Our plans for Brexit

Proposal to transfer some policies to Standard Life International

Standard Life

In Standard Life, customers have been at the heart of our business for over 180 years. We're proud of what we do. We look after people's life savings, and we appreciate the privilege.

We can't predict how Brexit negotiations will unfold but we can provide you with certainty about the future of your policy with Standard Life. Since the results of the Brexit referendum, our priority has been to ensure continuity of service for our customers. The most effective way we can do this is to apply to transfer our EU customers from our UK company Standard Life Assurance Limited to Standard Life International dac, based in Dublin, Ireland.

We'll ensure that if approved, the transfer will be carried out seamlessly. You won't experience any disruption, and as always, if you want to contact us we're here to help.

Our Brexit strategy has been designed to meet our customer's needs, to provide you with certainty when you need it. You will continue to be a valued customer of Standard Life, and we will continue to provide you with the service you have come to expect.

Nigel Dunne
CEO Standard Life International

You should read this booklet as it outlines our Proposal for the Euro denominated policies we manage following the UK's withdrawal from the EU (Brexit).

We're proposing to transfer some of our policies, including all of our Irish, German and Austrian policies, to our Irish insurer, Standard Life International. We're also proposing to put in place arrangements to ensure you continue to receive the same excellent service as you do today. This booklet includes key information you need to know about the process, and your options.

We've listed the other documents that provide you with more information to help you understand the Proposal. These are included in Part 9 of this booklet. This part tells you where you can view this material or you can go to standardlife.eu Throughout this booklet, we've highlighted specific parts that give you more details.

An Independent Expert has reviewed this Proposal and a summary of their report is included in this booklet.

We've marked specific terms you need to know in bold. You can find out what they mean in the Definitions part (Part 7 of this booklet).

How to get in touch

You can access all of the documents and other information online at **standardlife.eu**

If you have any questions about the Proposal, contact our dedicated helpline on one of the numbers below.

You will need your reference number from the top of the letter you received with this booklet.

Please note: The helpline team cannot provide financial advice.

All lines are open Monday to Friday 09:00 – 17:00 (local time).

If you're calling from the countries below please use the Freephone number shown. Please note calls from other countries will be charged:

Germany:	**0800 0713522**
Austria:	**0800 909455**
Ireland:	**1800 719841**
UK:	**0345 8508861**

If you're calling from outside of these countries please use the following numbers. Please note calls to these numbers will be charged:

Germany:	**00 44 131 246 8381**
Austria:	**00 44 131 246 8381**
Ireland:	**00 44 131 246 8380**
UK:	**00 44 131 246 8380**

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What to do

1 Read this booklet – it includes a Q&A part and a summary of the Independent Expert's report

If you're happy with our Proposal you don't need to do anything

2 Go online to keep up to date or object to the Proposal at **standardlife.eu**

1 Summary of the Changes

This part tells you how we plan on completing our **Proposed Transfer**. It will help you understand why we're doing this and when we expect things to happen.

Standard Life Assurance currently writes Euro-denominated insurance business in several non-UK European territories namely Germany, Ireland[1] and Austria (our **Euro Business**). The EU principles of Freedom of Services and Freedom of Establishment (often called **EU Passporting Rights**) made this possible.

On 23 June 2016, the UK voted to leave the EU and this is scheduled to happen on 29 March 2019. It's expected that the UK will lose EU Passporting Rights after **Brexit**. As a UK insurance company this directly affects us and we want to protect the interests of policyholders who have policies written under EU Passporting Rights, so we're proposing to restructure our Euro Business ahead of Brexit.

Our Proposal

We expect that UK financial services companies will lose EU Passporting Rights after Brexit. If we took no action, it's likely that Standard Life Assurance wouldn't be able to continue to service the policies we've already written, or to sell new business in the EU. This would have a significant detrimental impact on the policyholders of our existing Euro Business.

To prevent this, Standard Life Assurance has developed the Proposal, to allow us to continue to serve our customers post-Brexit.

The Proposed Transfer is the movement of our Euro Business to **Standard Life International**. This is an Irish subsidiary of Standard Life Assurance based in Dublin. Standard Life International is authorised and regulated by the Central Bank of Ireland (the **CBI**).

Our Proposal will allow us to continue to service your policy and protect the service we provide you.

Legal and Regulatory requirements

To do this, we must follow the legal process set out in key legislation that regulates our business: Part VII of the Financial Services and Markets Act 2000. This process includes submitting our Proposal to the **Court** for approval.

Our UK regulators also review the proposal and have the opportunity to object where they disagree. The Prudential Regulation Authority (the **PRA**) in the UK will consult with the Financial Conduct Authority (**FCA**) in the UK as well as the relevant EU Regulators, such as the Bundesanstalt für Finanzdienstleistungsaufsicht (**BaFin**), Finanzmarktaufsicht (**FMA**) and the CBI, who will have the opportunity to review the Proposal and have their views taken into account. An **Independent Expert**, approved by our UK regulators, has assessed the Proposal, considered the impact on policyholders and provided an independent report, summarised in Part 4 of this booklet.

Independent Expert

The Independent Expert, Tim Roff, is a Fellow of the Institute and Faculty of Actuaries. He is independent of the companies involved in the Scheme.

The PRA and the FCA have approved his appointment.

You can see a Summary of the Independent Expert's Report including details of his conclusions in Part 4 of this booklet.

To make these changes we have produced a **Scheme** which sets out the terms of the Proposed Transfer. The Proposal is complex and is outlined in Part 3 (Summary of the Proposal). We won't go ahead unless the Court approves all aspects of the Proposal.

If the Court approves the Proposal, Standard Life International will become the insurer for our Euro Business. You can find more information about the process for getting the Court's approval for the Proposal and the process for Implementing the Proposal in Part 5.

Please note, not all of Standard Life Assurance's policies are affected. You can find more information about which policies will be affected in Part 2.

[1] Ireland refers to Republic of Ireland throughout this booklet.

Next Steps

Please take the time to read this booklet. There are also some Questions and Answers in Part 8 of this booklet, and other supporting documents on our website **standardlife.eu**

Anyone who believes they may be adversely affected by the Proposal has the right to be heard by the Court before the Court makes its decision. You can find out more about how to do this in the process for Implementing the Proposal in Part 5.

If you have no objections to the Proposed Transfer, you don't need to tell us or take any further action.

Proposed Timeline

September 2018
Initial Court hearing

October 2018
Impacted policyholders will receive a letter

February 2019
Final Court hearing

Early 2019
Transferring policies will move to Standard Life International

2 How this affects your policy

Not all of our policyholders will be directly affected by the Proposal. This part explains which policies we are proposing to transfer to Standard Life International.

We're proposing to transfer Standard Life Assurance's Euro Business to Standard Life International. Any Standard Life Assurance policies which don't form part of the Euro Business will not be transferring. These will stay with Standard Life Assurance.

We don't anticipate that there will be any significant change to the way we do business with any of our policyholders.

You won't notice any difference to the day to day management of your policy. Your policy number, payments and claims under your policy, insurance premiums and charges as well as the way your policy is administered won't change. The policy will still be administered in Ireland or Germany, as it always has been.

Identifying your policy

Transferring Policies: Policies where premiums or claims are paid in Euros will be transferring under the Scheme to Standard Life International.

International Bonds: Standard Life International has written and will continue to write policies in its own name. Current International Bond policies will remain with Standard Life International and won't transfer.

Remaining Policies: Policies issued by Standard Life Assurance where premiums or claims are paid in Pounds stay with Standard Life Assurance and won't transfer.

Which company will manage your policy?

Transferring Policies

This is all our Irish, German and Austrian policies where premiums or claims are paid in Euros.

The Proposal means that the provider of your policy will change. Standard Life International will take on all the rights and obligations of Standard Life Assurance under the policy. The Proposal doesn't affect any guaranteed benefits you may have under your policy. If your policy participates in a Standard Life Assurance **With Profits Fund**, the **reinsurance arrangements** described in Part 3 will allow you to continue to participate in the performance of those With Profits funds.

The Independent Expert has concluded that, in his opinion, there will be no material adverse effect on the security of benefits or the future benefit expectations of the transferring policyholders and that there will be no material impact on the governance or service standards. You can read more in Part 4 which contains a summary of the Independent Expert's Report.

International Bonds

Your policy will stay with your existing provider (Standard Life International) after the UK leaves the EU.

Remaining Policies

If your policy is provided by Standard Life Assurance in the UK, and premiums or claims are paid in Pounds, there's no change.

