

Capital Requirements Directive

- Pillar 3 disclosure

Scope and application of the requirements

The disclosures in this document are made in respect of the group of companies consolidated under Standard Life Investments (Holdings) Limited ('Standard Life Investments'), a wholly owned subsidiary of Standard Life plc. The primary activity of Standard Life Investments is the provision of discretionary investment management services.

Background

The Capital Requirements Directive ('the Directive') created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this is being implemented by our regulator, the Financial Services Authority ('FSA') which has created new rules and guidance specifically through the creation of the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The new FSA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirements that companies need to retain to meet their credit, market and operational risk;
- Pillar 2 requires each company, and the FSA, to take a view on whether the company needs to hold additional capital against firm-specific risks not covered by Pillar 1; and
- Pillar 3 requires each company to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position.

Rule II of BIPRU sets out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets Standard Life Investments' obligation with respect to Pillar 3.

The rules provide that a company may omit one or more of the required disclosures if it believes that the information is immaterial. Materiality is based on the criterion of whether the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where a company considers a disclosure to be immaterial, it will have stated this in the document.

In addition, a company may also omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it

were shared, would undermine the competitive position of a company. Information is considered to be confidential where there are obligations binding a company to confidentiality with customers, suppliers and counterparties. Where a company has omitted information for either of these two reasons it must state this in the relevant section with reasons for the omission.

Risk management objectives and policies

The Board of Standard Life Investments (Holdings) Limited comprises directors who have the necessary skills and experience to lead and control the company. The Board is responsible for setting strategy and risk appetite in line with direction from Standard Life Plc Board and for ensuring that management establishes plans to execute the strategy within acceptable parameters. The Board usually meets at least 5 times a year.

To protect the interests of its clients, Standard Life Investments operates a strong control environment. This is achieved through the Internal Risk and Control Framework ("IRCF"), which provides integrated, robust corporate governance processes to allow the company's risks to be identified, assessed, monitored and controlled. The IRCF provides three lines of defence against the mismanagement of risk. A brief description of the three lines of defence is given below.

First Line of Defence

All Standard Life Investments' people are responsible for assessing and managing their risks. This is achieved through investing in robust and sustainable processes and the recruitment and training of people. Management confirm the operation of their controls on a quarterly basis through a control self assessment process.

Second Line of Defence

Risk and Compliance form a second line of defence against the mismanagement of risk through gaining assurance from a defined set of monitoring activities on the operation of the first line of defence. These monitoring activities are risk driven and a particular focus is to ensure compliance with regulations.

Third Line of Defence

The third line of defence is provided by the Standard Life plc Internal Audit department and External Auditors. Control weaknesses identified by Internal and External audit are tracked to completion through the Executive Committee.

Capital Resources

Capital is held to ensure a suitable operating margin is maintained in excess of the higher of Pillar 1 and Pillar 2 capital requirements.

Pillar 2 capital requirements are determined using a risk based approach that explicitly takes into account management's view of specific risk exposures.

Pillar 1 capital requirements are the greater of:

- Base capital requirement of €125,000; or
- The sum of the market and credit risk requirements; or
- The Fixed Overhead Requirement

It is Standard Life Investments' experience that the Fixed Overhead Requirement at 31 December 2007, establishes its Pillar 1 capital requirements and hence market and credit risks are considered not to be material.

