APPENDIX TO THE CIRCULAR SENT TO SHAREHOLDERS OF STANDARD LIFE PLC ON 9 MAY 2017

PART A
OVERVIEW OF PROPOSED CHANGES TO STANDARD LIFE'S DIRECTORS' REMUNERATION POLICY FOR 2017

In anticipation of the proposed Merger and the proposed structure of the Board of the Combined Group, the Standard Life Remuneration Committee (the "**Committee**") has considered the impact of this on Standard Life's directors' remuneration policy to identify any amendments that may be required for the period from the Effective Date to 31 December 2017. Following completion of the Merger, the Remuneration Committee of the Combined Group will continue work already started on the development of a new remuneration policy that is intended to apply from 1 January 2018 and it will be consulting extensively with the Combined Group's major institutional investors during this process.

The underlying principle applied by the Committee is that minimal changes should be made, as Standard Life is already part way through the 2017 performance year. However, due to the different structures in place at Standard Life and Aberdeen, if the Merger completes and Martin Gilbert and Bill Rattray join the Standard Life Board (which will be the Board of the Combined Group) before 31 December 2017, some changes would need to be made to the Standard Life remuneration policy to accommodate their existing remuneration arrangements. In addition, if the Merger completes and Rod Paris of Standard Life joins the Board of the Combined Group as Chief Investment Officer ("**CIO**"), some changes would be needed to accommodate his remuneration structure. These changes are detailed below.

<u>Directors' remuneration policy</u>

The current Standard Life remuneration policy, as it applies to the Standard Life Directors, was approved by Standard Life Shareholders at the 2015 annual general meeting and is set out in the Standard Life 2014 Annual Report, which can be found on Standard Life's website at www.standardlife.com/annualreport. In light of the proposed changes to the Standard Life Board, which will become effective if and when the Merger completes, the Committee has reviewed how the directors' remuneration policy would apply for the period from the Effective Date to 31 December 2017, the end of the Standard Life financial year. While the vast majority of the directors' remuneration policy remains fit for this purpose, it is proposed that a number of minor changes be made to the policy to apply for this period of 2017 only, to be able to accommodate the appointment of the two legacy Aberdeen executive directors (Martin Gilbert and Bill Rattray) and the appointment of Rod Paris to the Board of the Combined Group in the role of CIO following completion of the Merger.

The changes are intended as transitional arrangements to apply for the above-mentioned period of 2017 only and are conditional on the Merger completing. They are proposed in recognition of the different existing legacy remuneration structures of the proposed members of the Board of the Combined Group not previously on the Standard Life Board. Given that the directors' remuneration policy was last approved by shareholders on 12 May 2015, the Remuneration Committee of the Combined Group will, following completion of the Merger, continue the review of directors' remuneration already started by the current Committee, as detailed in the 2016 directors' remuneration report, with a view to presenting a new directors' remuneration policy to shareholders at the 2018 annual general meeting. Post-completion of the Merger, this review will also consider the strategy and structure of the Combined Group. The Remuneration Committee of the Combined Group will consult with major institutional investors in good time as part of this review as previously planned.

Changes proposed to the directors' remuneration policy for 2017 post-completion of the Merger

An overview of the key changes that are proposed to the directors' remuneration policy is set out below. It is intended that save for these changes the existing directors' remuneration policy would continue to apply to the Combined Group's executive directors. The changes set out below would be applied to new appointees to the Board of the Combined Group on a pro rata basis from the Effective Date to 31 December 2017.

- **Adoption of legacy Aberdeen variable pay award plans for Martin Gilbert and Bill Rattray for the period from the Effective Date to 31 December 2017 only.**
    - This includes variable pay in non-deferred cash and variable pay in deferred share awards.
    - Performance for this period will be measured, insofar as possible, against performance measures and objectives consistent with the legacy Aberdeen measures that applied up to the Effective Date. The actual targets for the relevant period will be agreed by the Remuneration Committee of the Combined Group following completion of the Merger and will be based, insofar as possible, on existing performance measures for these plans. Additional Merger-related targets and objectives may be set where appropriate.
    - The targets will be retrospectively disclosed in the 2017 directors' remuneration report.
    - The individuals will not participate in Standard Life's other variable pay arrangements in 2017.
- **Performance for the Standard Life Group annual bonus will continue to be measured against performance targets and objectives for the legacy Standard Life business for the period to 31 December 2017 only.**
    - Keith Skeoch and Rod Paris will participate in this plan.
    - The targets will be retrospectively disclosed in the 2017 directors' remuneration report. Additional Merger-related targets and objectives may be set where appropriate.
- **Use of the existing Standard Life Investment Limited's personal and company bonus plans for the CIO (Rod Paris).**
    - These plans were approved by Standard Life Shareholders at the 2015 annual general meeting for making awards to the Chief Executive Officer of Standard Life Investment Limited who was an executive director of Standard Life.