Financial Services Compensation Scheme (FSCS)

The FSCS is the UK's statutory compensation fund for customers of most financial services firms authorised under Financial Services and Markets Act 2000 (**FSMA**). Broadly speaking, this guarantees 100% of claims payments under life insurance policies written by UK-based insurers if they become insolvent.

The Proposal may affect whether your policy is covered by the FSCS. In some cases, cover will be lost. This means that in the event of Standard Life International's insolvency you will not be able to claim compensation from the FSCS for any financial loss.

Transferring Policies

Many policyholders of Standard Life Assurance, who took out a policy after 1 December 2001, currently benefit from FSCS protection.

Once policies from Standard Life Assurance have transferred to Standard Life International, policyholders won't benefit from this protection anymore. There's no equivalent protection in Ireland where Standard Life International is based.

This means that in the unlikely event that Standard Life International becomes insolvent and unable to pay claims against it, there would be no statutory compensation fund available to pay compensation.

The Independent Expert's Report notes that both Standard Life Assurance and Standard Life International are well capitalised entities. In the Independent Expert's opinion, the insolvency of these two entities is a remote possibility.

International Bonds

If you have an existing International Bond, and are currently eligible to access cover based on the rules and scheme offered by the UK FSCS[1], your eligibility will not be affected by the Proposal.

Remaining Policies

If your policy is provided by Standard Life Assurance in the UK with premiums and claims paid in Pounds, you'll keep your cover from the UK FSCS.

Summary of changes

Policies	Company		FSCS Protection	
	Pre-Effective Date	Post-Effective Date	Pre-Effective Date	Post-Effective Date
Transferring Policies	Standard Life Assurance	Standard Life International	✔	✖
International Bonds	Standard Life International	Standard Life International	✔[1]	✔[1]
Remaining Policies	Standard Life Assurance	Standard Life Assurance	✔	✔

[1] The rules which outline eligibility are set by the FSCS and could be subject to change in the future.

The Independent Expert considers the loss of the FSCS on point 6.20 on page 13.

Ombudsman Services

Transferring Policies

Currently, if you have a complaint and this cannot be resolved in your contact with Standard Life you have the right to refer your complaint to a relevant independent party.

This will not change once the transfer occurs. If you currently have the right to direct complaints concerning your policy to the UK Financial Ombudsman Service (**FOS**) then you will continue to be able to do so for complaints which relate to circumstances prior to the Effective Date. In this situation, Standard Life International will adhere to the Dispute Resolution rules of the FCA Handbook. If you have a complaint concerning your policy which relates to circumstances after the Effective Date you should direct it to the Financial Services and Pensions Ombudsman (**FSPO**) in Ireland. Unlike the UK FOS, the FSPO will not consider complaints made more than six years after the policy was terminated.

For policyholders in Germany complaints can also be made to the Versicherungsombudsmann and the BaFin. Policyholders in Austria can address their complaint to the BaFIN, the FMA or the Verband der Versicherungsunternehmen Österreichs (**VVO**).

International Bonds

The FSPO in Ireland continues as the independent complaints service.

Remaining Policies

Your coverage by the UK FOS will not be affected by the Proposal, because your provider won't change.

The above entitlements are separate to your right to object to the Proposal. This is explained in Part 5 of this booklet.

Contact details of the appropriate authorities following transfer of insurance contracts:

Ireland

Financial Services and Pensions Ombudsman
Lincoln House, Lincoln Place,
Dublin 2,
D02 VH29

Phone number: +353 1567 7000

Email: info@fspo.ie

Austria

Austrian Financial Market Authority (FMA)
Consumer Information & Complaints
Otto-Wagner-Platz 5, A-1090 Vienna

Phone number: +43 1 24959 3444

Website: www.fma.gv.at/en/contact

Germany

Schlichtungsstelle bei der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Referat ZR 3
Graurheindorfer Straße 108, DE – 53117 Bonn

Phone number: +4922829970299

Email: schlichtungsstelle@bafin.de

3 Summary of the Proposal

This part contains a summary of the business transfer Scheme. This forms part of the wider Proposal to restructure Standard Life's Euro Business.

Introduction

Standard Life Assurance is proposing to transfer Euro-denominated policies to Standard Life International. We'll do this through a single insurance business transfer scheme (the **Scheme**). The Scheme must be approved by the Court.

Standard Life Assurance is party to two existing insurance business transfer schemes. They originally became effective on 10 July 2006 (the **2006 Scheme**) and on 31 December 2011 (the **2011 Scheme**). The Scheme also makes some necessary changes to these (the **Proposed Variations**).

This part summarises the effect of the Scheme, including the changes to the 2006 and 2011 Schemes. You can find full details of the Scheme in the complete version which can be obtained free of charge online at **standardlife.eu**

Part 9 of this document also contains details of our offices where copies of the Scheme will be available.

Background of Standard Life Assurance and Standard Life International

Standard Life Assurance and Standard Life International are both members of the Phoenix Group.

The Life Insurance Company of Scotland was established in 1825, changing its name to The Standard Life Assurance Company in 1832. It began as a partnership and was converted to a limited company in 1910. In 1925, after a century of expansion, both in the UK and overseas, Standard Life Assurance Company was converted to a mutual.

On 10 July 2006, Standard Life Assurance Company demutualised and substantially all of its long-term business was transferred to its new parent life insurance company, Standard Life Assurance.

Since this date, Standard Life Assurance has continued to grow and has a number of wholly owned subsidiaries (including Standard Life International). It continues to operate in the EU through its branches in Germany and Ireland as well as its sales office in Austria.

Standard Life International sells the International Bond, mostly to customers in the UK.

Standard Life Assurance currently transacts long-term life insurance business in the UK as well as in Germany, Ireland and Austria through its EU Passporting Rights.

We are proposing to transfer Standard Life Assurance's Euro-denominated policies (the Transferring Policies) to Standard Life International, through the Scheme.

Standard Life International is an Irish insurance company subsidiary of Standard Life Assurance based in Dublin. Standard Life International is authorised and regulated by the CBI in accordance with Irish supervisory law. There are EU wide regulatory requirements which have to currently be applied in Ireland, as well as in the UK, Germany and Austria. This obliges insurers in Ireland, including Standard Life International, to record assets which are set aside to meet their liabilities to policyholders. In the unlikely event of an insolvency, and subject to very limited exceptions, policyholders have first call on these assets before they can be used to meet any other claim. After the Proposed Transfer, Standard Life International will continue to be a well-regulated and well capitalised company.

Effect of the Scheme

We intend the Scheme to transfer only the Transferring Policies from Standard Life Assurance to Standard Life International. Standard Life Assurance's other policies won't transfer.

From the **Effective Date**, any rights and obligations associated with the Transferring Policies (including paying benefits to policyholders) will automatically transfer from Standard Life Assurance to Standard Life International. If an automatic transfer is not possible for any reason, the transfer will happen as soon as possible after the Effective Date.

The main change to the terms and conditions of any Transferring Policies will be to substitute Standard Life Assurance for Standard Life International as the new provider.

This Proposal does not affect any guaranteed benefits you may have under your policy. If your policy participates in a Standard Life Assurance with profits fund, the reinsurance arrangements described below will allow you to continue to participate in the performance of that with profits fund.

The Scheme allows Standard Life International to open new property linked funds or close, divide, amalgamate, reinsure or transfer existing property linked funds if the Standard Life International Board has taken appropriate actuarial advice and it is in compliance with regulatory requirements. This requirement for advice, in particular, goes beyond the requirements which typical Standard Life Assurance policies include. If there is a restriction in your policy on amalgamating or dividing property linked funds (or on any combination of opening, closing, amalgamating or dividing property linked funds) Standard Life International will comply with this.

Any legal action, relating to the Transferring Policies, which is currently in progress will be continued by or against Standard Life International from the date the Proposed Transfer goes ahead. Standard Life International would therefore be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to Standard Life Assurance.

In accordance with the 2006 Scheme, a proportion of the costs of the Proposal will be met by the **Heritage With Profits Fund (HWPF)**. The remaining costs will be paid by the shareholders of Standard Life Assurance.

Reinsurance arrangements

Alongside the Scheme, Standard Life Assurance and Standard Life International will enter into reinsurance arrangements to apply to all Transferring Policies currently participating in Standard Life Assurance's With Profits Funds.

