

Summary of the Main Terms of the Scheme

Summary of Scheme for the transfer to Standard Life Assurance Limited (“SLAL”) of all of the business of Standard Life Investment Funds Limited (“SLIF”) pursuant to Part VII of the Financial Services and Markets Act (“FSMA”) (the “Scheme”)

Background

1. The Standard Life Group was established in 2006 as a result of the demutualisation of The Standard Life Assurance Company (“SLAC”). Substantially all of the long term insurance business which was carried on in 2006 by SLAC was transferred to SLAL by an insurance business transfer scheme under Part VII of FSMA, which became effective on 10 July 2006 (the “2006 Scheme”).
2. The business of SLIF has always been that of reinsurance. Prior to the 2006 Scheme SLIF reinsured linked policies, both life and pensions, written by SLAC. As part of the 2006 Scheme, those reinsurance contracts transferred from SLAC to SLAL and SLIF continued to reinsure the linked policies transferred from SLAC to SLAL (and continues to do so today, with respect to those policies that are still in force). In accordance with the 2006 Scheme, SLIF has (subject to certain excepted categories) reinsured all UK and “Irish branch” policies which SLAL has written, on original terms.
3. The reinsurance of the risks in respect of certain property linked policies (which were allocated by the 2006 Scheme to a fund within SLAL’s long-term business fund, known as the Heritage With Profits Fund (the “SLAL HWPF”)) was provided under two reinsurance agreements (the “Linked Reinsurance Agreements”); SLAL has also reinsured the longevity risk and annuity augmentations in respect of certain annuity policies in payment which were allocated by the 2006 Scheme to the SLAL HWPF under an agreement referred to as the “SLIF EB Annuities Reinsurance Agreement”. In turn SLIF reinsured a small part of that risk to the non-profit fund of SLAL known as the Proprietary Business Fund (the “SLAL PBF”).
4. SLIF has also reinsured certain liabilities of Standard Life Pension Funds Limited and liabilities under certain policies written by insurers outside of the Standard Life Group.
5. Certain of SLIF’s own liabilities are themselves reinsured under a number of reinsurance agreements with different insurance companies outside the Standard Life Group.

The Scheme

General

6. In broad terms, the Scheme provides for the transfer of all of the business, and assets and liabilities, of SLIF to SLAL. It also deals with the allocation of those assets and liabilities to the specific funds of SLAL, whether that be the SLAL shareholder fund (the “SLAL SHF”) or one of the sub-funds of its long-term business fund, in particular either the SLAL HWPF or the SLAL PBF. Certain aspects of the Scheme have required minor, clarificatory variations to be made to the 2006 Scheme.

7. Subject to certain specified conditions (including the Court making an order to sanction the Scheme) the Scheme shall become effective at a time and date which is agreed in writing, in advance of the Court order sanctioning the Scheme, by the SLIF Board and the SLAL Board. It is proposed that the Scheme becomes effective on 31 December 2011 (the "Effective Date").
8. If the Scheme does not become effective on or before 31 March 2012 (or any later date which the Court allows), it shall lapse.

The Transfer

9. With effect from the Effective Date, subject to the terms of the Scheme the whole of SLIF's business and undertaking ("the Transferred Business"), together with all of SLIF's property (the "Transferred Assets") and liabilities (the "Transferred Liabilities") will be transferred to SLAL.
10. In particular, (along with the agreements where SLIF is the reinsured) it is intended that all rights and liabilities under all reinsurance agreements in respect of reinsurance accepted by SLIF (i.e. where SLIF is the reinsurer) shall transfer. These reinsurance contracts are together defined as the "Transferred Reinsurance Agreements".
11. However, if for any reason, it is not possible as at the Effective Date for the rights and liabilities under any Transferred Reinsurance Agreement to transfer to SLAL (which is believed most unlikely), such agreement shall be subject to specific retrocession arrangements provided for by the Scheme, to ensure that third party reinsureds are treated no less favourably than they would have been had the agreement transferred.
12. The general effect of the Scheme will be that any person who has a contractual, or other legal, relationship with SLIF shall have the same rights, and be subject to the same obligations, in respect of SLAL as it had, or was subject to, in respect of SLIF.
13. It is expressly acknowledged in the Scheme that any contract or arrangement to which SLIF and SLAL are the sole parties (including the reinsurance agreements between them) shall, as a result of the transfer under the Scheme, cease to have effect by operation of law.