  - In line with the policy, these arrangements have not been used to make awards to executive directors since the appointment of the Chief Executive Officer of Standard Life Investment Limited to his role as Chief Executive Officer of the Standard Life Group in August 2015.

  - As the CIO of Standard Life Investment Limited currently participates in the personal and company bonus plan consistent with other employees of that business, it is proposed that that the policy be amended to allow him to continue to participate in these plans when he joins the Board of the Combined Group for the remainder of 2017 subject to the maximums in the existing policy of 105% and 200% of base salary, respectively.

  - In addition, he will be eligible for a bonus under the Standard Life group annual bonus plan of up to a maximum of 60% of base salary in line with the structure previously used for the Chief Executive Officer of Standard Life Investment Limited.

  - The deferred period of bonus will be amended from two to three years in line with changes made in 2016 to the Standard Life Group annual bonus plan.

  - The theoretical maximum level of bonus and long-term incentive awards that may be awarded to the Chief Executive Officer of Standard Life Investment Limited on appointment is 865% of salary and the Committee proposes adopting this limit for the CIO on appointment to the Board of the Combined Group. However, it does not plan to make an additional long-term incentive award during the period to 31 December 2017 and in any event would not make an award in excess of a 400% maximum (consistent with the award the CEO of Standard Life Investment Limited previously received) in the future without consultation with shareholders. Therefore the current maximum variable opportunity would be 765% of salary.

  - The base salary for the CIO will be £450,000 per annum.

  - He will not be eligible to receive any further grants under the long-term incentive plans during 2017.

- **Non-executive director fees – adoption of the flexibility from the Aberdeen directors' remuneration policy.**

  - This provides for supplementary fees to be paid for additional responsibilities and activities, such as for the committee chairmen and other members of the Board committees of the Combined Group (e.g. audit, remuneration, risk and capital and nomination and governance) and the Senior Independent Director, to reflect the additional responsibilities of these positions.

Additional changes to the directors' remuneration policy post the Effective Date of the Merger with Aberdeen

In the event the Merger completes, the Remuneration Committee of the Combined Group will be developing a remuneration policy for the Combined Group for presentation at the 2018 annual general meeting.

There is an opportunity to broaden and strengthen alignment of the interests of the Combined Group's executive directors to shareholders and improve its position with regards to malus and clawback. Therefore two other changes are proposed at this time. These changes are intended to align the directors' remuneration policy with good practice. They will not take effect unless the Merger completes.

- **Including Standard Life's significant shareholding guidelines in the remuneration policy.**
    - The Committee believes the remuneration policy should encourage significant levels of long-term share ownership to ensure the executive has wealth not just income at risk, to align executives' interests with shareholders and to incentivise continued delivery during and beyond the performance period.
    - The Committee therefore proposes the adoption of the existing Standard Life shareholding requirement into the directors' remuneration policy to further strengthen its commitment to this objective.
- **Broadening the malus and clawback provisions.**
    - The Standard Life malus and clawback provisions will cover awards granted by the Combined Group under variable pay plans from legacy Aberdeen arrangements. These will also provide the Remuneration Committee of the Combined Group with greater discretion on application in line with regulatory guidance for all variable pay arrangements.

Treatment of awards granted under the Aberdeen variable pay award plans to Martin Gilbert and Bill Rattray prior to the Effective Date

At the Effective Date, a number of options that had previously been granted under the Aberdeen Deferred Share Plan 2009 (or its predecessor) (the "**Aberdeen DSP**") will be automatically exchanged for equivalent options over Standard Life Shares ("**Replacement Awards**"). These Replacement Awards will be governed by the rules of the Aberdeen DSP under which the options they are replacing were granted. Standard Life will operate the Aberdeen DSP from the Effective Date.

Looking forward to 2018

As detailed in Standard Life's 2016 directors' remuneration report, during 2016 the Committee commenced a review of Standard Life's remuneration structures. This review is continuing and, subject to the successful completion of the Merger, will also consider the impact of the Merger on the Combined Group's remuneration strategy and structure.

In the development of the new remuneration policy, the Remuneration Committee of the Combined Group will consider both legacy remuneration structures and evolving best practice, and will seek investor and investor body views, especially regarding the design and structure of long-term remuneration and specifically the use of long-term incentive plans. The Committee will present a new directors' remuneration policy to shareholders at the 2018 annual general meeting and will consult the Combined Group's major institutional investors in good time as part of this review. Subject to shareholder approval, this policy will be effective from 1 January 2018.

