitlement of each holder of E Shares in a winding up in respect of all the E Shares held by him shall be rounded up to the nearest penny.
- (iv) The holders of the E Shares shall not be entitled to any further right of participation in the assets of the Company.

**(d) Redemption**

The E Shares are non-redeemable.

**(e) Voting and Extraordinary General Meetings**

Except as required by law, the holders of the E Shares shall not be entitled, in their capacity as the holders of E Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

**(f) Class Rights**

- (i) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the E Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority of the E Shares) shall be treated as being in accordance with the rights attaching to the E Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the E Shares.
- (ii) A reduction by the Company of the capital paid up or credited as paid up on the E Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the E Shares and shall not involve a variation of such rights for any purpose. The Company will be authorised to reduce its capital at any time and without obtaining the consent of the holders of the E Shares including by payment to the holders of the E Shares the preferential amounts to which they are entitled as set out above.

**(g) Form, transferability and listing**

- (i) No share certificates or other documents of title shall be issued in relation to the E Shares in respect of which the E Share Dividend is paid. The E Shares are not renounceable and all transfers of E Shares shall be effected in writing in usual or common form or in any other form which the Directors may approve.

- (ii) No application has been or will be made to the UK Listing Authority or the London Stock Exchange, respectively, for the E Shares to be admitted to the Official List maintained by the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange.

**(h) E Shares no longer in existence**

This Bye-Law 4A shall remain in force until there are no longer any E Shares in existence whether by way of conversion into E Deferred Shares, cancellation or reclassification, whichever is earlier, notwithstanding any provision in these Bye-Laws to the contrary. Thereafter this Bye-Law 4A shall be deemed to be of no effect and shall be deleted in its entirety and the separate Register for the holders of E Shares shall no longer be required to be maintained by the Company provided that the validity of anything done under paragraphs (a) to (g) of this Bye-Law 4A before that date shall not otherwise be affected and any actions taken under those paragraphs before that date shall be conclusive and shall not be open to challenge on any grounds.

## PART 8

### RIGHTS AND RESTRICTIONS ATTACHING TO THE F SHARES

*The following sets out the rights of the F Shares and the restrictions to which they are subject. These are included in the revised Bye-Laws proposed to be adopted at the Extraordinary General Meeting.*

*The following paragraphs will be inserted as a new Bye-Law 4B in the revised Bye-Laws.*

#### **4B. Rights and restrictions attaching to the F Shares**

Notwithstanding the provisions in these Bye-Laws which relate to Shares, the following paragraphs (a) to (h) of this Bye-Law 4B comprise all the rights and restrictions relating to the non-cumulative F preference shares of par value 0.01 pence each in the capital of the Company (the **"F Shares"**).

##### **(a) Election Form**

- (i) Together with a circular to Members dated 3 March 2015 (the **"Circular"**) holders of ordinary shares (**"Shareholders"**) other than Restricted Shareholders, were sent an election form or, if they held their interest in such ordinary shares in the form of a depositary interest, they were notified of their entitlement to submit a transfer to escrow instruction relating to the depositary interest arising in respect of the Shares (each an **"Election Form"**) under which in relation to any such Shares to be issued to them:
  - a. they could elect to or could receive E Shares and to receive the E Share Dividend (each as defined in Article 4A) in respect of some or all of such E Shares on 2 April 2015 or such other later date as the Directors may determine prior to such date (the **"E Share Dividend Date"**); and/or
  - b. they could elect to receive F Shares in respect of which it is expected that UBS Limited would make an offer to purchase acting as principal (and not as agent, nominee or trustee) (the **"Purchase Offer"**) on 31 March 2015 or such other later date as the Directors may determine prior to such date (the **"Purchase Offer Date"**).

Elections made by Shareholders on their Election Forms in respect of the E Shares and/or F Shares will not take effect until 1.00 p.m. on 25 March 2015 or such other time and/or date as the Directors may determine.

Restricted Shareholders who will automatically receive E Shares and the E Share Dividend will not be sent an Election Form and are not entitled to receive F Shares.

- (ii) The Directors may, if they so determine in their absolute discretion, accept an Election Form which is received after the relevant time or which is not correctly completed. The Directors may, in addition, if they so determine in their absolute discretion, treat any other document or action as a valid Election Form or as the completion or delivery of a valid Election Form, as the case may be.
- (iii) For these purposes a Restricted Shareholder is a Shareholder who has a registered address in the United States or Canada or is a resident, citizen of or located in the United States or Canada.

##### **(b) Income and contributed surplus**

- (i) Out of the funds available for distribution and/or from any other sum standing to the credit of the contributed surplus account of the Company a single dividend of 60 pence per F Share (the **"Default Dividend"**) shall automatically become payable to the holders of any F Shares:
  - a. in respect of which a valid election to participate in the Purchase Offer has been made but where such purchase has not been completed by 6.00 p.m. on the first Business Day after the Purchase Offer Date (the **"Default Dividend Date"**); and
  - b. who are registered in the Company's Register of Members as holding such F Shares (that is F Shares within a. above) on the Default Dividend Date.
- (ii) The Company's liability to pay the Default Dividend to such holder of F Shares shall be discharged by the Company by a payment to such holder by 4.30 p.m. on the Business Day following the Default Dividend Date, of an amount equal to the Default Dividend.

- (iii) Each F Share in respect of which the Default Dividend becomes payable shall, on such date, automatically (but without prejudice to the accrued rights to receive such dividend) be converted without any further action or consent being required from or of the F Shareholder into an E Deferred Share (as defined in Bye-Law 4C).
- (iv) The holders of the F Shares shall not be entitled to any further right of participation in the profits or contributed surplus account of the Company other than those described in paragraphs (i), (ii) and (iii) of paragraph (b) of this Bye-Law 4B.

**(c) Capital**

- (i) Except as provided in this Bye-Law 4B, on a return of capital on winding up or otherwise, the holders of the F Shares shall be entitled, in priority to any payment to the holders of Shares or E Deferred Shares to 0.01 pence per F Share (which shall be the par value capital paid up or credited as paid up on the F Shares) held by them.
- (ii) On a winding up, the holders of the F Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in paragraph (i) of this Bye-Law. In the event that there is a winding up to which such paragraph applies and the amounts available for payment are insufficient to pay the amounts due on all the F Shares in full, the holders of the F Shares shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.
- (iii) The aggregate entitlement of each holder of F Shares in a winding up in respect of all the F Shares held by him shall be rounded up to the nearest penny.
- (iv) The holders of the F Shares shall not be entitled to any further right of participation in the assets of the Company.

**(d) Redemption**

The F Shares are non-redeemable.