These arrangements aim to materially maintain the position of holders of Transferring Policies, Remaining Policies and International Bonds (especially those policies with a with profits element) after we've implemented the Scheme by allowing the Standard Life Assurance With Profits Funds to be managed on the same basis as they are currently.

Deed Polls

To provide additional protections to the holders of Transferring Policies, Standard Life International will issue **Deed Polls**, governed by Irish law. The Deed Polls are legal documents which set out Standard Life International's obligations to its policyholders and sit alongside the contractual obligations already in place. Furthermore, the Deed Polls would be backed up by an undertaking to the Court by Standard Life International. The Deed Polls are an additional instrument to seek to ensure that policyholders remain in the same economic position after the Proposed Transfer as they are in today.

The Deed Polls can be enforced by any beneficiary and, in the case of this Proposal, that would include the relevant Standard Life International policyholders.

Amendments to the 2006 Scheme and the 2011 Scheme

On 10 July 2006, Standard Life Assurance Company, a mutual insurance company, demutualised and substantially all of the long-term business was transferred, under the 2006 Scheme, to its new parent life insurance company, Standard Life Assurance.

Standard Life Investment Funds Limited's insurance business (consisting mainly of reinsured business from Standard Life Assurance) was transferred to Standard Life Assurance under the 2011 Scheme as part of a company restructure.

The Scheme will also make certain amendments to the 2006 Scheme and the 2011 Scheme to reflect the impact of the arrangements described above on them. This means the position of policyholders of Standard Life Assurance and Standard Life International is materially maintained after we've implemented the Scheme.

Taxation Considerations for Transferring Policies

The transfer itself does not have any impact on customers with Irish, German or Austrian policies. After the transfer, some policies invested in UK funds, where those UK funds are not owned by Standard Life Assurance following the reinsurance agreements, will lose UK tax credits that they had previously. These tax credits gave a refund of tax payable by the investment fund in the UK. The fund will be held by an Irish company after the transfer, so the UK tax credit doesn't apply.

A small number of customers who have a German or Austrian policy but have moved to Ireland will not benefit from an exemption from exit tax applicable to a non-resident policyholder upon a deemed encashment or surrender of their policy. They may have to pay extra tax in Ireland and we recommend that if you're affected you take professional tax advice.

If you're an existing Standard Life International policyholder or a current UK Standard Life Assurance policyholder, there are no tax impacts as a result of the Proposed Transfer.

If you require more information, please visit **standardlife.eu** or contact us using the details in the back of this booklet.

4 Independent Expert Summary Report

The Independent Expert has reviewed the Proposal. This section contains a summary of his report.

Grant Thornton
An instinct for growth™

Summary of the Report of the Independent Expert on the proposed Scheme to transfer a block of life insurance business from Standard Life Assurance Limited to Standard Life International Designated Activity Company.

Prepared by Tim Roff FIA

19 September 2018

Contents

1 Introduction

1.1 The purpose of this document is to provide policyholders and other interested parties with a summarised version of my report as Independent Expert on the proposed transfer of long term insurance business from Standard Life Assurance Limited ("SLAL") to Standard Life International Designated Activity Company ("SLIntl"). The transfer of business will be carried out using a legal process, known as a "Part VII Transfer", with the details set out in a legal document referred to as the "Scheme".

1.2 The Scheme will be submitted to the Court of Session in Scotland (the "Court") for sanction. This is expected to be scheduled for 19 February 2019. If sanctioned, it is expected that the Scheme will become operative and take effect on 28 February 2019 ("the Effective Date").

1.3 Immediately following the transfer of business on the Effective Date, SLAL and SLIntl propose entering into reinsurance arrangements with associated security arrangements. The reinsurance arrangements will reinsure some of the insurance business being transferred back to SLAL. I refer to the Scheme and the reinsurance arrangements together as the "Transfer".

1.4 This document summarises my conclusions on the potential impact of the Transfer on policyholders and explains my rationale for reaching these conclusions.

1.5 This is intended to be a standalone summary of my Independent Expert report (the "Report"). My full assessment of the Transfer is set out in the Report. A copy of the Report and a copy of the Scheme are available on the transfer website: www.standardlife.eu

2 Background

2.1 SLAL is a private limited company, incorporated and domiciled in the UK. SLAL is a wholly owned subsidiary of the Phoenix Group. The principal activity of SLAL is the transaction of long term insurance business.

2.2 SLAL currently sells and services euro-denominated insurance policies written in Ireland and Germany through its Irish and German branches, and in Austria through its Austrian sales office. Under European Union ("EU") regulations, UK insurance companies can sell and service business written outside of the UK, on a Freedom of Services or Freedom of Establishment basis (commonly referred to as "EU passporting rights").

2.3 SLAL has a subsidiary, SLIntl, which is registered in Ireland and authorised by the Central Bank of Ireland ("CBI"). SLIntl currently sells single-premium open-ended offshore unit linked investment bonds to UK, Isle of Man, and Channel Islands residents.

2.4 On 23 June 2016, the UK voted to leave the EU. On 29 March 2017, the UK officially notified the European Commission of its intention to withdraw from the EU. The UK's withdrawal from the EU ("Brexit") is expected to take effect on 29 March 2019. There is uncertainty over whether UK insurance companies will continue to be able to sell and service business written outside of the UK after 29 March 2019. For the SLAL business written in Ireland, Germany and Austria, Brexit raises the possibility of it being illegal for SLAL to settle claims, service contracts or renew policies, due to the loss of EU passporting rights.

2.5 SLAL intends to transfer its euro-denominated business to SLIntl ("Transferring Business"), in order to enable the continued servicing of this business, regardless of the outcome of the Brexit negotiations.

3 Business to be transferred

3.1 The Transferring Business comprises policies that currently invest in the Heritage With Profits Fund ("HWPF"), German With Profits Fund ("GWPF") and German Smoothed Managed With Profits Fund ("GSMWPF"). The HWPF, the GWPF and GSMWPF are sub-funds within SLAL. In addition, euro-denominated unit linked and annuities business in the Proprietary Business Fund ("PBF") will be transferred to SLIntl.

3.2 The Transferring Business can be grouped into three blocks, as set out in the table below, with the corresponding best estimate liabilities given as at 31 December 2017.

Line of business	What will be transferred	Best Estimate Liabilities (BEL) for transferring business as at 31 December 2017 (£bn)	Number of Policies ('000)
HWPF	all euro-denominated policies within the SLAL HWPF	10.4	337
Post-demutualisation German with-profits	all policies written within the SLAL PBF with their investment content in the SLAL GWPF or SLAL GSMWPF	2.1	150
PBF annuities and unit linked	all euro-denominated annuities and all euro-denominated unit linked policies within the SLAL PBF. This includes the policies of a small number of Irish policyholders that have investment content in the SLAL HWPF	5.6	95

3.3 The HWPF business that transfers to SLIntl will be reinsured back to SLAL (under the "HWPF reinsurance agreement"), and the post-demutualisation German with-profits business will be reinsured back to SLAL (under the "GWPF reinsurance agreement" and the "GSMWPF reinsurance agreement").

3.4 The HWPF reinsurance agreement, the GWPF reinsurance agreement and the GSMWPF reinsurance agreement (together referred to as the "Reinsurance Agreements") have security associated with them: collateral will be posted under a fixed charge agreement and there is also a floating charge agreement.

4 Overall conclusion

4.1 For the reasons set out in the remainder of this summary report, I am satisfied that the Transfer will not materially adversely affect any group of policyholders.

5 My role as Independent Expert

5.1 It is a requirement that when the Scheme is submitted to the Court for approval, it is accompanied by a report from a person who is experienced in insurance matters and is independent of the companies involved (the “Independent Expert”). The purpose of the Report is to provide an independent assessment of the impact of the Scheme on policyholders and other interested parties, to assist the Court in deciding whether to allow the Scheme to go ahead.

5.2 I have been appointed as the Independent Expert. I am a Fellow of the Institute and Faculty of Actuaries and I have over 30 years’ experience in the life insurance industry. I am a Partner in Grant Thornton UK LLP (“Grant Thornton”). I am independent of the companies involved in the Scheme and my appointment has been approved by the Prudential Regulation Authority (“PRA”), following consultation with the Financial Conduct Authority (“FCA”). The PRA and FCA are responsible for the regulation of UK insurance companies.

5.3 I have considered the impact of the Transfer on the following different groups of policyholders:

- The policyholders whose policies will transfer from SLAL to SLIntl under the Scheme, “Transferring Policyholders”;
- The policyholders remaining within SLAL, “Remaining Policyholders”; and
- The current policyholders of SLIntl, “Current Policyholders”.