PART B
REMUNERATION POLICY

Future policy report

This section sets out the remuneration policy for executive Directors and non-executive Directors, and is subject to a binding vote of shareholders. The remuneration policy will be conditional on completion of the proposed merger of Standard Life plc and Aberdeen Asset Management PLC (as described in the Circular sent to shareholders of Standard Life on or about 9 May 2017) (the "**Merger**") and, if approved, will take effect from the date of completion.

The following definitions apply in this Part B of the Appendix to this Circular unless the context otherwise requires:

"**Aberdeen**" means Aberdeen Asset Management PLC;

"**Board**" means the board of Directors of the Company;

"**Company**" means Standard Life plc, to be renamed Standard Life Aberdeen plc (a public company incorporated with limited liability in Scotland with registered number SC286832);

"**Director**" means a director of the Company;

"**Earnings before interest, tax, depreciation and amortisation**" or "**EBITA**" means earnings before interest, taxation, depreciation, amortisation, restructuring costs, other non-operating items and non-controlling interests;

"**Group**" or "**Standard Life**" means the Company and its subsidiaries;

"**Operating return on equity**" or "**ROE**" means the annualised post-tax operating profit expressed as a percentage of the opening IFRS equity, adjusted for time apportioned dividends paid to equity holders; and

"**Remuneration Committee**" means the remuneration committee of the Board.

Remuneration policy for executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	To provide a core reward for undertaking the role, positioned at a level needed to recruit and retain the talent required to develop and deliver the business strategy.	The Remuneration Committee sets base salaries taking into account a range of factors including: • The individual's skills, performance and experience • Internal relativities and wider workforce salary levels • External benchmark data • The size and responsibility of the role • The complexity of the business and geographical scope • Economic indicators. Base salaries are normally reviewed annually, with any increases usually effective from March. Base salaries may be reviewed more frequently at the discretion of the Remuneration Committee.	Salaries for executive Directors are set at an appropriate level to attract and incentivise individuals of the calibre and with the experience required. Whilst there is no maximum salary, any increases for executive Directors will normally be in line with the typical level of increases awarded to other employees at Standard Life and will be a reflection of their performance. The Remuneration Committee may award increases above this level in certain circumstances, such as: • Where a new recruit or promoted employee's salary has been set lower than the market	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
			level for such a role and larger increases are justified as the individual becomes established in the role • Where there is a significant increase in the size and responsibilities of the executive Director's role.	
Benefits	To provide market competitive monetary and non-monetary benefits, in a cost effective manner, to assist employees in carrying out their duties efficiently.	Executive Directors are provided with a package of core benefits funded by the Company and are invited to participate, in line with other employees, in their employing company's voluntary benefits programme which they fund themselves through salary sacrifice. Core benefits currently provided include health screening, private healthcare, death in service protection, disability benefit and reimbursement of membership fees of professional bodies. Where the Remuneration Committee considers it appropriate, other benefits may be provided on recruitment or relocation.	Car allowance up to a maximum of £16,585 per annum. There is no maximum value of the core benefit package as this is dependent on the cost to the employing company and the individual's circumstances. In the event of recruitment or relocation additional benefits may be provided, such as: • Housing rental costs • Education allowance • Travel and accommodation costs • Relocation costs (including shipping costs, legal fees and stamp duty associated with the purchase of a house and other professional advice). Such benefits would be set at an appropriate level taking into account the individual's circumstances and typical market practice.	Not applicable.
All-employee share plans	To promote share ownership by all employees to drive performance aligned to the Company's shareholders' interests.	Executive Directors can participate in the all-employee share plans operated by Standard Life on the same basis as all other employees. The two current all-employee share plans are: • The Standard Life (Employee) Share Plan • The Standard Life Sharesave Plan.	The maximum opportunity is in line with all other employees and is as determined by the prevailing HMRC rules on maximum employee payment limits.	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pension	To provide a competitive, flexible retirement benefit in a way that does not create an unacceptable level of financial risk or cost to the Group.	Executive Directors are auto enrolled into the Group's defined contribution pension plan and are offered the alternative of a cash allowance. The level of company pension contribution and level of cash allowance are reviewed periodically taking into account: • External benchmark data • Pension legislation • Other elements of the remuneration package. We would continue to honour defined benefit pension arrangements in the event of an individual with a contractual entitlement to such a pension benefit being promoted to an executive Director role.	Employer contribution into the Group's defined contribution pension plan of up to 32% of salary. Alternatively, a cash allowance of up to 30% of salary.	Not applicable.
Group annual bonus	To support the delivery of the Group's annual business plan. The focus is on the delivery of the annual financial, strategic, customer and people objectives.	Awards are based on a balanced Group scorecard combining annual financial and non-financial performance targets. Performance targets are set annually by the Remuneration Committee. The Remuneration Committee exercises its judgement to determine awards at the end of the year to ensure that the outcome of the scorecard is fair in the context of overall Group performance, taking into account actual performance against Group scorecard targets, business performance and performance against personal goals. Normally, 50% of any bonus above 25% of salary is deferred into shares which vest after three years from the date of award (subject to the deferred amount being at least 10% of salary). Deferred bonus shares are normally granted in the form of nil-cost options, however may be awarded in other forms if it is considered appropriate. Deferred bonus shares are subject to malus between grant and vest and cash awards are subject to clawback for three years from the date of award (details set out later in this report). Deferred awards will accrue dividend equivalents over the deferral period. These will normally be paid in shares on a reinvested basis.	The maximum award opportunity in respect of any financial year is based on role and is up to 175% of salary. Martin Gilbert and Bill Rattray will not be eligible to receive Group annual bonus awards in 2017 but will be eligible for awards made under the legacy Aberdeen variable pay arrangements described below.	Performance is measured against a range of key financial metrics, strategic, customer and people indicators and personal performance. The performance scorecard is weighted with at least 50% of bonus based on financial performance and no less than 30% based on non-financial performance. The non-financial targets are split between strategic, customer and people measures. The split between financial and non-financial targets is set annually by the Remuneration Committee. A portion of the award may be based on individual performance objectives. This will be no more than 20% of the overall award. Performance is measured over 12 months. For 2017 only, the award will be determined by reference to the performance of the