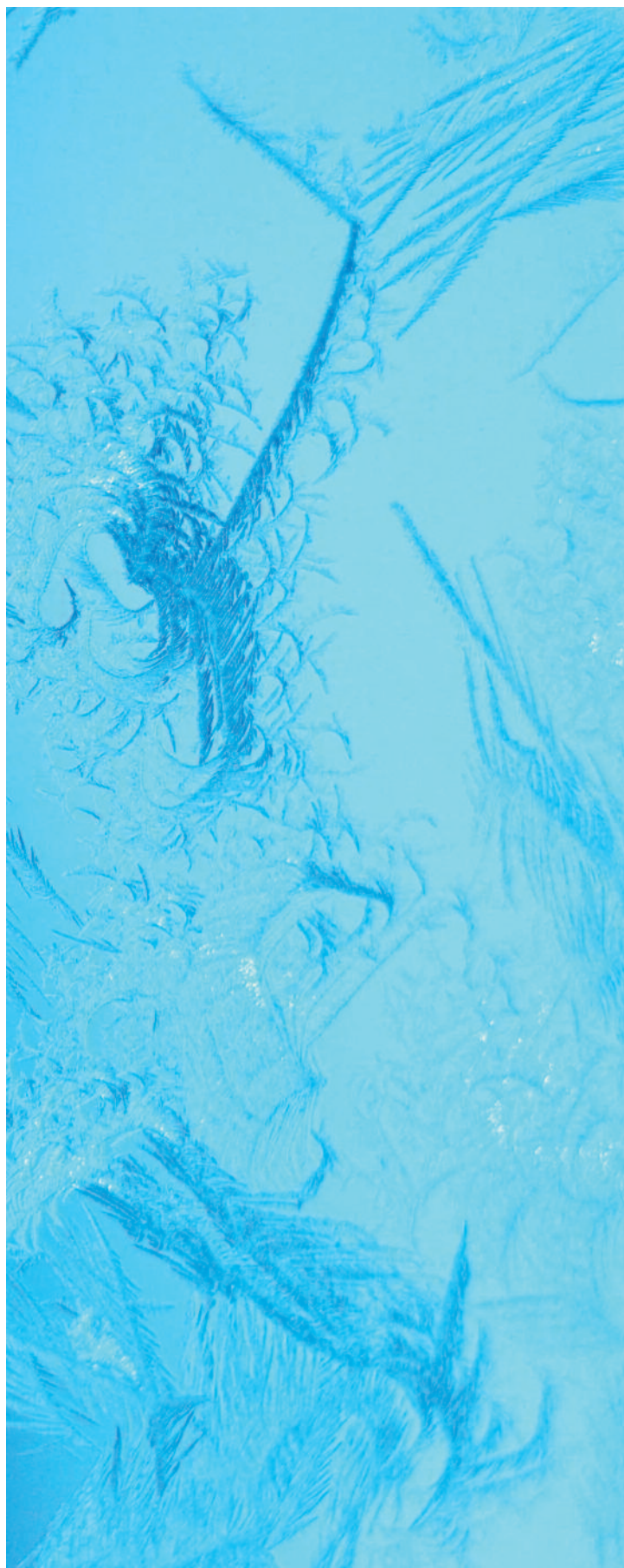
Standard Life Investments' assessment of its operational and market risks comprises its Pillar 2 requirement.

Stress tests are undertaken to determine the impact of severe events such as significant market downturns on Standard Life Investments financial position.

There are no current or unforeseen material, or practical impediments, to the prompt transfer of capital resources or repayment of liabilities within Standard Life Investments.

Prior to 30 June 2008, Standard Life Investments reported to the Financial Services Authority, on a consolidated basis, under Standard Life Investments Limited. As the most recently audited accounts are at 31 December 2007, data included in the table below is included on this basis. Future disclosures are expected to be included on a consolidated basis under Standard Life Investments (Holdings) Limited.

2007	£m
Share Capital	32.4
Audited reserves	104.8
Core Tier 1 Capital	137.2
Total tier 1 Capital before deductions	137.2
Material Holdings	(21.0)
Total Tier 1 Capital	116.2
Subordinated Loan	15.0
Total Tier 2 Capital	15.0
Total capital resource	131.2



Standard Life Investments has not omitted any disclosures on the grounds that they are proprietary or confidential

Standard Life Investments Limited, tel. +44 131 225 2345, a company registered in Scotland (SC123321) Registered Office 1 George Street Edinburgh EH2 2LL.

The Standard Life Investments group includes Standard Life Investments (Mutual Funds) Limited, SLTM Limited, Standard Life Investments (Corporate Funds) Limited and SL Capital Partners LLP. Standard Life Investments Limited acts as Investment Manager for Standard Life Assurance Limited and Standard Life Pension Funds Limited.

Standard Life Investments may record and monitor telephone calls to help improve customer service. All companies are authorised and regulated by the Financial Services Authority.
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