Residual Assets and Residual Liabilities

14. The Scheme contains provisions that deal with certain assets and liabilities that, for specified reasons, do not transfer at the Effective Date but instead are to transfer at some later date. Those assets and liabilities are defined as "Residual Assets" and "Residual Liabilities".

Trust Property

15. With certain limited exceptions, any property that is not able to be transferred to SLAL under the Scheme for any reason shall be held on trust by SLIF for SLAL. With effect from the Effective Date, SLAL shall provide SLIF with an indemnity against any liability of SLIF in respect of the Transferred Business.

Mandates and Proceedings

16. Any mandate or other instruction in force on the Effective Date relating to property and/or liabilities in connection with the Transferred Business shall, with effect from the date on which such property or liability is transferred, take effect as an instruction to, or in favour of, SLAL.
17. Any legal proceedings which at the Effective Date are pending by, or against, SLIF in connection with the Transferring Business or any Transferred Assets or Transferred Liabilities, shall be continued by, or against, SLAL.

Allocations

18. The default position under the Scheme is that all Transferred Assets and Transferred Liabilities, including property, rights and liabilities under the Transferred Reinsurance Agreements, are allocated to the SLAL PBF.
19. However, any property and liabilities of SLIF (or parts thereof) which, as at the time immediately prior to the Effective Date, are attributable to the reinsurance of HWPF Policies are allocated to the SLAL HWPF. In addition, all property and liabilities (or parts thereof) which, as at the time immediately prior to the Effective Date, are comprised in or attributed to the SLIF SHF shall, to the extent so comprised or attributed, be allocated to the SLAL SHF.

Specific allocations

20. Notwithstanding the general principles of allocation, the Scheme specifies the allocation of certain property (and associated liabilities), which specification overrides the general principles such that certain property is specifically allocated to the SLAL PBF and other property to the SLAL Shareholder Fund.

Linked Funds

21. With effect from the Effective Date, the assets and liabilities comprised in each of SLIF's Linked Funds (i.e. the internal linked funds established in order to enable benefits under linked policies to be calculated, other than benefits referable to with profits units) shall be allocated to a corresponding SLAL Linked Fund which shall comprise the same number, and value, of units as the SLIF Linked Fund comprised.

Floating Charges

22. SLIF has granted two floating charges to secure its liabilities under its reinsurance agreements. One of those floating charges is intended to be discharged given that SLAL is, in effect, the only actual beneficiary under that charge. The Scheme shall transfer and amend the other floating charge and associated security trust agreement.

Longevity Risk

23. Immediately upon the transfer under the Scheme of the rights and liabilities under the SLIF EB Annuities Reinsurance Agreement, that agreement will cease to have effect in all respects by operation of law. Scheduled to the Scheme is an inter-fund, replacement arrangement to

be immediately implemented between the SLAL HWPF and the SLAL PBF to provide the SLAL HWPF with replacement protection.

Linked Reinsurance Agreements

24. The Linked Reinsurance Agreements will also cease to have effect upon their transfer to SLAL under the Scheme by operation of law. In order to administer the property-linked funds efficiently, the Scheme allocates the unit-linked investment element of the property-linked policies reinsured under the Linked Reinsurance Agreements to the SLAL PBF using an existing provision of the 2006 Scheme.

Variation to the 2006 Scheme

25. The Scheme also includes amendments to the 2006 Scheme.

26. These amendments are technical in nature and arise as a consequence of the replacement arrangements noted at paragraphs 23 and 24 above.

27. The amendments do not alter the intended commercial effect of the 2006 Scheme.

Costs

28. The SLAL PBF shall bear all the costs incurred in preparing the Scheme and carrying it into effect.