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
				legacy Standard Life plc business. The award opportunity for bonus at threshold performance is zero with up to 50% of the award normally payable for target performance. 100% of the award is payable for maximum performance.
Standard Life Investments' personal and company bonus plans	To support the delivery of Standard Life Investments' annual business plan by rewarding Standard Life Investments' employees for the delivery of individual performance objectives in the year and Standard Life Investments' corporate and investment performance.	The bonus pool is determined by reference to Standard Life Investments' financial performance. Personal bonus awards are based on personal performance against agreed Standard Life Investments' business scorecard objectives and awarded from the bonus pool. Company bonus awards are made from the bonus pool after deduction of personal bonus payments and the size of the award reflects the value of total reward positioned against market. The award for the CIO is determined by the Remuneration Committee. Normally, 50% of the combined Standard Life Investments' personal and company bonuses above 25% of salary is deferred into shares which vest after three years from the date of award (subject to the deferred amount being at least 10% of salary). Higher levels of deferral or longer deferral periods may apply at the Remuneration Committee's discretion. Deferred bonus shares are normally granted in the form of nil-cost options, however may be awarded in other forms if it is considered appropriate. Deferred bonus shares are subject to malus between grant and vest and cash awards are subject to clawback for three years from the date of award (details set out later in this report). Deferred awards will accrue dividend equivalents, or equivalent for other forms of awards, over the deferral period. These will normally be paid on a reinvested basis.	The maximum award opportunity in respect of any financial year is 105% of salary in respect of the personal bonus award and is 200% of salary in respect of the company bonus award. This plan will be used to grant awards to the CIO for 2017 subject to the maximum opportunity set out above. No other Directors participate in this plan.	Performance is measured against a range of key financial metrics, strategic, customer and people indicators and personal performance. Individual awards are then based on personal performance objectives set at the start of the year against Standard Life Investments' business scorecard objectives. Performance is normally measured over 12 months. The award opportunity for the personal bonus and company bonus at threshold performance is zero, with up to 50% of the award normally payable for target performance. 100% of the award is payable for maximum performance.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
The Standard Life plc Executive Long Term Incentive Plan (Executive LTIP)	To reward participants for the delivery of the Group's goals of driving shareholder value through customer experience including measures such as cumulative Group operating profit and cumulative Group net flows.	Award of shares subject to performance measured over a three-year period with a subsequent two-year holding period. Awards may only be exercised after the five-year combined period. Performance targets are set annually for each three-year cycle by the Remuneration Committee. Awards are subject to review by the Remuneration Committee and the Risk and Capital Committee at the end of the three-year performance period to confirm that vesting of the award is appropriate. This will take into account performance relative to the Group's scorecards over the plan period. The Remuneration Committee has the discretion to amend the final vesting level of awards if it does not consider that it reflects the performance of the Group. Awards are normally granted in the form of nil-cost options. These are usually in the form of shares but may be awarded in other forms, such as a unit, share or equivalent in a fund, or fund of funds managed by the Group, if it is considered appropriate. Unvested awards are subject to malus (details set out later in the report). Dividend equivalents, or equivalents for other forms of awards, accrue over the five-year period. These will normally be paid on a reinvested basis. Vesting of awards takes place on a straight line basis between threshold and target performance and target and maximum performance. The Remuneration Committee may adjust and amend awards in accordance with the Executive LTIP rules. The cumulative Group operating profit and cumulative Group net flows performance condition ranges will be disclosed in the Directors' remuneration report published in the year in which the awards are made.	