5.4 In order to form my opinions, I have taken into account a number of different matters. These include:

- the impact on policyholders benefit expectations;
- the security of benefits;
- the level of customer service experienced by policyholders; and
- the impact of taxes and expenses.

5.5 I give an opinion on whether I consider the position of any group of policyholders to be “materially adversely affected” as a result of the Transfer. The definition of what is “material” depends on the matter being discussed, but if a potential effect is very unlikely to happen and does not have a large impact, or if it is likely to happen but has a very small impact, I do not consider it material.

6 Impact on the Transferring Policyholders

6.1 As at 31 December 2017, there were approximately 582,000 policies in respect of the Transferring Policyholders, with best estimate liabilities of approximately £18bn.

6.2 I have divided the Transferring Policyholders into three sub-groups, as some aspects of the Transfer will affect each of these sub-groups differently. The three sub-groups are:

(i) The policyholders of the post-demutualisation German with-profits business (the “transferring GWPF and GSMWPF business”);

(ii) The policyholders of the HWPF business (the “transferring HWPF business”); and

(iii) The policyholders with euro-denominated unit linked policies or euro-denominated annuities, in the SLAL PBF (the “transferring unit linked and annuity business”).

Transferring GWPF and GSMWPF business

6.3 For the transferring GWPF and GSMWPF business, the Scheme has the effect of transferring the business into two newly established funds in SLIntl – the SLIntl GWPF and the SLIntl GSMWPF. SLIntl is choosing to reinsure the policies invested in the SLIntl GWPF and SLIntl GSMWPF with SLAL. This approach helps to maintain the existing governance of these with-profits funds and utilises the with-profits expertise that exists in SLAL. I am supportive of this approach. Provided appropriate with-profits governance is maintained and SLIntl is appropriately capitalised, policyholders of the post-demutualisation German with-profits business would not be materially adversely affected by the Scheme. I am satisfied that the GWPF reinsurance agreement and the GSMWPF reinsurance agreement help to ensure this is the case.

Transferring HWPF business

6.4 For the transferring HWPF business, the Scheme has the effect of transferring the business into a newly established fund in SLIntl – the SLIntl HWPF. Ordinarily, this would require the HWPF to be split, because not all of the policies in the HWPF will be transferred under the Scheme – some will remain in SLAL. Splitting the HWPF would be a complex process that, in my opinion, could not be completed before 29 March 2019. The HWPF reinsurance agreement addresses this problem, as it allows the transferring HWPF business continued participation in the HWPF, avoiding the need to split the HWPF. This also maintains the economies of scale of the HWPF. Further, the HWPF reinsurance agreement helps to maintain the risk profile of SLIntl in line with its pre-Scheme position, and helps to maintain the existing governance of the HWPF.

Transferring unit linked and annuity business

6.5 For the transferring unit linked and annuity business, the Scheme has the effect of transferring the policies into a newly established SLIntl fund – the SLIntl EUR PBF. The policies of the transferring unit linked and annuity business will not be reinsured back to SLAL.

All Transferring Business

6.6 Many of my conclusions apply to all three groups of Transferring Policyholders. I discuss below the effect of the Transfer on benefit expectations, the security of benefits, governance, tax, and expenses and charges, for the Transferring Policyholders.

Policyholder benefit expectations and contractual rights

6.7 As a result of the Scheme, the policies in the Transferring Business will become policies of SLIntl, rather than SLAL. An implication of this is that, under the terms and conditions of the with-profits policies, or policies where the investment element is in the with-profits fund, the interpretation of “the Company” in which they participate changes from SLAL to SLIntl. However, because of the Reinsurance Agreements, these policyholders continue to benefit from the profits of SLAL rather than their policy provider, SLIntl.

6.8 There is not expected to be any change to the way in which discretion may be applied in determining policy benefits, and any future changes to the discretion policy would be subject to a similar governance process before and after the Transfer.

6.9 There are also not expected to be any changes to the investment strategy of any of the with-profits funds or unit linked funds, in which Transferring Policyholders are invested or participate, nor any changes to the way in which the estate of the HWPF is distributed.

Security of benefits

6.10 Although the level of benefits will not change, it is important to consider whether SLIntl will be able to make those payments in the future. I have therefore considered SLIntl's financial strength and solvency.

6.11 Security for policyholders is provided by insurance companies holding a higher level of assets than that which is needed to cover the liabilities. The difference between the value of the assets and the liabilities is a measure of the firm's solvency.

6.12 Across the EU, every insurer must satisfy solvency standards by maintaining a level of capital, known as the Solvency Capital Requirement ("SCR").

6.13 The amount of assets that an insurer holds, divided by its SCR, is often referred to as the SCR ratio. The estimated SCR ratios for SLAL and SLIntl as at 31 December 2017 (assuming the Phoenix change of control had taken effect, and the transfer of policies occurred on that date) are as follows:

	SLAL – Before Transfer	SLIntl – After Transfer
SCR Ratio	152%	136%

6.14 A firm's solvency position can change over time. This can be due to changes in market conditions that may affect the value of assets and liabilities. Firms generally seek to control their solvency position by having agreed management policies aimed at safeguarding the SCR ratio. This includes having a risk framework and agreed risk appetite that the firm will operate within. As part of their capital policy, firms tend to set a target level of capital (known as "target capital") to maintain a certain SCR ratio. Where the capital falls below the target capital level, management will take actions to rectify the SCR ratio. I have been provided with information regarding the governance arrangements, risk framework, risk appetite, and capital policy. I am satisfied that these controls represent a sensible approach to safeguard solvency cover. I also note that the SLAL and SLIntl capital policies are similar.

6.15 The table above shows that the SCR ratio of SLIntl after the Transfer is lower than that of SLAL before the Transfer. Therefore, after the Transfer, the SCR cover provided to the Transferring Business will be lower. However, excess capital above the target capital level can be distributed through dividends down to the level of target capital and so, as the SCR cover in SLAL is above SLAL's target capital, the excess capital in SLAL could be distributed to shareholders. Further, both SLAL and SLIntl are capitalised in line with their capital policies, and their capital policies are similar.

6.16 The analysis above has been done on the basis that the Reinsurance Agreements remain in place. There are no plans to terminate the Reinsurance Agreements. Termination of any of the Reinsurance Agreements would change the risk profile and capital position of SLIntl. If the Reinsurance Agreements were to be terminated by either SLAL or SLIntl, there are robust governance processes which must be followed. These processes seek to ensure that the terms of any termination are fair to all policyholder groups.

6.17 If SLAL were to become insolvent, the security associated with the Reinsurance Agreements has been constructed in such a way that SLIntl and the Remaining Policyholders would be aligned on SLAL's insolvency, in most cases, in relation to a distribution of the assets of SLAL.

6.18 I have considered the terms, security, capital implications and governance of the Reinsurance Agreements, and these are, in my opinion, a satisfactory way to help ensure that policyholders' benefits and expectations are not prejudiced by the Transfer.

6.19 Overall, I am satisfied that the Transfer will not have a material adverse effect on the security of benefits for the Transferring Policyholders.

FSCS

6.20 Prior to the Effective Date, many of the Transferring Policyholders were covered by the FSCS, which is a compensation scheme of last resort in the UK and protects policyholders if a financial services company were to fail. If SLAL failed, and was unable to pay claims in full to its policyholders, the FSCS would provide compensation for financial loss to protect 100% of the long-term insurance benefit provided by its policies. The FSCS provides protection to policyholders of UK based insurers or EEA branches of UK based insurance companies. After the Scheme is implemented, the policyholders of the Transferring Business will hold policies with an Irish based insurance company, and so will lose entitlement to the FSCS protection. There is no equivalent scheme in Ireland for life insurance policies.

6.21 The FSCS provides protection to covered policyholders in an insolvency event. I am satisfied that the insolvency of SLIntl would be a remote event because SLIntl will be appropriately capitalised immediately after the Transfer, and is required to comply with Solvency II. Further, SLIntl's own capital policy aims to ensure that it holds capital sufficient to withstand an adverse event that is more remote than a 1-in-200 year event. In the unlikely event that SLIntl does experience financial difficulty, as a subsidiary with the Phoenix Group, I consider it unlikely that the Phoenix Group would fail to act to support SLIntl. For these reasons, in my opinion, the likelihood of FSCS being required is remote and so I do not consider the loss of FSCS protection to have a material adverse effect on the Transferring Policyholders.