**(e) Voting and Extraordinary General Meetings**

Except as required by law, the holders of the F Shares shall not be entitled, in their capacity as the holders of F Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

**(f) Class Rights**

- (i) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the F Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority of the F Shares) shall be treated as being in accordance with the rights attaching to the F Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the F Shares.
- (ii) A reduction by the Company of the capital paid up or credited as paid up on the F Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the F Shares and shall not involve a variation of such rights for any purpose. The Company will be authorised to reduce its capital at any time and without obtaining the consent of the holders of the F Shares including by payment to the holders of the F Shares the preferential amounts to which they are entitled as set out above.

**(g) Form, transferability and listing**

- (i) No share certificates or other documents of title shall be issued in relation to the F Shares. The F Shares are not renounceable and all transfers of F Shares shall be effected in writing in usual or common form or in any other form which the Directors may approve.
- (ii) No application has been or will be made to the UK Listing Authority or the London Stock Exchange, respectively, for the F Shares to be admitted to the Official List maintained by the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange.

Subject to the provisions of these Bye-Laws as may be applicable, no transfer of F Shares will be registered;

- a. after 5.00 p.m. on the second Business Day after the Purchase Offer Date unless (A) such transfer is to or from UBS Limited in accordance with the terms of the Purchase Offer or is made by UBS Limited or (B) determined to the contrary by the Board; and
- b. unless and until any transferee of any F Shares in respect of which a valid election to participate in the Purchase Offer has been made has irrevocably appointed the Company or any officer or employee of any company in the Group for the time being or UBS Limited or any director or authorised signatory of UBS Limited for the time being severally as attorney for and/or agent of the transferee with authority on that transferee's behalf and in his or their name, to exercise all rights, powers and privileges attached to such F Shares or otherwise capable of being exercised by that transferee in respect of such F Shares in order to give effect to his or their election and to do all acts and things and to execute all such deeds, transfers and other documents as such attorney and/or agent shall consider necessary or desirable to give effect to that transferee's election.

**(h) F Shares no longer in existence**

This Bye-Law 4B shall remain in force until there are no longer any F Shares in existence whether by way of purchase, cancellation or reclassification, whichever is earlier, notwithstanding any provision in these Bye-Laws to the contrary. Thereafter this Bye-Law 4B shall be deemed to be of no effect and shall be deleted in its entirety and the separate Register for the holders of F Shares shall no longer be required to be maintained by the Company provided that the validity of anything done under paragraphs (a) to (g) of this Bye-Law 4B before that date shall not otherwise be affected and any actions taken under those paragraphs before that date shall be conclusive and shall not be open to challenge on any grounds.



## PART 9

### RIGHTS AND RESTRICTIONS ATTACHING TO THE E DEFERRED SHARES

*The following sets out the rights of the E Deferred Shares following the conversion of the E Shares after payment of the E Share Dividend thereon and, if relevant, the F Shares after payment of the Default Dividend thereon, and the restrictions to which they are subject. These are included in the revised Bye-Laws proposed to be adopted at the Extraordinary General Meeting.*

*The following paragraphs will be inserted as a new Bye-Law 4C in the revised Bye-Laws.*

#### **4C. Rights and restrictions attaching to the E Deferred Shares**

Notwithstanding the provisions in these Bye-Laws which relate to Shares, the following paragraphs (a) to (g) of this Bye-Law 4C comprise all the rights and restrictions relating to the deferred shares of par value 0.01 pence each in the capital of the Company (the “**E Deferred Shares**”).

##### **(a) Income and contributed surplus**

The E Deferred Shares shall confer no right to participate in the profits or contributed surplus account of the Company.

##### **(b) Capital**

On a return of capital on a winding up there shall be paid to the holders of the E Deferred Shares the par value capital paid up or credited as paid up on such E Deferred Shares after, firstly paying to the holders of the Ordinary Shares the par value capital paid up or credited as paid up on the Ordinary Shares held by them together with the sum of £100,000 on each Ordinary Share, secondly paying to the holders of the E Shares 0.01 pence per E Share held by them and paying to the holders of the F Shares 0.01 pence per F Share held by them. The holders of the E Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

##### **(c) Voting and Extraordinary General Meetings**

Except as required by law, the holders of the E Deferred Shares shall not be entitled, in their capacity as the holders of E Deferred Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

##### **(d) Class Rights**

- (i) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the E Deferred Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority of the E Deferred Shares) shall be treated as being in accordance with the rights attaching to the E Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the E Deferred Shares.
- (ii) A reduction by the Company of the capital paid up or credited as paid up on the E Deferred Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the E Deferred Shares and shall not involve a variation of such rights for any purpose. The Company will be authorised to reduce its capital at any time and without obtaining the consent of the holders of the E Deferred Shares including by payment to the holders of the E Deferred Shares the preferential amounts to which they are entitled as set out above.

##### **(e) Form and transferability**

- (i) No share certificates or other documents of title shall be issued in relation to the E Deferred Shares.
- (ii) The E Deferred Shares are not renounceable nor transferable except as provided by paragraph (f) of this Bye-Law 4C.
- (iii) No application has been or will be made to the UK Listing Authority or the London Stock Exchange, respectively, for the E Deferred Shares to be admitted to the Official List maintained by the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange.

- (iv) For the purposes of these Bye-Laws, while any E Deferred Shares are in existence, the definition of “Shares” in Bye-Law 1 shall (if not inconsistent with the subject or context and unless otherwise provided) include such E Deferred Shares.

**(f) Transfer and Purchase**

- (i) Subject to the provisions of the Act and to the provisions of these Bye-Laws, the Company may at any time, without any prior notice and without obtaining the sanction of the holder or holders of the E Deferred Shares appoint any person to execute on behalf of any or all holders of E Deferred Shares a transfer of all of the E Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such other person as the Directors may determine in any case for not more than one pence for all the E Deferred Shares then in issue and cancel all or any of the E Deferred Shares so purchased by the Company in accordance with the Act and these Bye-Laws.
- (ii) Subject to the provisions of the Act and to the provisions of these Bye-Laws, the Company may at any time, without any prior notice purchase all the E Deferred Shares in issue for a total aggregate price not exceeding one pence for all such E Deferred Shares purchased which may be paid to charity. All E Deferred Shares shall upon purchase immediately and automatically be cancelled and the Company shall not be entitled to reissue any of them.

**(g) E Deferred Shares no longer in existence**

This Bye-Law 4C shall remain in force until there are no longer any E Deferred Shares in existence, either issued or unissued, notwithstanding any provision in these Bye-Laws to the contrary. Thereafter this Bye-Law 4C shall be deemed to be of no effect and shall be deleted in its entirety and the separate Register for the holders of E Deferred Shares shall no longer be required to be maintained by the Company provided that the validity of anything done under paragraphs (a) to (f) of this Bye-Law 4C before that date shall not otherwise be affected and any actions taken under those paragraphs before that date shall be conclusive and shall not be open to challenge on any grounds.