The maximum award opportunity possible under the plan rules is 500% of salary. The Remuneration Committee's current intention is that award levels for executive Directors will be based on role and will be up to a maximum of 400% of salary. The Remuneration Committee will normally consult with the Company's largest institutional investors in advance of increasing award levels above the current grant levels. Martin Gilbert and Bill Rattray will not participate in this plan in 2017.	Vesting of the award is based on the following Group performance measures: • Cumulative Group operating profit performance before tax weighted at up to 100% of the award • Cumulative Group net flows weighted at no more than 50% of the award. The split between these measures, for each grant, is set annually by the Remuneration Committee. Given his responsibility as CIO, vesting of a portion of awards for the CIO may also be based on performance measures linked to the asset management business (currently consolidated cumulative three-year third party earnings before interest, tax, depreciation and amortisation). The split between the Group and the asset management business performance measures for the CIO will be determined annually by the Remuneration Committee. The award opportunity at threshold performance is zero, with up to 50% of the award normally vesting for target performance. 100% of the award vests for maximum performance.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Legacy Aberdeen Variable Pay in Non-Deferred Cash ("Aberdeen Non-Deferred Cash Awards") (only to be granted in 2017)	To reward the achievement of performance targets in a range of key performance areas.	Awards are based on key performance indicators (KPIs) determined by reference to legacy Aberdeen business targets combining financial and strategic objectives. The Remuneration Committee selects KPIs and determines the weighting for each. The Remuneration Committee sets performance targets for these KPIs. The Remuneration Committee exercises its judgement to determine awards at the end of the year to ensure that the outcome of the awards is fair in the context of underlying performance, taking into account actual performance against targets, business performance and performance against personal goals. Payment will be made in cash following the end of the performance period. Malus and clawback provisions apply to variable pay.	The maximum award opportunity is based on role and is up to 250% of fixed pay (comprising base salary and benefits but excluding pension allowance). The Remuneration committee will set individual caps, subject to this limit, for each executive Director role. In 2017, the individual maximum opportunities are: • Martin Gilbert, 250% of fixed pay • Bill Rattray, 75% of fixed pay. No Directors other than Martin Gilbert and Bill Rattray will participate in this plan.	Performance is based on achievement of key financial and strategic objectives, measured on both annual and long-term trailing performance. At least 70% of the award will be based on financial KPIs (including investment performance). On-target performance pay-out is 50% of the maximum award. Subject to any considerations of commercial confidentiality, the performance measures will be disclosed retrospectively in the relevant Directors' remuneration report.
Legacy Aberdeen Variable Pay in Deferred Shares ("Aberdeen Deferred Share Awards") (only to be granted in 2017)	To reward the performance in a range of key performance areas, to align executives' interests to those of shareholders, and aid retention of talent.	Awards are based on the same KPIs and weightings as for Aberdeen Non-Deferred Cash Awards. The Remuneration Committee exercises its judgement to ensure that the outcome of the awards are fair in the context of underlying performance, taking into account actual performance against targets, business performance and performance against personal goals. Awards are normally granted in the form of nil-cost options, however, may be awarded in other forms if it is considered appropriate. Malus and clawback provisions apply to variable pay. The award will be released to executive Directors in equal tranches over five years. An amount equivalent to the dividends due on the shares may be paid to participants only after the earliest vesting date has passed. In the exceptional event that, for practical reasons, the Group is unable to make awards in shares, awards may be made in deferred cash.	The maximum award opportunity is based on role and is up to 750% of fixed pay (comprising base salary and benefits but excluding pension allowance). The Remuneration Committee will set individual caps, subject to this limit, for each executive Director role. In 2017, the individual maximum opportunities are: • Martin Gilbert, 750% of fixed pay • Bill Rattray, 225% of fixed pay. No Directors other than Martin Gilbert and Bill Rattray will participate in this plan.	Performance is based on achievement of the same key financial and strategic objectives as those attached to the Aberdeen Non-Deferred Cash Awards set out above.