6.22 The purpose of the Scheme is to enable the continued servicing (including the payment of claims) of the Transferring Business, regardless of the outcome of the Brexit negotiations. In my opinion, having certainty about how policies in the Transferring Business will be serviced after Brexit is very important. The loss of the FSCS protection is an unavoidable consequence of providing this certainty.

Ombudsman

6.23 Currently, for the policies that were sold on a Freedom of Establishment basis through SLAL's branches in Ireland or Germany, any complaints that cannot be resolved between SLAL and the policyholder are dealt with by the ombudsman service based in Ireland or Germany, respectively. For the policies that were sold in Austria, on a Freedom of Services basis, policyholders are dealt with by the Financial Ombudsman Service ("FOS") in the UK.

6.24 The only change to the above position as a result of the Scheme is for the policies that were sold in Austria. After the Effective Date, complaints relating to these policies will generally be dealt with by the Financial Services and Pensions Ombudsman ("FSPO") in Ireland rather than the FOS in the UK (although there are some exceptions). I do not expect this change to have a material adverse effect for Transferring Policyholders.

Governance

6.25 Both SLAL and SLIntl have broadly similar governance structures.

6.26 As mentioned previously, all policies written or invested in with-profits funds will be reinsured back to SLAL. Therefore the with-profits policies will still be subject to the same level of governance that applied before the Scheme. After the Scheme, the SLIntl Board and the Head of Actuarial Function of SLIntl will provide additional oversight.

6.27 Overall, it is my opinion that the Transfer does not result in weakened governance for the Transferring Policyholders.

Tax

6.28 In general, there is not expected to be any impact on policyholder tax as a result of the Transfer[1].

6.29 For transferring unit linked business, SLIntl will not be able to reclaim UK income tax suffered by UK taxable funds. This would only impact a small number of unit linked funds and is not expected to have a significant impact on the returns of those unit linked funds.

6.30 Overall, I am satisfied that the tax implications of the Transfer are not significant, and will not result in a material adverse effect on the Transferring Policyholders.

Service standards

6.31 The administration of the Transferring Business will not be altered as a result of the Transfer, and the targets for standards of service will not be changed.

6.32 Given the above, I am satisfied that the Transfer will not have a material adverse effect on the service standards experienced by the Transferring Policyholders.

Communications with policyholders

6.33 Transferring Policyholders will be sent a communications pack by post, including a letter and booklet, after an initial Court hearing (scheduled for 25 September 2018). In addition, there will be notices published in at least two national newspapers in each of the UK, Germany, Austria and Ireland, two national newspapers in additional EEA countries, and the International/European version of the Financial Times. There will be a dedicated call centre to handle calls in both German and English, and a dedicated website in both German and English. The call centre will manage inbound calls and any queries submitted via the website.

6.34 I have reviewed the policyholder communication (English version) and I am satisfied that it is appropriate and not misleading.

7 Impact on the Remaining Policyholders of SLAL

7.1 The Transferring Policyholders represent a small percentage of SLAL's total business: the Transferring Business comprises approximately 12% of SLAL's total best estimate liabilities. There are approximately 4.7 million policies in SLAL, and approximately 582,000 will transfer to SLIntl under the Scheme.

7.2 Under the terms of the Scheme, there will be no change to the terms and conditions of the policies that remain in SLAL, nor will there be any change to any options or guarantees to which they are currently entitled.

7.3 The estimated SCR ratios for SLAL before and after the Transfer as at 31 December 2017 (assuming the Phoenix change of control had taken effect, and the transfer of policies occurred on that date) are shown below.

	SLAL – Before Transfer	SLAL – After Transfer
SCR Ratio	152%	147%

7.4 Both before and after the Transfer, SLAL is capitalised in line with its capital policy. There will be no change in the capital policy affecting the remaining policyholders of SLAL. There will be no change in the governance arrangements affecting the remaining policyholders of SLAL, including the application of discretion, as a result of the Transfer.

7.5 The Reinsurance Agreements between SLAL and SLIntl will allow the with-profits funds of SLAL to continue to operate as they do now. If the HWPF reinsurance agreement were to be terminated, then this would require the HWPF to be split between the HWPF policyholders that remain within SLAL and the HWPF policyholders that have been transferred to SLIntl. If this were to occur, there is a robust governance process that must be followed, that seeks to ensure this division is fair to both policyholder groups.

7.6 In the unlikely event that SLAL becomes insolvent, the collateral posted in respect of the Reinsurance Agreements has been constructed in such a way that SLIntl, as the reinsured, would be aligned with the Remaining Policyholders in most cases, in relation to a distribution of the assets of SLAL.

7.7 There will be no change to the expense policy or tax applied to the Remaining Policyholders of SLAL. The administration of the policies remaining in SLAL will not be altered as a result of the Transfer, and the targets for standards of service will not be changed.

7.8 Overall, I am satisfied there will be no material adverse effect on the Remaining Policyholders of SLAL as a result of the Transfer.

7.9 Remaining Policyholders will not receive any direct communication in relation to the Scheme. I am satisfied that direct communication is not necessary because there will be no change in policy terms and conditions and I have concluded there will be no material adverse effect on the Remaining Policyholders.

[1] SLAL is in discussion with the Irish Revenue regarding policyholders of certain German and Austrian policies, who are now living in Ireland and who may be subject to additional tax on their policy proceeds. There are 42 policyholders who potentially may be affected by this. I will provide more details on this matter in my supplementary report, when the discussions with the Irish Revenue are expected to have concluded.

8 Impact on the Current Policyholders of SLIntl

8.1 As a result of the Scheme, the total best estimate liabilities of SLIntl will increase from approximately £6bn to approximately £24bn (of which approximately £12bn will be reinsured back to SLAL). The number of policies in SLIntl will increase from approximately 20,000 policies to approximately 602,000 policies. The policies currently held in SLIntl are all single-premium open-ended offshore unit linked investment bonds.

8.2 Under the terms of the Scheme, there will be no change to the terms and conditions of the policies currently in SLIntl. There will be no change to the investment management of the policies currently in SLIntl and there are no plans to change the range of funds available to the Current Policyholders of SLIntl as a result of the Transfer.

8.3 The target capital and capital policy of SLIntl will be unchanged as a result of the Transfer, and SLIntl holds capital above its target before and after the Transfer.

8.4 There is also no significant impact on the SCR ratio in SLIntl as a result of the Transfer. The SCR ratios in SLIntl before and after the Transfer as at 31 December 2017 (assuming the Phoenix change of control had taken effect, and the transfer of policies occurred on that date) are shown below.

	SLIntl – Before Transfer	SLIntl – After Transfer
SCR Ratio	134%	136%

8.5 As a result of the Transfer, the risk profile of SLIntl is altered. The main change to the risk profile is a large increase in the counterparty default risk, this is largely due to the Reinsurance Agreements, which give SLIntl exposure to the financial position of SLAL. The Reinsurance Agreements have security associated with them, which provides some protection to SLIntl against the risk of SLAL defaulting, and Solvency II requires that SLIntl holds capital in respect of this risk.

8.6 The governance in SLIntl will be strengthened as a result of the Transfer, and so the Current Policyholders of SLIntl will be subject to a governance framework at least as strong as that in place prior to the Transfer.

8.7 There will be no change to the expense policy or tax applied to the Current Policyholders of SLIntl. The administration of the existing SLIntl policies will not be altered as a result of the Transfer, and the targets for standards of service will not be changed.

8.8 Overall, I am satisfied there will be no material adverse effect on the Current Policyholders of SLIntl as a result of the Transfer.

8.9 The Current Policyholders of SLIntl will be sent a communications pack by post, including a letter and booklet, after the initial Court hearing. I have reviewed the communications pack (English version) that will be sent to the Current Policyholders, and I am satisfied that it is appropriate and not misleading.

9 Impact on existing reinsurers

9.1 As is common across insurance firms, SLAL makes use of reinsurance to manage its business. There is currently reinsurance in place in respect of some of the Transferring Business.

9.2 SLIntl does not currently have any reinsurance arrangements in place.

9.3 All of SLAL's existing reinsurance that covers only the Transferring Business, will be transferred from SLAL to SLIntl as part of the Scheme, with no changes to the existing terms. Where the treaties are in respect of both Transferring Business, and business that will remain in SLAL, it is intended that the treaties will be amended (outside the Scheme) to include SLIntl as a cedant.