## PART 10

### RIGHTS AND RESTRICTIONS ATTACHING TO THE DEFERRED SHARES

*The following sets out the rights of the Deferred Shares and the restrictions to which they are subject following the Share Capital Consolidation. These are included in the revised Bye-Laws proposed to be adopted at the Extraordinary General Meeting.*

*The following paragraphs will be inserted as a new Bye-Law 4D in the revised Bye-Laws.*

#### **4D. Rights and restrictions attaching to the Deferred Shares**

Notwithstanding the provisions in these Bye-Laws which relate to Shares, the following paragraphs (a) to (g) of this Bye-Law 4D comprise all the rights and restrictions relating to the deferred shares of par value 28/88 pence each in the capital of the Company (the “**Deferred Shares**”).

##### **(a) Income and contributed surplus**

The Deferred Shares shall confer no right to participate in the profits or contributed surplus account of the Company.

##### **(b) Capital**

On a return of capital on a winding up there shall be paid to the holders of the Deferred Shares the par value capital paid up or credited as paid up on such Deferred Shares after, firstly paying to the holders of the Ordinary Shares the par value capital paid up or credited as paid up on the Ordinary Shares held by them together with the sum of £100,000 on each Ordinary Share, secondly paying to the holders of the E Shares 0.01 pence per E Share held by them and paying to the holders of the F Shares 0.01 pence per F Share held by them and thirdly paying to the holders of the E Deferred Shares 0.01 pence per E Deferred Share held by them. The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

##### **(c) Voting and Extraordinary General Meetings**

Except as required by law, the holders of the Deferred Shares shall not be entitled, in their capacity as the holders of Deferred Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

##### **(d) Class Rights**

- (iii) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the Deferred Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority of the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.
- (iv) A reduction by the Company of the capital paid up or credited as paid up on the Deferred Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose. The Company will be authorised to reduce its capital at any time and without obtaining the consent of the holders of the Deferred Shares including by payment to the holders of the Deferred Shares the preferential amounts to which they are entitled as set out above.

##### **(e) Form and transferability**

- (v) No share certificates or other documents of title shall be issued in relation to the Deferred Shares.
- (vi) The Deferred Shares are not renounceable nor transferable except as provided by paragraph (f) of this Bye-Law 4D.
- (vii) No application has been or will be made to the UK Listing Authority or the London Stock Exchange, respectively, for the Deferred Shares to be admitted to the Official List maintained by the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange.

- (viii) For the purposes of these Bye-Laws, while any Deferred Shares are in existence, the definition of “Shares” in Bye-Law 1 shall (if not inconsistent with the subject or context and unless otherwise provided) include such Deferred Shares.

**(f) Transfer and Purchase**

- (iii) Subject to the provisions of the Act and to the provisions of these Bye-Laws, the Company may at any time, without any prior notice and without obtaining the sanction of the holder or holders of the Deferred Shares appoint any person to execute on behalf of any or all holders of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such other person as the Directors may determine in any case for not more than one pence for all the Deferred Shares then in issue and cancel all or any of the Deferred Shares so purchased by the Company in accordance with the Act and these Bye-Laws.
- (iv) Subject to the provisions of the Act and to the provisions of these Bye-Laws, the Company may at any time, without any prior notice purchase all the Deferred Shares in issue for a total aggregate price not exceeding one pence for all such Deferred Shares purchased which may be paid to charity. All Deferred Shares shall upon purchase immediately and automatically be cancelled and the Company shall not be entitled to reissue any of them.

**(g) Deferred Shares no longer in existence**

This Bye-Law 4D shall remain in force until there are no longer any Deferred Shares in existence, either issued or unissued, notwithstanding any provision in these Bye-Laws to the contrary. Thereafter this Bye-Law 4D shall be deemed to be of no effect and shall be deleted in its entirety and the separate Register for the holders of Deferred Shares shall no longer be required to be maintained by the Company provided that the validity of anything done under paragraphs (a) to (f) of this Bye-Law 4D before that date shall not otherwise be affected and any actions taken under those paragraphs before that date shall be conclusive and shall not be open to challenge on any grounds.

## PART 11

### UK TAXATION IN RELATION TO THE RETURN OF CAPITAL

*The comments below are intended only as a general guide to the current tax position under UK law and HM Revenue & Customs practice and are not intended to be and should not be construed as legal or taxation advice to any particular Shareholder. These comments apply to Shareholders who are resident in the UK for tax purposes, are the beneficial owners of their Existing Ordinary Shares and hold such shares as investments and not on trading account. The position may be different for any future disposal and may alter between the date of this Circular and the date of the implementation of the Return of Capital. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction outside the UK should consult their independent financial adviser.*

#### Return of Capital

For the purposes of UK taxation of capital gains and corporation tax on chargeable gains (“CGT”):

- (i) the receipt of the New Ordinary Shares, the Deferred Shares, the E Shares and the F Shares arising from the Return of Capital should be a reorganisation of the share capital of the Company. Accordingly, the New Ordinary Shares and Deferred Shares replacing a Shareholder’s holding of Existing Ordinary Shares as a result of the Share Capital Consolidation and the E Shares and the F Shares should be treated as the same asset as the Shareholder’s holding of Existing Ordinary Shares, and as having been acquired at the same time as the Shareholder’s holding of Existing Ordinary Shares was acquired. As a result a Shareholder’s original base cost in his or her Existing Ordinary Shares will be apportioned between the New Ordinary Shares, the Deferred Shares, the E Shares and the F Shares by reference to their respective market values on the first day on which the market value or price is quoted or published for the New Ordinary Shares; and
- (ii) the sale, on behalf of relevant Shareholders, of fractional entitlements to New Ordinary Shares resulting from the Share Capital Consolidation will not constitute a part disposal of his or her pool of Existing Ordinary Shares. Instead the amount of any payment received by the Shareholder will be deducted from the base cost of the E Shares and/or F shares and any New Ordinary Shares or Deferred Shares received.

On the basis that the E Shares and F Shares will be treated as being paid up for “new consideration” received by the Company, the issue of the E Shares and/or F Shares should not give rise to any liability to UK income tax (or corporation tax) in the Shareholder’s hands.

Shareholders who receive the E Share Dividend should note that a proportion of the base cost, for CGT purposes, of their Existing Ordinary Shares will be attributed to the E Shares and this amount will continue to be attributed to those E Shares following their conversion into E Deferred Shares (notwithstanding that the E Deferred Shares have limited rights or value). Correspondingly, only a proportion of the base cost of the original holding of Existing Ordinary Shares will be available on a disposal of New Ordinary Shares.