Notes to policy table

The deferred element of the Group annual bonus plan, the Executive LTIP, the Standard Life Investments Long-Term Incentive Plan (Standard Life Investments LTIP) and Aberdeen Deferred Share Awards shall be operated in accordance with the rules of the respective plans. The rules of the Executive LTIP were approved by shareholders in 2014. The rules of the Standard Life Investments LTIP were approved by shareholders in 2010.

Changes to the policy table

The Remuneration Committee has proposed a number of changes to the Directors' remuneration policy in anticipation of the proposed Merger with Aberdeen.

If the Merger completes, two directors of Aberdeen, Martin Gilbert and Bill Rattray, will join the Board. Those individuals' pre-existing arrangements with Aberdeen are incompatible with the Remuneration Policy adopted in 2015, so a number of changes are proposed to accommodate the continuation of their arrangements for the period from completion of the Merger until the end of 2017, including the grant of Aberdeen Non-Deferred Cash Awards and Aberdeen Deferred Share Awards in accordance with Aberdeen practice immediately prior to the Merger.

Rod Paris will also join the Board as CIO if the Merger completes. The Remuneration Committee proposes to include him in the Standard Life Investments' personal and company bonus plans which were previously operated for the Chief Executive, Standard Life Investments, and in the Group annual bonus plan and the Executive LTIP (with awards subject to the performance metrics summarised in the table above).

Awards granted under the Group annual bonus plan will continue to be measured against performance targets and objectives for the legacy Standard Life plc business for the period through to 31 December 2017.

The Remuneration Committee has also taken the opportunity to delete some provisions in the policy which are now obsolete.

Further details of the changes to the policy table are set out in the Overview of Proposed Changes to Standard Life plc's Remuneration Policy for 2017 found at pages 84-87 of the circular sent to shareholders of the Company on 9 May 2017.

Remuneration Committee discretion in relation to existing commitments

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above, or any previous policy came into effect, or (ii) at a time when a previous policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, payments include the Remuneration Committee satisfying awards of variable remuneration in relation to awards over shares, including awards granted in 2015, 2016 and 2017 under the Standard Life Investments LTIP, and awards granted in 2014, 2015, 2016 and 2017 under the Executive LTIP and any other share-based plan operated by the Group. This means making payment in line with the terms that were agreed at the time the award was granted. Under the terms of the Merger, existing awards granted to employees of Aberdeen under the Aberdeen Deferred Share Plan 2009 or the Aberdeen USA Deferred Share Award Plan prior to completion will be exchanged for equivalent awards over shares in the Company.

Awards (in the form of nil-cost options) that were granted to executive Directors under the Standard Life Investments Long-Term Incentive Plan prior to the approval of this policy are subject to the achievement of Standard Life Investments' consolidated cumulative three-year third party earnings before interest, tax, depreciation and amortisation in the final financial year of the three-year performance periods. The vesting of awards is also subject to an investment performance gateway which requires Standard Life Investments' performance to be above the lower quartile of the money-weighted average of all assets under management (captive and third party assets) compared to other asset managers. The Remuneration Committee has the discretion to amend the final vesting level of these awards if it does not consider that it reflects the overall performance of Standard Life Investments. Awards are also subject to review by the Risk and Capital Committee at the end of the performance period to confirm that vesting of the award is appropriate. These awards accrue dividend equivalents over the performance period which will normally be paid in shares on a reinvested basis.

Remuneration Committee discretion in relation to future operation of the remuneration policy

In the event of a variation of share capital, demerger, special dividend or similar event, the Remuneration Committee may adjust or amend awards in accordance with the rules of the relevant plan.

The Remuneration Committee retains the discretion to amend the performance target in exceptional business or regulatory circumstances. If discretion is exercised in this way, the Remuneration Committee will consult with major shareholders as appropriate.

All awards are subject to Remuneration Committee discretion and may be adjusted (or reduced to zero) where it determines that the overall level of the Company or Group performance does not warrant payment of variable remuneration, or it considers that risks (such as financial, regulatory, compliance or brand risk) have not adequately been reflected in awards.

Malus or clawback

Under the malus and clawback provisions, the Remuneration Committee can reduce awards that have not yet vested (malus) and can require the repayment of an award (clawback).

Malus or clawback may apply where stated in the policy table.

The circumstances in which malus or clawback could apply include, but are not limited to:

- Where there is a material mis-statement of the Group's financial statements
- Where there is any failure of risk management, fraud or other material financial irregularity
- Where there is serious misconduct by a participant or otherwise.

No other element of remuneration is subject to malus or clawback.

Share ownership

Executive Directors are required to build up a substantial interest in Group shares. The current requirements, and each executive Director's shareholding, are detailed in the 2016 Directors' Remuneration Report at page 93 of the 2016 Annual Report. Executive Directors will normally be required to retain shares held in satisfaction of the requirement for a period of one year following their departure from the Group. The Remuneration Committee reviews progress against the requirements annually.

Performance measures and target setting

Performance targets for the Group's incentive arrangements are set on an annual basis by the Remuneration Committee. The Remuneration Committee takes into account a range of factors including internal business forecasts, prior year performance, degree of stretch against the performance targets in the business plan, the economic environment, market conditions and expectations.