9.4 Overall, in my opinion, there is no material adverse effect on the reinsurers of SLAL, because the changes proposed to the existing reinsurance agreements in respect of the Transferring Business do not result in any changes in the cover provided by the reinsurers, the only change is in the entity with which the reinsurer is contracted.

10 Costs of the Scheme

10.1 The costs and expenses incurred as a result of the Transfer will be met in part by the shareholders of SLAL, and in part allocated to the HWPF, in accordance with the way costs and expenses are currently allocated to the HWPF. The costs and expenses allocated to the HWPF are not expected to be significant in the context of the size of the HWPF. No cost will be allocated to any of the other with-profits funds. Therefore, I do not consider that there will be a materially adverse effect on policyholders as a result of the costs of the Scheme.

11 Rights of policyholders who object

11.1 Policyholders who feel that they may be adversely affected by the Scheme, may put their objections to SLAL, SLIntl, and/or the Court. I will consider any such objections when concluding upon the appropriateness of the Scheme in my supplementary report.

Tim Roff FIA

Partner
Grant Thornton UK LLP

5 Implementing the Proposal

This part gives you more detail about the processes that need to take place to implement the Proposal.

Court procedure

The Court must approve the Scheme before the Proposed Transfer can become effective. Standard Life Assurance has applied for this approval by Petition to the Court in accordance with Part VII of FSMA.

Both the 2006 Scheme and the 2011 Scheme allow for changes to be made to them with the Court's consent. So, the Court's consent to the Proposed Variations must be obtained. The Scheme is conditional on the Court giving its consent to the Proposed Variations. We've also made applications to the Court (by what are called Notes in the respective original Court processes for the 2006 Scheme and the 2011 Scheme) for the Court's consent to the Proposed Variations.

We expect the hearing to approve the Scheme and give consent to the Proposed Variations to happen at the Final Court Hearing planned to be on 19 February 2019. The date of the Court hearing will appear on our website at **standardlife.eu** when we're able to confirm it. Anyone who considers that they would be adversely affected if the Scheme and/or the Proposed Variations went ahead is entitled to be heard by the Court – as are the PRA and the FCA.

In accordance with the requirements of Part VII of FSMA (and as ordered by the Court) Standard Life Assurance will publish notices relating to the applications to the Court for the approval of the Scheme and for the Proposed Variations. We expect to publish them in The Belfast Gazette, The Edinburgh Gazette, The London Gazette, the Irish State Gazette and at least two national newspapers in each of the UK, Germany, Ireland, and Austria. We also expect to publish the notices in national newspapers in a number of other countries across the EEA. You can find a copy of the terms of the notice in Part 6.

If anyone believes that they would be adversely affected and wants to object, they're entitled to lodge what are called formal written Answers to the Petition and/or the Notes with the Court of Session at Parliament House, Parliament Square, Edinburgh, EH1 1RQ within 42 days of the publication of the last of these notices. We currently expect this to be on 1 October 2018. If you want to lodge Answers, we recommend that you take independent legal advice from a solicitor qualified in Scots law. They'll also be able to tell you about the Court fee payable.

Anyone who has lodged Answers has the right to attend the Court hearing and confirm the formal objections which are set out in the Answers. They can also ask their legal representative to attend on their behalf.

The practice of the Court in applications like this is also to take into account all objections or representations which are made to it in writing or in person at the Court hearing, even if they're not in the form of Answers. We expect the hearing that will consider all the applications together to take place at the Court on 19 February 2019. If this date changes, we'll post the new date on the Standard Life Assurance website at **standardlife.eu**

If you intend to come to the Court hearing, it would be helpful (but is not necessary) to give not less than five clear working days' written notice of your intention to attend the hearing and the reasons for any objection to the Scheme and/or the Proposed Variations. You should send this notice to Standard Life's solicitors in Scotland, Burness Paull LLP. Burness Paull's address is 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ.

If we can help you consider any concerns you have, and in particular any adverse effects that you think our Proposal may have on your policy, please contact us using the contact details in Part 10 of this booklet.

The Court may, in the Order approving the Scheme or in any subsequent Order, make provision for such incidental, consequential and supplementary matters as are necessary in the Court's opinion, to secure that the Scheme and the Proposed Variations are fully and effectively carried out.

Free copies of the following documents will be sent to anyone who asks for them:

- The Petition
- The Notes
- The Scheme Report (summarised in Part 4 of this booklet)
- This booklet
- A statement containing the terms of the Scheme, explaining the Proposed Variations and containing a summary of the Scheme Report

You can ask for them any time before the Order approving the Scheme is made on the Petition, and the Orders consenting to the Proposed Variations are made on the Notes.

You can find out where and when you can see these documents in the part headed "Documents" in Part 9 of this booklet.

6 Notice of Applications to the Court

STANDARD LIFE ASSURANCE LIMITED

and

STANDARD LIFE INTERNATIONAL DESIGNATED ACTIVITY COMPANY

Notice is hereby given that on 25 September 2018:

(i) A Petition was presented to the Court of Session in Scotland (the "**Court**") by Standard Life Assurance Limited, registered in Scotland under number SC286833 and with its registered office at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH ("**SLAL**") and Standard Life International Designated Activity Company, registered in Ireland under number 408507 and with its registered office at 90 St Stephen's Green, Dublin 2 ("**SL Intl**"), in which **SLAL** and **SL Intl** seek *inter alia*, an order of the Court, under Part VII of, and Schedule 12 to the Financial Services and Markets Act 2000 (the "**Act**"), sanctioning an insurance business transfer scheme (the "**Present Scheme**"), under which the Euro-denominated long-term business carried out by **SLAL** in Austria, Germany and the Republic of Ireland is, subject to certain exemptions, to be transferred to **SL Intl**.

Copies of the Petition, a report of the independent expert on the Present Scheme prepared under Section 109 of the Act (the "**Independent Expert Report**") and a statement setting out the terms of the Present Scheme and containing a summary of the Independent Expert Report may be obtained by any person, free of charge, on SLAL's website at **standardlife.eu** Free copies of any of these documents can also be obtained, on request, by calling any of the telephone numbers listed at the end of this notice on any weekday between 9am and 5pm, or by writing to any of the addresses listed at the end of this notice until the date on which the Court sanctions the Present Scheme. That date is expected to be in February 2019.

In accordance with the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001, **SLAL** and **SL Intl** will publish a series of notices in relation to this application. Those notices are expected to be published in **The Belfast Gazette, The Edinburgh Gazette, The London Gazette, the Iris Oifigiúil** and at least two national newspapers in the UK, Austria, Germany, Ireland and certain other EEA states. Any person who believes that they would be adversely affected by the carrying out of the Present Scheme has the right to lodge written Answers (formal written objections) to the Petition with the Court at Parliament House, Parliament Square, Edinburgh EH1 1RQ within 42 days of the publication of the last of these notices, which is expected to occur by 1 October 2018. Any such person may wish to seek independent legal advice.

In accordance with its present practice, the Court is also likely to consider any other objections to the Present Scheme which are made to it in writing, or in person, at the Court hearing at which the Court's sanction of the Present Scheme is to be sought (the "**Sanction Hearing**"). That Sanction Hearing is expected to take place at the Court, at the above address, on the date which will be available on SLAL's website at **standardlife.eu** when it is known. It would be helpful, if any person wishing to object in person would give not less than five working days written notice in advance of the Sanction Hearing of the reasons for any objection to Burness Paull LLP at the address, and quoting the reference, mentioned below.

This notice of the Petition is given pursuant to Regulation 3(2) of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001 and has been approved by the Prudential Regulation Authority.

and

(ii) An application was presented to the Court by **SLAL,** under section 112(1)(d) of the Act, seeking an order giving the consent of the Court to proposed variations (the "**Proposed 2006 Scheme Variations**") of the insurance business transfer scheme (the "**2006 Scheme**"), which was under Part VII of, and Schedule 12 to, the Act, was sanctioned by order of the Court on 9 June 2006 and became effective on 10 July 2006. Under the 2006 Scheme substantially all of the long term business of The Standard Life Assurance Company, a mutual insurance company incorporated by private Act of Parliament, was transferred to **SLAL**.

and

(iii) An application was presented to the Court by **SLAL** under section 112(1)(d) of the Act seeking an order giving the consent of the Court to proposed variations (the "**Proposed 2011 Scheme Variations**") of the insurance business transfer scheme (the "**2011 Scheme**") which was also under Part VII of, and Schedule 12 to, the Act, which was sanctioned by order of the Court on 20 December 2011 and which became effective on 31 December 2011. Under the 2011 Scheme all of the long term business of Standard Life Investment Funds Limited was transferred to **SLAL**.