#### Payment of E Share Dividend

No tax will be withheld by the Company when it pays the E Share Dividend.

The payment of the E Share Dividend in respect of each E Share should be treated as an income distribution. The payment of the E Share Dividend in respect of each E Share will not be treated as giving rise to a disposal of the E Share for the purposes of the taxation of chargeable gains.

An individual Shareholder who is liable to income tax and who is resident in the UK for tax purposes will be entitled to a tax credit in respect of the E Share Dividend, currently equal to one ninth of the cash dividend received or 10 per cent of the aggregate of the cash dividend received and the related tax credit (the “**gross dividend**”). The related tax credit can be set against the individual Shareholder’s total liability to income tax on the E Share Dividend.

An individual Shareholder who is liable to income tax at no more than the basic rate will be subject to income tax at the rate of 10 per cent on the gross dividend and so the tax credit will satisfy in full the individual Shareholder’s liability to income tax on the dividend received.

An individual Shareholder who is liable to income tax at the higher rate will be subject to tax at the rate of 32.5 per cent on the gross dividend to the extent that the gross dividend, when treated as

the top slice of the Shareholder's income, falls above the threshold for higher rate income tax. The related tax credit will not fully satisfy the individual Shareholder's liability to income tax on the gross dividend and the Shareholder will have to account for additional tax equal to 25 per cent of the cash dividend received.

An individual Shareholder who is liable to income tax at the additional rate will be subject to tax at the rate of 37.5 per cent on the gross dividend to the extent that the gross dividend, when treated as the top slice of the Shareholder's income, falls above the threshold for additional rate income tax (£150,000). The related tax credit will not fully satisfy the individual Shareholder's liability to income tax on the gross dividend and the Shareholder will have to account for additional tax of approximately 30.6 per cent of the cash dividend received.

UK resident Shareholders who are not liable to UK tax on the E Share Dividend will not be entitled to claim repayment of the tax credit attaching to the E Share Dividend.

Corporate Shareholders who are resident in the UK will generally not be subject to corporation tax on the E Share Dividend insofar as it constitutes an exempt distribution as referred to in Part 9A of the Corporation Tax Act 2009 ("**CTA 2009**"). Corporate Shareholders should consult their own tax adviser to ascertain which exempt class (if any) applies to them. Note that different exempt classes apply depending on whether a company is a small company for the purposes of Part 9A CTA 2009.

### **Capital Payment on F Shares**

The capital payment made to Shareholders in respect of the sale of each F Share should not be treated as an income distribution and therefore should not be subject to tax as income in the hands of Shareholders and accordingly will carry no tax credit.

The sale of the F Shares to UBS pursuant to the Purchase Offer should be treated as a disposal of those shares for UK tax purposes. This may, subject to the Shareholder's individual circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of CGT.

Any gain or loss will be calculated by reference to the difference between the purchase price and the element of the Shareholder's original base cost which will be attributed to the F Shares.

The amount of CGT, if any, payable by a Shareholder who is an individual as a consequence of the sale of the F Shares, will depend on his or her own personal tax position. No tax will be payable on any gain realised on the sale of the F Shares if the amount of the net chargeable gains realised by a Shareholder, when aggregated with other net gains realised by that Shareholder in the year of assessment (and after taking account of allowable losses), does not exceed the annual exemption, which is £11,000 for 2014/2015.

Any gains realised by individual Shareholders above their annual exemption would be subject to capital gains tax. The rate of capital gains tax will depend on whether an individual Shareholder's total income and gains exceeds the basic rate band. The capital gains tax rate is 18 per cent for basic rate taxpayers and 28 per cent for those taxpayers who are subject to tax at either the higher rate or additional rate. Where the gains of a basic rate taxpayer subject to CGT exceed the unused part of his basic rate band, that excess is subject to tax at 28 per cent. The individual basic rate band applies to taxable income above the personal allowance of up to £31,865.

Gains realised by Shareholders which are subject to corporation tax would be subject to corporation tax on chargeable gains (for gains made in the Shareholder's period of account). This rate is 21 per cent from 1 April 2014 and 20 per cent from 1 April 2015 for companies that pay corporation tax at the main rate. Corporate Shareholders should be entitled to indexation allowance up to the date the chargeable gain is realised.

In the event that the F Shares are not purchased under the Purchase Offer and the Default Dividend becomes payable, the tax treatment will be the same as that of any other dividend paid by the Company, including the E Share Dividend. Accordingly, the tax treatment will be the same as outlined in this Part 11 in respect of the E Shares.

### **Dividends payable on the New Ordinary Shares**

Dividends payable on the New Ordinary Shares should be subject to UK income tax or UK corporation tax on income (unless an exemption applies under Part 9A CTA 2009, as outlined above), under the rules applicable to dividends.



### **Transactions in Securities**

If the transactions in securities legislation applied in respect of the sale of the F Shares, Shareholders might be liable to taxation as if they had received a dividend equal to the amount received. The Company has not applied for a clearance in this regard. However, the Company does not expect that the transactions in securities legislation should apply to Shareholders who elect for the Capital Alternative as the relevant conditions should not apply. If, however, the transactions in securities legislation were to apply, Shareholders who elect for the Capital Alternative are likely to be liable to taxation as if they had received a dividend equal to the consideration received for the sale of the F Shares.

### **Stamp duty and stamp duty reserve tax (“SDRT”)**

The following comments are intended as a guide to the general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No stamp duty or SDRT will be payable on the issue of E Shares or F Shares.

It is anticipated that: (i) no stamp duty or SDRT will be payable on the purchase of the F Shares by UBS from Shareholders pursuant to the Purchase Offer; and (ii) no stamp duty or SDRT will be payable on the purchase of the F Shares by the Company from UBS.

No stamp duty or SDRT will be payable on, or as a result of, the conversion of E Shares or F Shares to E Deferred Shares.

For the avoidance of doubt, the sale of the F Shares to UBS under the Purchase Offer will not give rise to any liability to stamp duty or SDRT for the selling Shareholder. Any such liability would fall on the purchaser of the shares and not the selling Shareholder.

### **Autumn Statement 2014 / Finance Bill 2015**

On 3 December 2014 the Government announced its intention to introduce legislation in the Finance Bill 2015 to change the tax treatment of returns made to certain individual shareholders through special purpose share schemes. Draft legislation was published on 10 December 2014. If enacted, the new legislation would mean that all returns received by such shareholders after 6 April 2015 pursuant to certain “special purpose” share schemes would be taxed as though they were dividends. On the basis that, as currently drafted, the proposed legislation applies only in relation to amounts returned after 6 April 2015, it should not apply to Shareholders participating in the Return of Capital. Shareholders should note, however, that the legislation is in draft form, and there is no guarantee that it will be enacted without amendment.

