STANDARD LIFE INTERNATIONAL DAC

Supplementary Actuarial Report on Proposed Part VII Transfer from SLAL to PLL

8 September 2023

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1. EXECUTIVE SUMMARY

This report is a supplementary report to my report entitled 'Actuarial Report on Proposed Part VII Transfer from SLAL to Phoenix' dated 18 April 2023 ("my report"). All definitions and abbreviations used in my report apply also to this supplementary report and this report should be read alongside that report.

In my report I concluded that I saw no reason for the Board of SL Intl to object to the proposed transfer of business from Standard Life Assurance Limited ('SLAL') to Phoenix Life Limited ('Phoenix' or 'PLL') and the consequential SLAL Brexit Scheme variations. This was based on the following criteria:

- no material detriment to Standard Life International d.a.c. ('SL Intl') policyholders;
- ongoing compliance with the Domestic Actuarial Regime; and
- ongoing adequacy of the reinsurance arrangements.

In this supplementary report, I consider whether, taking into account developments since the date of my report, I remain supportive of the proposed transfer and consequential SLAL Brexit Scheme variations.

As part of my consideration of the Scheme in this supplementary report, I have updated the financial analysis to use financial information as at 30 June 2023 (see section 3), and considered whether the impact of the Scheme on the criteria above would be affected in light of that updated information.

In my view there have been no changes that affect the conclusions that I reached in my report.

This supplementary report is written in my capacity as Head of Actuarial Function for SL Intl. The report may be used by the Independent Expert and Courts, Regulators, Boards, Legal Advisors and Phoenix personnel involved in the project to effect the Scheme.

2. CHANGES TO THE SCHEME

The proposed variations to the SLAL Brexit Scheme have not been changed since the date of my report. I note that there have been no changes to the Scheme since the date of my report, with the exception of the addition of one small subsidiary of SLAL to the list of transferring subsidiaries in Schedule 3. This change has no impact on my conclusions.

3. UPDATED FINANCIAL ANALYSIS

In my report I noted that SL Intl is comfortable that the solvency capital requirements under its Partial Internal Model will continue to reflect the counterparty default risk post transfer and that the solvency position will continue to afford commensurate levels of security to all SL Intl policyholders.

I have reviewed the estimated balance sheet impact of the Scheme on SL Intl and shown updated estimates below, alongside the impacts from my report which were as at 31 December 2022.

€m	SL Intl 30 June 2023	*SL Intl 31 December 2022*
Increase (Decrease) in Counterparty Default Adjustment	1	*1*
Increase (Decrease) in Risk margin	4	*4*
Increase (Decrease) in SCR under PIM	4	*4*
Increase (Decrease) in surplus over SCR	**(9)**	***(10)***

The effects shown are all related to the change in counterparty from SLAL to Phoenix.

As at 30 June 2023, SL Intl met its regulatory capital requirements and those of its own capital policy. The estimated balance sheet impact calculated at 30 June 2023 shown above, which is similar to that calculated at 31 December 2022, does not change that position.

4. ASSESSMENT OF THE SCHEME

4.1. Impact on SL Intl policyholders

The key points in my report with regard to the effect of the Scheme on SL Intl policyholders were:

- The security of policyholder benefits is not materially affected because fixed and floating charges will be put in place with Phoenix that provide the same protection as the charges between SL Intl and SLAL;
- There is no material detriment to PRE for reinsured policyholders because the agreements, as amended by the substitution of Phoenix as the reinsurer (together with the amended deed polls and new undertaking), provide continuity of benefit expectations; and
- Customer service will be unchanged and the operations teams will be provided with appropriate material to support queries.

I noted in my report that, in the first instance, security for SL Intl policyholders is derived from the solvency position of SL Intl. As shown in section 3 the balance sheet impact of the Scheme is small and SL Intl continues to show excess assets above regulatory requirements. There has also been no change in the points I made in my report which are summarised above.

Therefore, my opinion remains unchanged that there should be no material detriment to SL Intl policyholders.

4.2. Domestic Actuarial Regime

In my report, I concluded that SL Intl will continue to comply with the requirements of the Domestic Actuarial Regime before and after the Scheme, noting that the transfer will not alter in any substantive way the ongoing management of the SLAL with-profits funds.

There have been no changes to the terms of the Scheme since the date of my report so my opinion remains that SL Intl will continue to comply with the requirements of the Domestic Actuarial Regime.

4.3. Reinsurance

The key points in my report with regard to the ongoing adequacy of the reinsurance arrangements were:

- Security is maintained by the fixed and floating charges that will be put in place with Phoenix, which currently has the same credit rating as SLAL (AA-); and
- SL Intl holds capital in respect of counterparty default risk and the calculations will be updated to reflect Phoenix replacing SLAL as counterparty.

Since my report there have been no changes to the reinsurance arrangements (the only changes being made are those inherent in the Scheme relating to the change from SLAL to Phoenix as counterparty) nor to Phoenix's strength as a counterparty (including its credit rating, which I understand, is not expected to change as a result of the Scheme). My opinion therefore remains unchanged that SL Intl will continue to benefit from the adequacy of the with-profits reinsurance after the Scheme.

5. POLICYHOLDER COMMUNICATIONS

In my report I noted that SL Intl policyholders would not be communicated with directly in relation to the Scheme. Instead, press adverts have been placed and alerts added on customer-facing websites. I am satisfied that the information regarding the proposals as contained therein is adequate and also that it is not necessary to bring the observations made in this supplementary report to the attention of policyholders.

A small number of customers made contact as a result of the press adverts and alerts but, as at 1 September 2023, no SL Intl policyholders have objected to the Transfer or the Variation of the SLAL Brexit Scheme.

6. CONCLUSIONS

In my view, there have been no changes that affect the conclusions that I reached in my report. Therefore, my opinion remains that the proposed transfer and the consequential SLAL Brexit Scheme variations should meet the following criteria:

- no material detriment to SL Intl policyholders;
- ongoing compliance with the Domestic Actuarial Regime; and
- ongoing adequacy of the reinsurance arrangements.

Mark Wharton
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8 September 2023