The Proposed 2006 Scheme Variations and the Proposed 2011 Scheme Variations (together the "**Proposed Variations**") are to address the implications of the Present Scheme for the 2006 Scheme and the 2011 Scheme. Copies of both of those applications, the Independent Expert Report, which includes his conclusions on the Proposed Variations, and a statement explaining the Proposed Variations and containing a summary of the Independent Expert Report, may be obtained by any person free of charge on SLAL's website at **standardlife.eu** Free copies of any of these documents can also be obtained by calling any of the telephone numbers listed at the end of this notice on any weekday between 9am and 5pm or by writing to any of the addresses listed at the end of this notice until the date on which the Court approves the Proposed Variations. That date is expected to be in February 2019.

In accordance with an order of the Court dated 25 September 2018, **SLAL** will publish a series of notices in relation to those applications. They are expected to be published in **The Belfast Gazette, The Edinburgh Gazette, The London Gazette, the Iris Oifigiúil** and at least two newspapers in the UK, Austria, Germany, Ireland and certain other EEA states. Any person who believes that they would be adversely affected by either, or both, of the Proposed Variations has the right to lodge written Answers (formal written objections) to either of the applications with the Court at the above address within 42 days of the publication of the last of these notices, which is expected to occur by 1 October 2018. Any such person may wish to seek independent legal advice.

In accordance with its present practice, the Court is also likely to consider any other objections to either, or both of, the Proposed Variations, which are made to it in writing, or in person at the hearing to approve the Proposed Variations. That hearing is expected to be the Sanction Hearing. It would be helpful if any person wishing to object in person to either, or both, of the Proposed Variations would give not less than five working days written notice of the reasons for any objection to Burness Paull LLP at the address, and quoting the reference, mentioned below.

Burness Paull LLP
50 Lothian Road
Festival Square
EDINBURGH
EH3 9WJ

(Reference: PM/STA/2027/00469)

If you're calling from within the below countries please use the Freephone number shown. Please note calls from other countries will be charged:

Germany:	**0800 0713522**
Austria:	**0800 909455**
Ireland:	**1800 719841**
UK:	**0345 8508861**

If you're calling from outside of these countries please use the following numbers. Please note calls to these numbers will be charged:

Germany:	**00 44 131 246 8381**
Austria:	**00 44 131 246 8381**
Ireland:	**00 44 131 246 8380**
UK:	**00 44 131 246 8380**

Ireland:
Standard Life - Brexit
90 St Stephen's Green
Dublin 2
Republic of Ireland

Germany:
Standard Life - Brexit
Lyoner Str 15
60528 Frankfurt am Main
Germany

UK:
Standard Life - Brexit
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH

Austria:
Standard Life - Brexit
Arche Noah 9
8020 Graz
Austria

7 Definitions

This part will help you to understand the terms used in this booklet which begin with a capital letter.

The following words and phrases have the following meaning:

2006 Scheme means a scheme in accordance with Part VII of, and Schedule 12 to, FSMA. Under this, substantially all of the long-term business of The Standard Life Assurance Company was transferred to Standard Life Assurance. It became effective on 10 July 2006.

2011 Scheme means a scheme in accordance with Part VII of, and Schedule 12 to, FSMA. Under this, all of the long-term business of Standard Life Investment Funds Limited was transferred to Standard Life Assurance. It became effective on 31 December 2011.

Answers means a formal written objection to an application to the Court which is usually drafted by Scottish lawyers on behalf of the person who wants to formally object.

BaFin means Bundesanstalt für Finanzdienstleistungsaufsicht, the Federal Financial Supervisory Authority in Germany.

Brexit means the withdrawal of the UK from the European Union.

CBI means the Central Bank of Ireland.

Court means the Court of Session in Scotland.

Deed Polls means the additional Irish legal documents issued by Standard Life International setting out obligations to its policyholders more fully described in Part 3 of this booklet.

EEA means European Economic Area.

Effective Date means the date on which all the rights and obligations arising from the Transferring Policies will transfer from Standard Life Assurance to Standard Life International. The Scheme refers to the Effective Time which specifies the time and date that the transfer will occur.

EU Passporting Rights means, together and individually, the principles of Freedom of Services and Freedom of Establishment set out in EU law.

Euro Business means the Euro-denominated business written by Standard Life Assurance in European territories, including Germany, Ireland and Austria up to the Effective Date.

FCA means the Financial Conduct Authority in the UK.

FMA means the Finanzmarktaufsicht in Austria.

FOS means the UK Financial Ombudsman Service.

FSCS means the Financial Services Compensation Scheme in the UK.

FSMA means the Financial Services and Markets Act 2000 (as amended from time to time).

FSPO means the Financial Services and Pensions Ombudsman in Ireland.

Heritage With Profit Fund (HWPF) means the with profits fund as defined in the 2006 Scheme. This fund contains the vast majority of the UK, Irish and German business, including that originating in Austria, (both with profits and non-profits) written prior to demutualisation, together with a small amount of new business written since then.

Independent Expert means Tim Roff, a fellow of the Institute and Faculty of Actuaries with over 30 years' experience in the life insurance industry. He is a partner in the Actuarial and Risk practice of Grant Thornton UK LLP. Tim has been appointed as the independent expert reporting on the Scheme in accordance with section 109(2) (b) of FSMA.

International Bond means the International Bond provided by Standard Life International. It is a lump sum, non-qualifying, whole of life, offshore investment linked life insurance Bond.

Notes means the applications made to the Court in the original Court processes for the 2006 Scheme, and the 2011 Scheme which seek the Court's consent to the Proposed Variations.

Orders means any orders made by the Court.

PRA means the Prudential Regulation Authority at the Bank of England in the UK.

Petition means the application made to the Court for the sanction of the Scheme.

Phoenix Group means Phoenix Group Holdings and its subsidiaries.

Phoenix Group Holdings means the parent company of Standard Life Assurance and Standard Life International.

Proposal means the proposal for the transfer of Standard Life's German, Irish and Austrian business to Standard Life International (and all related aspects of that transfer) and the proposal to make the Proposed Variations.

Proposed Transfer means the transfer of Standard Life Assurance's German, Irish and Austrian business to Standard Life International in accordance with Part VII of, and Schedule 12 to, FSMA.

Proposed Variations means the amendments contained in the Scheme to the 2006 Scheme and the 2011 Scheme. They all form part of the Proposal.

Reinsurance Agreements means that while the policy will be provided by Standard Life International, Standard Life Assurance will continue to manage the funds and meet any claims that are made. The Proposal involves the policies invested in with profits funds being reinsured back to Standard Life Assurance. This allows the With Profits Funds to continue to operate as they currently do as well as being subject to the same governance that they are currently. This is to the benefit of policyholders as it allows the continuation of the way your policy is managed.

Regulators means the UK, Austrian, German and Irish regulators as a minimum but may include other EEA regulators.

Remaining Policies means policies of Standard Life Assurance where premiums or claims are paid in British Pounds that will not transfer as part of the Proposal.

Scheme means the single insurance business transfer scheme for the Proposed Transfer (described in more detail at Part 3 of this booklet) and subject to any modification, addition or condition which may be approved or imposed by the Court.

Scheme Report means the report that the Independent Expert must produce and which is summarised in Part 4 of this booklet.

Standard Life Assurance means Standard Life Assurance Limited incorporated in Scotland with the registered number SC286833. In the Legal elements within this document, this is sometimes referred to as **SLAL**.

Standard Life Group means Standard Life Assurance and Standard Life International.

Standard Life International means Standard Life International Designated Activity Company incorporated in the Republic of Ireland with the registered number 408507. In the Legal elements within this document, this is sometimes referred to as **SL Intl**.

Transfer means the Scheme and the new reinsurance arrangements. The Independent Expert uses this in his Report.

Transferring Policies means, in general, the policies of Standard Life Assurance which are denominated in Euros and will transfer under the Proposal (as more fully described in the Scheme as Transferred Policies).

VVO means the Verband der Versicherungsunternehmen Österreichs in Austria.

With Profits Funds means the Heritage With Profits Fund, the German With Profits Fund and the German Smoothed Managed With Profits Fund.