## **PART 12**

### **ADDITIONAL INFORMATION**

#### **1. Consent**

UBS has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references to it in the form and context in which they appear.

#### **2. Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company, 4th Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda and at the offices of Hiscox plc, 1 Great St. Helen's, London EC3A 6HX during normal business hours only on any weekday (public holidays excepted), up to and including the date of the Extraordinary General Meeting and will be available for inspection at the Extraordinary General Meeting from 11.45 a.m. until its conclusion:

- (i) the existing Bye-Laws of the Company;
- (ii) the Bye-Laws of the Company proposed to be adopted at the Extraordinary General Meeting, showing the amendments to the Company's existing Bye-Laws;
- (iii) the Option Agreement;
- (iv) the written consent of UBS referred to in paragraph 1 above; and
- (v) a copy of this Circular.

## PART 13

### DEFINITIONS

The following definitions apply throughout this Circular and the accompanying documents including the Form of Proxy, the Form of Direction and the Election Form, unless the context otherwise requires:

<b>“Act”</b>	means the Bermuda Companies Act 1981
<b>“Admission”</b>	means admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities
<b>“Admission Date”</b>	means 26 March 2015 (or such later date as the Directors may determine)
<b>“BACS”</b>	means the Bankers Automated Clearing System
<b>“BMA”</b>	means the Bermuda Monetary Authority
<b>“Board”</b>	means the board of Directors of the Company or a duly appointed committee of the board of Directors of the Company
<b>“Business Day”</b>	means a day (other than a Saturday, Sunday or public holiday) on which sterling deposits may be dealt in on the London inter-bank market and commercial banks are open for general business in London
<b>“Bye-Laws”</b>	means the Bye-Laws of the Company from time to time
<b>“Capita Asset Services”</b>	means a trading name of Capita Registrars Limited
<b>“Capital Alternative”</b>	means the election to receive F Shares, such F Shares expected to be purchased by UBS acting as principal (and not as agent, nominee or trustee) under the Purchase Offer on the F Share Purchase Date as more fully described in Parts 3 and 6 of this Circular
<b>“Company” or “Hiscox”</b>	means Hiscox Ltd, incorporated in Bermuda under registration number 38877
<b>“CREST”</b>	means the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the Operator (as defined in such regulations)
<b>“CREST Proxy Instruction”</b>	means a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Depositary Interest Holder at the Extraordinary General Meeting and containing the information required to be contained in the manual published by Euroclear
<b>“CTA 2009”</b>	means the Corporation Tax Act 2009
<b>“Daily Official List”</b>	means the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
<b>“Default Dividend”</b>	means the dividend of 60 pence per F Share to be paid if such F Shares have not been purchased by UBS pursuant to the Purchase Offer on or before 1 April 2015
<b>“Deferred Shares”</b>	means the deferred shares of par value 28/88 pence each in the capital of the Company arising following the Share Capital Consolidation, having the rights and restrictions set out in the Bye-Laws and as described in Part 10 of this Circular
<b>“Depositary Interest Holders”</b>	means the holders of depositary interests in respect of Existing Ordinary Shares and New Ordinary Shares, as the context may require
<b>“Directors”</b>	means the directors of the Company from time to time

<b>“Disclosure and Transparency Rules”</b>	means the disclosure and transparency rules made by the FCA for the purposes of Part VI of FSMA, as amended
<b>“E Deferred Shares”</b>	means the deferred shares of par value 0.01 pence each in the capital of the Company arising following the conversion of the E Shares after payment of the E Share Dividend thereon and, if relevant, the F Shares after payment of the Default Dividend thereon, carrying the rights and restrictions set out in the Bye-Laws and as described in Part 9 of this Circular
<b>“E Share Dividend”</b>	means a special dividend/distribution of 60 pence per E Share to be declared and paid in respect of the E Shares
<b>“E Share Dividend Date”</b>	means the date of payment of the E Share Dividend being 2 April 2015
<b>“E Share Issue”</b>	means the issue of the E Shares to certain of the holders of Existing Ordinary Shares (other than the Company in respect of Existing Ordinary Shares held in treasury) on 26 March 2015
<b>“E Shares”</b>	means the non cumulative E preference shares of par value 0.01 pence each in the capital of the Company carrying the rights and restrictions set out in the Bye-Laws and as described in Part 7 of this Circular
<b>“Election Deadline”</b>	means 1.00 p.m. on 25 March 2015 in respect of receipt of TTE Instructions from Depositary Interest Holders and 1.00 p.m. on 25 March 2015 in respect of receipt of Election Forms (or such later time and/or date as the Directors in their absolute discretion may determine)
<b>“Election Form”</b>	means the election form enclosed with this Circular, where this Circular is sent to Shareholders who hold their Existing Ordinary Shares in certificated form, other than Restricted Shareholders
<b>“Election Period”</b>	means the period from the date of this Circular until the Election Deadline during which time Shareholders may make elections for one or more of the Share Alternatives
<b>“Equity Securities”</b>	means equity shares and securities convertible into equity shares
<b>“ESA Message”</b>	means a message through CREST to the Registrar in its capacity as escrow agent requesting a withdrawal of an interest in Existing Ordinary Shares from the escrow balance
<b>“Escrow Agent”</b>	means Nabarro LLP
<b>“Escrow Agreement”</b>	means the agreement dated 2 March 2015 between the Company, UBS and the Escrow Agent relating to the payment of funds into a deposit account entered into pursuant to the Purchase Offer Deed
<b>“Euroclear”</b>	means Euroclear UK & Ireland Limited, the operator of CREST (formerly known as CRESTCo Limited)
<b>“Existing Ordinary Shares”</b>	means the existing issued ordinary shares of par value 6 pence each in the capital of the Company
<b>“Extraordinary General Meeting”</b>	means the Extraordinary General Meeting of the Company (or any adjournment thereof) to be held at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP at 1.00 p.m. on 25 March 2015. For the convenience of Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company’s registered office, 4th Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group’s London office, 1 Great St. Helen’s, London EC3A 6HX.