We aim to deliver target awards for good performance. By this we mean business outcomes are delivered consistently against agreed requirements and performance expectations in terms of both what has been delivered and how this level of performance has been achieved. Maximum awards will only be earned where the performance in the Group (in 2017 this is defined as legacy Standard Life plc), Standard Life Investments or legacy Aberdeen business has significantly exceeded expectations.

The following table sets out why the performance conditions that are currently used for the annual Group performance scorecard, used to determine the Group annual bonus awards, were chosen. For 2017 only, these will be restricted to the legacy Standard Life plc business.

Performance metric	**Financial metrics**	**Strategic metrics**	**Customer metrics**	**People metrics**
Rationale	Measures chosen to support the delivery of financial performance as set out in the Group's annual business plan. Measures chosen may include, but are not limited to: • Group operating profit before tax • Operating return on equity.	Focuses management on the delivery of the business' strategic priorities across the Group to drive improved performance in future years.	Focuses management on growing customer volumes through winning new customers and growing revenue from our existing customers which will ultimately lead, through growth in assets under management and quality revenue flows, to increasing profitability and increased shareholder value.	Develops organisational capability by building the resources for the future, and encouraging the desired behaviours.

The table below sets out why the performance conditions for the Executive LTIP were chosen.

Performance metric	**Operating profit before tax**	**Net flows**
Rationale	Chosen measure of profitability and closely linked to cash generation. A key measure of the profit the Group makes. Excludes items which create short-term volatility and that are not within management control. Targets the Group's ability to deliver returns to the Company's shareholders and provides an indication of the Company's dividend paying capability.	Net flows are a measure of the assets that customers have invested with the Group during the year (premiums and deposits) minus the assets they've taken out (withdrawals, claims and annuity payments). This reflects the Group's ability to win/retain business and is an indicative measure of customer satisfaction. As a result of the acquisition of Ignis and the inclusion of our overseas joint ventures in the targets, the definition of net flows has been reviewed for appropriateness and it will exclude flows arising from investment in money market and liquidity funds. These funds operate like bank accounts and customers can invest or disinvest cash with little notice and financial penalty which leads to significant volatility in the net flows and as such their inclusion is inappropriate for the purpose of rewarding growth in net flows. The net flows attributable to money market and liquidity funds will be reported each year in the Annual report and accounts.

The table below sets out why the performance conditions used in the Standard Life Investments' personal and company bonus plan were chosen.

Performance metric	Financial metrics	Strategic metrics	Customer metrics	People metrics
Rationale	Measures chosen to support the delivery of financial performance as set out in the Standard Life Investments' annual business plan. Measures chosen may include, but are not limited to: • Operating profit before tax • Earnings before interest, tax, depreciation and amortisation (EBITDA) • Operating return on equity.	Drives delivery against the Standard Life Investments' strategic priorities.	Embeds a culture that places the customer at the heart of the Standard Life Investments' business. Embeds the Standard Life and Standard Life Investments brands to drive competitive advantage. Continues to enhance the external profile of Standard Life Investments with key external parties.	Develops organisational capability by building resource capabilities and the behaviours needed to deliver the Standard Life Investments' annual business plan.

The following sets out information on the Key Performance Indicators / performance conditions that will be used for Aberdeen Non-Deferred Cash Awards and Aberdeen Deferred Share Awards. These awards will be granted in 2017 only and will be restricted to the legacy Aberdeen business.

Performance metric	Financial metrics	Non-Financial metrics
Rationale	The main emphasis is on financial metrics such as underlying operating profit before tax, operating margin, return on capital employed (ROCE) and investment performance. These KPIs support value creation for shareholders, are an indication of the operational disciplines in place, and, most importantly, reflect the imperative to look after clients.	An element of variable pay is based on non-financial KPIs. These will be linked to the strategic priorities (for 2017).

Remuneration arrangements throughout the Group

Throughout the Group the following overarching principles and practices are applied to our remuneration policy:

- Remuneration is linked to performance, is transparent and is easy to understand
- The policy encourages behaviours that deliver results which are aligned to the interests of the Group's key stakeholders
- Remuneration is competitive and reflects financial and personal performance and the individual's value in the market, without paying more than is necessary
- The policy provides an appropriate balance of fixed and variable remuneration.

The scorecard (or scorecards) used to determine annual bonuses for executive Directors is used in the determination of annual bonuses for all employees of the legacy Standard Life plc business.