8 Questions and Answers

The basics

1. What is the Proposal?

Our Proposal is to transfer some Standard Life Assurance policies to Standard Life International. We need to do this due to the likelihood that Standard Life Assurance will not be able to continue to operate its Euro Business with the same structure after the UK leaves the EU.

If approved by the Court, we will transfer the affected policies within the Euro Business using a process called a Part VII transfer. This is a process governed by Part VII of the Financial Services and Markets Act 2000 (see Part 1 and 5 of this document for further details).

2. Why have you written to me?

We have written to policyholders who are transferring, as well as International Bond policyholders, to ensure that you are fully informed about our Proposal. If you wish to speak to us about our Proposal please contact us using the details in Part 10.

3. What do I need to do?

We encourage you to read the letter and this booklet which summarises our Proposal. If you wish to learn more, further information can be found online at **standardlife.eu** or you can contact us using the details in Part 10 to speak to one of our team.

If there is anyone else who has an interest in your policy (for example if your policy has been assigned, or if you are a joint policyholder), please share this booklet with them or contact us to request that we send a copy of these documents to them.

If you wish to formally object to the proposals, please see Part 5 of this booklet for further details. If you've read our proposals and do not have any concerns or objections, you do not need to do anything further.

4. Do I have to vote on the proposals?

You do not need to vote on our proposals, as they are subject to Court approval.

5. How long will this take and how can I find out about progress?

If approved by the Court, the proposals will be completed in early 2019. The planned timetable for the Court process and the Proposed Transfer of policies is illustrated in Part 1 of this booklet.

Progress updates and any changes to this timeline will be on our website **standardlife.eu**

How will the Proposal affect your policies?

6. What changes will there be to my policy, terms and conditions, or servicing

Our Proposal will allow us to continue to service your policy and protect the service we provide you. We don't anticipate that there will be any significant change to the way we do business with any of our policyholders.

Standard Life International will take on all the rights and obligations of Standard Life Assurance under the policy.

You won't notice any difference to the day to day management of your policy. Your policy number, payments and claims under your policy, insurance premiums and charges as well as the way your policy is administered won't change. The policy will still be administered in Ireland or Germany, as it always has been.

The Proposal doesn't affect any guaranteed benefits you may have under your policy. If your policy participates in a Standard Life Assurance With Profits fund, reinsurance arrangements will be implemented that will allow you to continue to participate in the performance of that With Profits fund.

7. Will my policy value change?

No, your policy value will not be directly affected by the proposed transfer. Your policy value is, and will continue to be, dependent on the assets in which your policy is invested.

Investment in unit linked funds will remain the same on a day to day basis. Under the Proposal, Standard Life Assurance and Standard Life International will enter into reinsurance arrangements to apply to all Transferring Policies currently participating in Standard Life Assurance's With Profits Funds. The aim of reinsurance under the Proposal is to maintain the position of with profits policyholders by allowing the with profits funds to be managed on the same basis as they are currently, including through the continued sharing of the experience of the UK and other European policyholders of the Heritage With Profits Fund. On implementation of the Proposed Transfer, with profits policyholders will continue to participate in the same pool of assets as they do today.

8. Why are policies transferring, and why are they transferring to Ireland?

The transfer is necessary due to the likelihood that Standard Life Assurance will not be able to continue to operate its Euro Business with the same structure after the UK leaves the EU. We have chosen Ireland because it will remain part of the EU and Standard Life International is an established Standard Life company. Our proposals seek to ensure policyholders do not experience a material negative impact on their policies from the UK leaving the EU.

9. What will happen if the UK's Brexit plans change?

We do not expect any changes to the UK's Brexit plans that would affect Standard Life seeking Court approval of our Proposals in early 2019. Our Proposals to transfer some policies to another Standard Life group company in Ireland seek to ensure that all policies can continue to be serviced by Standard Life, irrespective of the UK's Brexit plans.

10. What if I am concerned and wish to object to my policy moving?

In the first instance, please contact us using the details in Part 10 of this document to speak to one of our team. As you will see from the Independent Expert's conclusions, our Proposal (with reinsurance) is not expected to have a material adverse effect on policyholders.

If you think you may be adversely affected by the Proposal and continue to have concerns, you can formally object either in advance of or at the Court hearing. You don't need to contact us first if you don't want to. Please see our website **standardlife.eu** or Part 5 of this booklet for further details.

11. What happens if the Proposed Transfer is not approved?

We will only proceed with the Proposal with the approval of the Court. We won't go ahead unless the Court approves all aspects of the Proposal.

Your policy and information

12. How do I know what policies I have?

If you're unsure what policies you have please speak with your broker or call using the contact telephone numbers detailed on your most recent annual statement.

13. Who do I pay my premium to / who do I make a claim with?

You should continue to pay premiums and make claims in the same way that you currently do. These services will not change as a result of our proposals. You will continue to be helped by the same team of people. If you wish to pay a premium or make a claim, you will find the appropriate contact details in your policy documentation or online at **standardlife.de** (Germany), **standardlife.at** (Austria) or **standardlife.ie** (Ireland).

14. Where can I find out more?

Once you have read your letter and this booklet, further information can be found on our website **standardlife.eu** which includes detailed questions and answers. Alternatively, you can contact us using the details in Part 10 and speak to one of our team.

9 Documents

You can access important documents in the following ways.

Online versions can be accessed at **standardlife.eu**

	English	German	Online
the Petition (to the Court)	✓		✓
the full terms of the Scheme	✓		✓
the summary of the Scheme	✓	✓	✓
the full Independent Expert Report	✓	✓	✓
the summary of the Independent Expert Report	✓	✓	✓
the full terms of the 2006 Scheme as it is proposed to be varied by the Proposed Variations	✓		✓
the full terms of the 2011 Scheme as it is proposed to be varied by the Proposed Variations	✓		✓
the full report of the Standard Life Assurance With Profits Actuary and on the Scheme and the Proposed Variations	✓		✓
the full report of the Standard Life Assurance Chief Actuary on the Scheme and the Proposed Variations	✓		✓
the full report of the Standard Life International Head of Actuarial Function on the Scheme	✓		✓
the Notes (appended to these are the full text of the Proposed Variations)	✓		✓
the summary of the Proposed Variations	✓	✓	✓
the Reinsurance Agreements and security documents	✓		✓
the Deed Polls and Court undertaking	✓		✓
this booklet	✓	✓	✓
the Supplementary Report of the Independent Expert when this is available	✓	✓	✓
the Supplementary Report of the Standard Life Assurance With Profits Actuary when this is available	✓		✓
the Supplementary Report of the Standard Life International Head of Actuarial Function when this is available	✓		✓
the Supplementary Report of the Standard Life Assurance Chief Actuary when this is available	✓		✓

Documents on display

Copies of these documents will also be available for inspection at the addresses set out below during usual business hours (local time) on any weekday (except public holidays) up to and including the date the Proposal becomes effective.

Ireland:	Germany:	Austria:	UK:
Standard Life - Brexit 90 St Stephen's Green Dublin 2 Republic of Ireland	Standard Life - Brexit Lyoner Str 15 60528 Frankfurt am Main Germany	Standard Life - Brexit Arche Noah 9 8020 Graz Austria	Standard Life - Brexit Standard Life House 30 Lothian Road Edinburgh EH1 2DH UK

10 How to get in touch

We know this may seem like a complex change, so we have a variety of options to find out more information or get in touch with us if you want to.

You can access all of the documents and other information online at **standardlife.eu**

If you have any questions about the Proposal, contact our dedicated helpline on one of the numbers below.

You will need your reference number from the top of the letter you received with this booklet.

Please note: The helpline team cannot provide financial advice.

All lines are open Monday to Friday 09:00 – 17:00 (local time).

If you're calling from the countries below please use the Freephone number shown. Please note calls from other countries will be charged:

Germany:	**0800 0713522**
Austria:	**0800 909455**
Ireland:	**1800 719841**
UK:	**0345 8508861**

If you prefer to write to us, you can send your letter to:

Ireland:
Standard Life - Brexit
90 St Stephen's Green
Dublin 2
Republic of Ireland

Germany:
Standard Life - Brexit
Lyoner Str 15
60528 Frankfurt am Main
Germany

UK:
Standard Life - Brexit
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH

If you're calling from outside of these countries please use the following numbers. Please note calls to these numbers will be charged:

Germany:	**00 44 131 246 8381**
Austria:	**00 44 131 246 8381**
Ireland:	**00 44 131 246 8380**
UK:	**00 44 131 246 8380**