<b>“F Share Issue”</b>	means the issue of the F Shares to certain of the holders of Existing Ordinary Shares (other than the Company in respect of Existing Ordinary Shares held in treasury) on 26 March 2015
<b>“F Share Purchase Date”</b>	means the date on which the purchase of the F Shares by UBS acting as principal (and not as agent, nominee or trustee) under the Purchase Offer is expected to take place, being 31 March 2015
<b>“F Shares”</b>	means the non cumulative F preference shares of par value 0.01 pence each in the capital of the Company carrying the rights and restrictions set out in the Bye-Laws and as described in Part 8 of this Circular
<b>“Form of Direction”</b>	means the form of direction enclosed with this Circular for use by Depositary Interest Holders in connection with the Extraordinary General Meeting
<b>“Form of Proxy”</b>	means the form of proxy enclosed with this Circular for use by Shareholders in connection with the Extraordinary General Meeting
<b>“FCA”</b>	means the Financial Conduct Authority
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000, as amended
<b>“GMT”</b>	means Greenwich Mean Time
<b>“Group”</b>	means the Company and its subsidiaries from time to time
<b>“HM Revenue &amp; Customs” or “HMRC”</b>	means Her Majesty’s Revenue & Customs
<b>“ISA”</b>	means an individual savings account
<b>“Listing Rules”</b>	means the listing rules made by the FCA for the purposes of Part VI of FSMA, as amended
<b>“London Stock Exchange”</b>	means the London Stock Exchange plc
<b>“Members”</b>	has the meaning set out in the Bye-Laws
<b>“New Ordinary Shares”</b>	means, following the Share Capital Consolidation, the new ordinary shares of par value 6.5 pence each in the capital of the Company
<b>“Non-UK Shareholder”</b>	means a Shareholder who is not resident in the UK or who is a citizen, resident or national of a country other than the UK. For the avoidance of doubt, a Shareholder who is not resident in the UK includes a Shareholder who is resident in the Channel Islands or the Isle of Man
<b>“NTA”</b>	means the net tangible assets of the Company
<b>“Official List”</b>	means the Official List maintained by the FCA for the purposes of Part VI of FSMA
<b>“Option Agreement”</b>	means the agreement dated 2 March 2015 between the Company and UBS containing the put option requiring the Company to purchase the F Shares purchased by UBS (as principal and not as agent, trustee or nominee) under the Purchase Offer, details of which are set out in Part 6 of this Circular
<b>“Ordinary Shares”</b>	means the Existing Ordinary Shares and the New Ordinary Shares, as the context requires
<b>“PEP”</b>	means a personal equity plan
<b>“PRA”</b>	means the Prudential Regulation Authority
<b>“Purchase Offer”</b>	means the offer expected to be made by UBS (acting as principal and not as agent, trustee or nominee) to purchase F Shares issued under the Capital Alternative for a consideration of 60

	pence per F Share, the terms of which are set out in Part 6 of this Circular
<b>“Purchase Offer Deed”</b>	means the deed dated 2 March 2015 between UBS and the Company in respect of the Purchase Offer, details of which are set out in Part 6 of this Circular
<b>“Record Date”</b>	means 25 March 2015 (or such later date as the Directors in their absolute discretion may determine)
<b>“Record Time”</b>	means 4.30 p.m. on the Record Date (or such later time as the Directors in their absolute discretion may determine)
<b>“Register of Members”</b>	means the Company’s register of members recording the names and addresses of the Company’s members, the date on which each person was registered as a member, the number and class of shares held by each member and the par value of each share
<b>“Registrar”</b>	means Capita Asset Services
<b>“Resolutions”</b>	means the resolutions set out in the notice of Extraordinary General Meeting contained in Part 14 of this Circular to implement the Return of Capital
<b>“Restricted Shareholder”</b>	means a Shareholder who has a registered address in the United States or Canada or is a resident, citizen of or located in the United States or Canada
<b>“Return of Capital”</b>	the E Share Issue and/or the F Share Issue and the Share Capital Consolidation
<b>“Rights Issue”</b>	means an offer or issue of Equity Securities (as defined in Bye-Law 6(g)(i) of the Company’s Bye-Laws) in connection with an offer to or in favour of holders on the Register of Members on a date fixed by the Directors where the Equity Securities respectively attributable to the interests of all those holders are proportionate (as nearly as practicable) to the respective number of shares held by them on that date but the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, legal or practical problems under the laws of or the requirements of any relevant regulatory body or stock exchange in, any territory or any matter whatsoever
<b>“SEC”</b>	means the US Securities and Exchange Commission
<b>“Share Alternatives”</b>	means the E Share Dividend and the Capital Alternative, or either of them as the context may require
<b>“Share Capital Consolidation”</b>	means the subdivisions and consolidation of the Existing Ordinary Shares to New Ordinary Shares and Deferred Shares in the manner set out in paragraph (d) of Resolution 1
<b>“Share Entitlement”</b>	means the entitlement of each Shareholder to be allotted one E Share or one F Share for each Existing Ordinary Share (other than the Company in respect of Existing Ordinary Shares held in treasury) held at the Record Time
<b>“Shareholders”</b>	means the holders of Existing Ordinary Shares, New Ordinary Shares, E Shares, F Shares or E Deferred Shares and Depositary Interest Holders, as the context may require
<b>“Share Plans”</b>	means The Hiscox Ltd Performance Share Plan, The Hiscox Ltd International Sharesave Scheme, The Hiscox Ltd UK Sharesave Scheme, The Hiscox Ltd Unapproved Share Option Scheme and The Hiscox Ltd UK Approved Share Option Scheme
<b>“TTE Instruction”</b>	means transfer to escrow instruction
<b>“UBS”</b>	means UBS Limited



<b>“UK”</b>	means the United Kingdom of Great Britain and Northern Ireland
<b>“United States” or “US”</b>	means the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia
<b>“US Securities Act”</b>	means the United States Securities Act of 1933 (as amended) and the rules and regulations promulgated thereunder

## PART 14

### NOTICE OF EXTRAORDINARY GENERAL MEETING

## Hiscox Ltd

*(Incorporated in Bermuda under number 38877)*

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Hiscox Ltd (the “**Company**”) will be held at 1.00 p.m. on 25 March 2015 at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP, and for the convenience of the Company’s Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company’s registered office, 4th Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group’s London office, 1 Great St. Helen’s, London EC3A 6HX (“**Notice**”) for the purposes of considering and, if thought fit, passing the following resolutions, resolutions 1, 3 and 4 as special resolutions of the Company and resolution 2 as an ordinary resolution of the Company:

