



Grant Thornton

An instinct for growth™

The Directors
Standard Life Assets and Employee Services Limited
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU
T +44 (0)20 7383 5100
F +44 (0)20 7184 4301

15 March 2019

Dear Sirs,

Proposed Scheme to transfer a block of life insurance business from Standard Life Assurance Limited (“SLAL”) to Standard Life International Designated Activity Company (“SLIntl”).

In my capacity as Independent Expert, I prepared a report (“my Report”) dated 19 September 2018, in which I considered the impact of the Scheme and the associated reinsurance arrangements (collectively, the “Transfer”), and I concluded that no class of policyholder of SLAL or SLIntl will be materially adversely affected as a result of the Transfer. I also prepared a supplementary report (“my Supplementary Report”) dated 11 March 2019, in which I considered developments that had occurred since I issued the Report, and the impact that these might have on the conclusions from my Report. Amongst other things, I considered more recent financial information, and the concerns expressed by policyholders and other interested parties regarding the Transfer. I stated that the conclusions from my Report remained valid in light of the updated information.

The purpose of this letter is to provide an update on developments that have occurred since I issued my Supplementary Report, and the effect that these might have on the conclusions that I set out in my Report and my Supplementary Report. In particular, I consider below: (a) more recent financial information that I have seen; (b) concerns raised by policyholders and other interested parties, that I have seen since I issued my Supplementary Report; and (c) an update to the anticipated timing of aspects of the changes to the structure of the Phoenix group of companies that I discussed in my Supplementary Report. I also comment on the recent developments in the Brexit negotiations and the impact that these have on my conclusions.

The capitalised terms that I use in this letter have the same meaning as those defined in my Report and my Supplementary Report.

(a) More recent financial information

I requested that Standard Life continue to provide me with regular updates on the capital positions of SLAL and SLIntl up until the date of the Final Court Hearing. Since issuing my Supplementary Report, I have been provided with confidential capital monitoring information for SLAL, and I have had discussions about the development of SLIntl’s capital position. There have not been significant changes in the capital positions that have led me to reconsider my conclusions.

(b) Concerns raised by policyholders and other interested parties

Since I issued my Supplementary Report, SLAL has continued to provide me with updates on the responses received from policyholders (and other parties) in relation to the Transfer. In my

Supplementary Report, I commented on and considered the responses received up to and including 27 February 2019. As at 27 February 2019, SLAL had received 4,963 letters, emails and phone calls from policyholders (and other interested parties) relating to the Transfer, of which 346 have been classified by SLAL as objections. Since 27 February 2019 and up to 11:00am GMT on 15 March 2019, SLAL has received an additional 41 letters, emails and phone calls from policyholders (and other interested parties) relating to the Transfer, and SLAL has classified 9 of these as objections. SLAL has categorised these 9 new objections as:

- the loss of FSCS protection (6 objections)
- no explicit reason stated (3 objections)

I have reviewed these new objections, and I am satisfied that they do not raise new concerns that I did not already consider when preparing my Supplementary Report.

(c) Update to the anticipated timing of aspects of the changes to the structure of the Phoenix group of companies

In my Supplementary Report I explained that various changes were being made to the structure of the Phoenix group companies, and I described these changes and stated when they had occurred or were expected to occur. I stated (in paragraph 3.5) that:

“The change to move SLAL is expected to be implemented in March 2019, prior to the Effective Date. The move of SLAL is part of a strategy to simplify the corporate structure of the Phoenix group of companies.”

Since I issued my Supplementary Report, I understand that there have been discussions about the timing of the change to move SLAL, and it is currently uncertain whether this change will occur prior to the Effective Date, or soon after the Effective Date. Whether SLAL is a subsidiary of PGH or of the Ultimate Parent at the Effective Date does not impact my conclusions: I considered the position of SLAL as a subsidiary of PGH in my Report, and the position of SLAL as a subsidiary of the Ultimate Parent in my Supplementary Report.

Update on Brexit negotiations

Since I issued my Supplementary Report, the Brexit negotiations between the UK government and the European Union have continued, and members of the UK parliament have voted on various aspects of Brexit. There is still considerable uncertainty around both the timing and nature of Brexit, and there have not been developments that give certainty on the future servicing by UK insurance companies of business written in the European Union, outside of the UK. Therefore, SLAL's rationale for the Transfer (i.e. to provide certainty over the servicing of the Transferring Business), remains relevant.

Conclusion

In summary, having considered the developments and updated information discussed in this letter, I am satisfied that the conclusions I reached in my Report and my Supplementary Report remain valid.

Yours sincerely



Tim Roff

Partner