#### SPECIAL RESOLUTION 1

1. That, conditional upon the New Ordinary Shares (as defined below) being admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities by 8.00 a.m. on 26 March 2015 (or such later time and/or date as the Directors may in their absolute discretion determine):
  - (a) in accordance with Bye-Law 117 of the Company’s Bye-Laws the Directors be and are hereby authorised to capitalise a sum not exceeding £32,000 standing to the credit of the Company’s share premium account and to apply such sums in paying up in full up to 320,000,000 E Shares of par value 0.01 pence each (the “**E Shares**”) and up to 320,000,000 F Shares of par value 0.01 pence each (the “**F Shares**”), each having the rights and being subject to the restrictions as set out in the Bye-Laws to be adopted pursuant to paragraph (e) of this resolution;
  - (b) in accordance with Bye-Law 5(b) of the Company’s Bye-Laws the Directors be authorised to allot and issue credited as fully paid up 320,000,000 E Shares and 320,000,000 F Shares up to an aggregate nominal amount of £32,000 from the authorised share capital of the Company to the holders of the ordinary shares of par value 6 pence each in the capital of the Company (the “**Existing Ordinary Shares**”) on the basis of one E Share or one F Share for each Existing Ordinary Share (other than any Existing Ordinary Share held in treasury) held and recorded on the register of members of the Company at 4.30 p.m. on 25 March 2015 (or such later time and/or date as the Directors may in their absolute discretion determine) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 24 March 2016, provided further that the Company may, before this authority expires, make an offer or agreement which would or might require such E Shares and/or F Shares to be allotted after it expires and the Directors may allot such E Shares and/or F Shares in pursuance of such offer or agreement as if it had not expired;
  - (c) in accordance with Bye-Law 8(a) of the Company’s Bye-Laws each of the 400,000,000 unissued shares in the capital of the Company of par value 50 pence each be and is hereby subdivided into 10 shares of par value 5 pence each and forthwith upon such subdivision every 13 shares of par value 5 pence each arising from such subdivision be and are hereby consolidated into ten new ordinary shares of par value 6.5 pence in the capital of the Company (the “**New Shares**”) and the remainder of the authorised share capital of the Company be available for issue by the Company in such manner and denominations as the Directors may determine at the time of issue provided that if as a result of such subdivision and consolidation a fraction of a New Share arises, such

fraction shall, so far as possible, be aggregated with all other fractions of a New Share (if any) and to the extent not possible, such fractions shall be ignored in determining the number of New Shares available for issue from the authorised share capital of the Company. The New Shares shall rank *pari passu* with the ordinary shares in the capital of the Company and shall have all the rights and be subject to the restrictions as set out in the Bye-Laws to be adopted pursuant to paragraph (e) of this resolution;

- (d) in accordance with Bye-Law 8(a) of the Company's Bye-Laws each Existing Ordinary Share as shown in the register of members of the Company (including any Existing Ordinary Share held in treasury and each unissued ordinary share in the capital of the Company of par value 6 pence each) at 4.30 p.m. on 25 March 2015 (or such later time and/or date as the Directors may in their absolute discretion determine) be and is hereby subdivided into 88 shares of par value 6/88 pence each and forthwith upon such subdivision every 100 shares of par value 6/88 pence each arising from such subdivision be and are hereby consolidated into one new share of par value 6 72/88 pence and forthwith upon such consolidation each such new share be subdivided into one new ordinary share of par value 6.5 pence in the capital of the Company (together with the New Shares hereinafter referred to as the "**New Ordinary Shares**") and one new deferred share of par value 28/88 pence, having the rights and restrictions set out in Bye-Law 4(D) of the new Bye-Laws to be adopted under paragraph (e) of this Resolution (the "**Deferred Shares**"), provided that if as a result of such consolidation and subdivision any member is entitled to a fraction of a New Ordinary Share, such fraction shall, so far as possible, be aggregated with the fractions of a New Ordinary Share (if any) to which other members of the Company would be similarly so entitled and, in accordance with Bye-Law 8(c) of the Company's Bye-Laws, the Directors be and they are hereby authorised to sell (or appoint any other person to sell) the New Ordinary Shares representing the fractions to any person and distribute the net proceeds of sale in due proportion among those members (except that any proceeds in respect of any holding less than £5 shall be retained for the benefit of the Company and the relevant member shall not be entitled thereto) and for the purpose of implementing the provisions of this paragraph any Director (or any person appointed by the Directors) shall be and is hereby authorised to transfer or to execute one or more instruments of transfer in respect of such New Ordinary Shares on behalf of the relevant member(s) and to do all acts and things as the Directors consider necessary or desirable to effect the transfer of such New Ordinary Shares to, or as directed by, the purchaser thereof, who shall not be bound to see the application of the purchase money and the title of the new member to any of such New Ordinary Shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale or transfer;
- (e) the Bye-Laws of the Company set out in the printed document produced to the meeting marked "A" and initialled for the purpose of identification by the Chairman be and are hereby adopted as the Bye-Laws of the Company in substitution for and to the exclusion of the Bye-Laws existing at the time of this resolution, it being noted that such Bye-Laws are subject to automatic amendment upon the cancellation of all of the E Shares, F Shares, E Deferred Shares and Deferred Shares (as defined in such Bye-Laws);
- (f) in accordance with Bye-Law 9 of the Company's Bye-Laws: (i) the terms and entry into by the Company of the contract dated 2 March 2015 between UBS Limited ("**UBS**") and the Company (a copy of which is produced to the meeting and initialled for the purposes of identification by the Chairman) under which UBS will be entitled to require the Company to purchase F Shares from UBS (the "**Option Agreement**") be and is hereby approved; and (ii) the Company is generally and unconditionally authorised to purchase such F Shares in accordance with, and for the purchase price set out in, the Option Agreement and to purchase the E Deferred Shares and the Deferred Shares in accordance with the rights and restrictions attaching to such shares, provided that the authority hereby conferred under this resolution, shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 24 March 2016; and
- (g) that the Directors be and are hereby authorised to do all acts and things they may consider necessary or desirable to give effect to this Resolution 1 and to satisfy any entitlement to E Shares and/or F Shares howsoever arising.

## ORDINARY RESOLUTION 2

2. That subject to the passing of Resolution 1 and to such Resolution becoming unconditional in accordance with its terms:
- (a) in accordance with Bye-Law 5(b) of the Company's Bye-Laws:
    - (i) the Directors be authorised to allot and issue Relevant Securities up to an aggregate nominal amount of £6,086,623; and further
    - (ii) the Directors be authorised to allot and issue Relevant Securities up to an additional aggregate nominal amount of £6,086,623 in connection with a Rights Issue;
  - (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 24 March 2016, provided that the Company may, before this authority expires, make an offer or agreement which would or might require Relevant Securities to be allotted after it expires and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if it had not expired; and
  - (c) all previous unutilised authorities under Bye-Law 5 of the Company's Bye-Laws shall cease to have effect (save to the extent that the same are exercisable pursuant to Bye-Law 5(h) by reason of any offer or agreement made prior to the date of this resolution, which would or might require Relevant Securities to be allotted on or after that date).

For the purposes of this Resolution 2:

- a. 'Relevant Securities' has the meaning given to it in Bye-Law 5(c) of the Company's Bye-Laws; and
- b. 'Rights Issue' means an offer or issue of Equity Securities (as defined in Bye-Law 6(g)(i) of the Company's Bye-Laws) in connection with an offer to or in favour of holders on the Register of Members on a date fixed by the Directors where the Equity Securities respectively attributable to the interests of all those holders are proportionate (as nearly as practicable) to the respective number of shares held by them on that date but the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, legal or practical problems under the laws of or the requirements of any relevant regulatory body or stock exchange in, any territory or any matter whatsoever.

## SPECIAL RESOLUTION 3

- 3 That subject to the passing of Resolution 2 above and to such Resolution becoming unconditional in accordance with its terms:
- (a) in accordance with Bye-Law 7(a) of the Company's Bye-Laws the Directors be given power to allot for cash Equity Securities (as defined in Bye-Law 6(g)(i) of the Company's Bye-Laws) pursuant to the general authority conferred on them by the resolution passed under Bye-Law 5 (Ordinary Resolution 2 above) as if Bye-Law 6 of those Bye-Laws did not apply to the allotment but this power shall be limited:
    - (i) to the allotment of Equity Securities in connection with an offer or issue (but in the case of the authority granted under Ordinary Resolution 2(a)(ii) by way of a Rights Issue only) to or in favour of holders on the Register of Members on a date fixed by the Directors where the Equity Securities respectively attributable to the interests of all those holders are proportionate (as nearly as practicable) to the respective numbers of shares held by them on that date but the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, legal or practical problems under the laws of, or requirement of any relevant regulatory body or stock exchange in, any territory or any matter whatsoever; and
    - (ii) to the allotment (other than under (i) above) of Equity Securities having a par value amount not exceeding in aggregate £949,160;

- (b) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or if earlier, on 24 March 2016, but not after the expiry of the authority conferred in the Directors by Bye-Law 5 of the Company's Bye-Laws;
- (c) all previous authorities under Bye-Law 7 of the Company's Bye-Laws shall cease to have effect; and
- (d) the Company may, before this power expires, make an offer or agreement which would or might require Equity Securities to be allotted after it expires and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if it has not expired.

## **SPECIAL RESOLUTION 4**

- 4 That subject to the passing of Resolution 1 and to such Resolution becoming unconditional in accordance with its terms, in accordance with Bye-Law 9(a) of the Company's Bye-Laws, the Company is generally and unconditionally authorised to make market purchases of its New Ordinary Shares (as defined in Special Resolution 1) on such terms and in such manner as the Directors may determine provided that:
- (a) the maximum number of New Ordinary Shares that may be purchased under this authority is 28,092,107;
  - (b) the maximum price which may be paid for any New Ordinary Shares purchased under this authority (exclusive of expenses payable by the Company in connection with the purchase) shall not be more than the higher of an amount equal to 5 per cent above the average of the middle market of the prices showing in the quotations for the New Ordinary Shares on the London Stock Exchange Daily Official List for the five Business Days immediately preceding the day on which that New Ordinary Share is purchased and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003 and subject to the minimum price which may be paid being the par value of that New Ordinary Share (exclusive of expenses payable by the Company in connection with the purchase);
  - (c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or if earlier, on 24 March 2016, unless renewed before that time;
  - (d) the Company may make a contract or contracts to purchase New Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority and may make a purchase of shares in pursuance of any such contract; and
  - (e) all existing authorities for the Company to make market purchases of shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has not yet been executed.

3 March 2015

By order of the Board

Jeremy Pinchin  
*Company Secretary*

*Registered office:*

4th Floor  
Wessex House  
45 Reid Street  
Hamilton HM12  
Bermuda



**Notes:**

1. Every Shareholder has the right to appoint some other person(s) of their choice, who need not be a Shareholder as his proxy to attend, speak and vote on their behalf at the meeting. A Shareholder entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies (who need not be Shareholders) to attend, speak and vote on his or her behalf. A Shareholder may appoint more than one proxy in relation to the Extraordinary General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. In order to be valid, any appointment of proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority) must be undertaken in accordance with these notes and the notes set out on the accompanying Form of Proxy and returned in hard copy form by post, by courier or by hand, to the Company's registrars' UK agent, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF UK, not later than 1.00 p.m. on 23 March 2015.
2. The Extraordinary General Meeting will be held at 1.00 p.m. on 25 March 2015 at Hadsley House, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP. For the convenience of Shareholders, they may attend the Extraordinary General Meeting via a video link at the Company's registered office, 4th Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda (at 10.00 a.m. Bermuda time) and at the Group's London office, 1 Great St. Helen's, London EC3A 6HX.
3. Return of the Form of Proxy or Form of Direction or a Proxy Instruction Form will not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person.
4. In accordance with Bye-Law 41 of the Company's Bye-Laws, only those members entered on the Register of Members of the Company as at 4.30 p.m on 23 March 2015 as appointed Depositary Proxies shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their name (or the depositary as the case may be) at that time. Changes to entries on the Register of Members after 4.30 p.m. on 23 March 2015 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. A Depositary Interest Holder who is a CREST member and who wishes to appoint, or to give instruction to, the depositary through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). 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. 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 the issuer's agent (ID RA10) by 1.00 p.m. on 20 March 2015. 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 the issuer's agent 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. 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. Normal system timings and limitations will, therefore, 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, to procure that his 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. 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.

6. As at 27 February 2015 (being the last practicable Business Day prior to the publication of this Notice) the Company's issued share capital is 331,874,127 ordinary shares carrying one vote each of which 12,645,632 are held in treasury representing 3.81 per cent of the Existing Ordinary Shares in issue. Therefore total exercisable voting rights in the Company as at 27 February 2015 is 319,228,495.
7. Copies of the following documents will be available for inspection at the registered office of the Company, 4<sup>th</sup> Floor, Wessex House, 45 Reid Street, Hamilton HM12, Bermuda and the offices of Hiscox plc, 1 Great St. Helen's, London EC3A 6HX during normal business hours only until the conclusion of the Extraordinary General Meeting and at the place of the Extraordinary General Meeting from 12 noon. UK time and 9.00 a.m. Bermuda time until its conclusion: (i) the existing Bye-Laws of the Company; (ii) the Bye-Laws of the Company proposed to be adopted at the Extraordinary General Meeting, showing the amendments to the Company's existing Bye-Laws; (iii) the Option Agreement; (iv) the written consent of UBS referred to in paragraph 1 of Part 12; and (v) a copy of this Circular.
8. If your address information is incorrect, you should call the Shareholder helpline on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10.0 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Share Alternatives nor give any financial, legal or tax advice.
9. Depositary Interest Holders who do not lodge their voting instructions via CREST Electronic Proxy Appointment Service may submit a Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU UK by 1.00 p.m. on 20 March 2015.