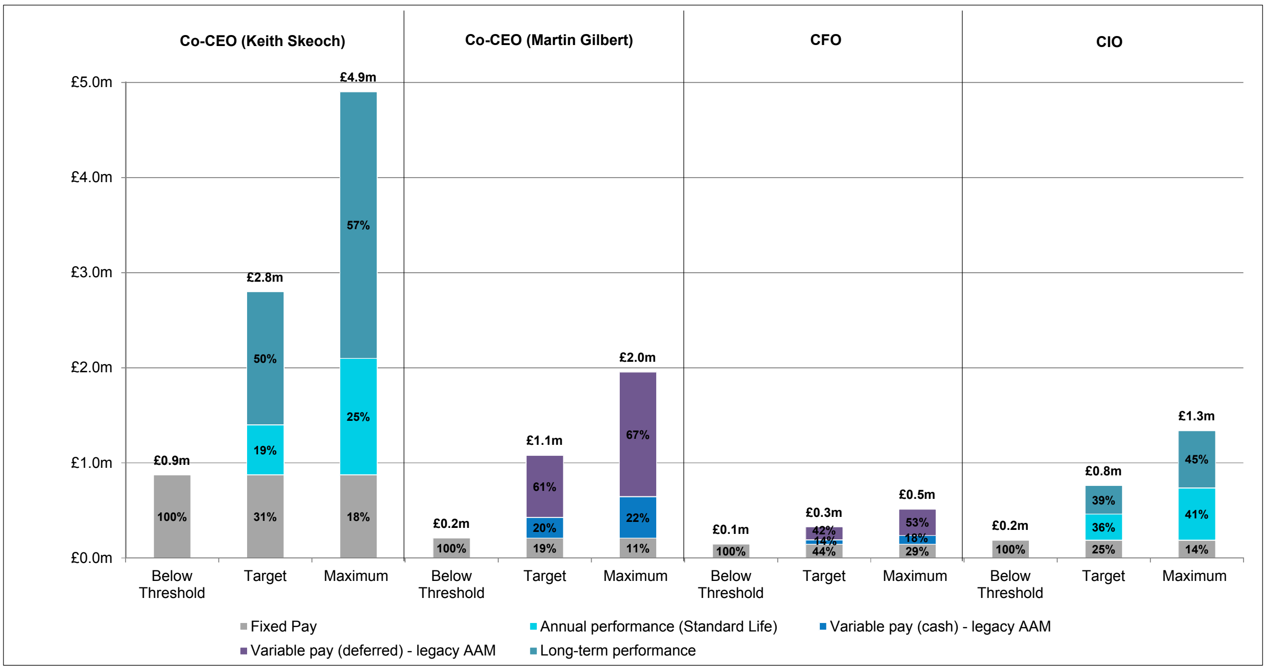
Although the above principles apply throughout the Group, given the size of the Group and the scale of its operations, the way in which the remuneration policy is implemented varies by jurisdiction and seniority. For example participation in the Executive LTIP is at the Remuneration Committee's discretion and is normally limited to senior management, and the Group's defined contribution pension provision is graduated based on seniority.

Scenario charts

The chart below illustrates how much the current executive Directors could earn under different scenarios for 2017.

This is based on the following assumptions:

- Below threshold is based on fixed pay only which includes salary, pension allowance and taxable benefits
- Target includes the potential value of annual and long-term incentives which would be payable for target performance (being 50% of maximum)
- Maximum shows the total remuneration receivable for maximum performance under all incentive plans
- A constant share price is assumed and dividend equivalents have been ignored
- An indicative date of completion of the Merger of 1 September 2017.



Notes to the table:

- The illustrative values for the roles of Co-Chief Executive Officer (Martin Gilbert), Chief Financial Officer and Chief Investment Officer are pro-rated for the period from 1 September 2017 to 31 December 2017.
- The illustrative value for the role of Co-Chief Executive Officer (Keith Skeoch) is representative of a 12-month period as Keith has been an executive Director of the Company since before the beginning of this calendar year.

Remuneration policy for non-executive Directors

Approach to fees	Operation	Other items
Fees for the Chairman and non-executive Directors are set at an appropriate level to reflect the time commitment, responsibility and duties of the position and the contribution that is expected from non-executive Directors. Board membership fees are subject to	The Board annually sets the fees for the non-executive Directors, other than the fee for the Chairman of the Company which is set by the Remuneration Committee. Fees are set at a market rate with reference to the level of fees paid to other non-executive directors of FTSE	The Chairman and non-executive Directors are not eligible to participate in any incentive arrangements. Additional fees or benefits may be provided at the discretion of the Remuneration Committee in the case of the Chairman, and the Board in the case of the other non-executive Directors, to reflect, for example,

Approach to fees	Operation	Other items
a maximum cap which is stated in the Company's articles of association. Any changes in this would be subject to shareholder approval.	100 financial services companies. The Chairman receives an aggregate fee, which includes the chairmanship of any appropriate Board committee. The remuneration policy for non-executive Directors is to pay: • Board membership fees • Further fees for additional Board duties such as chairman and other members of a committee, the Senior Independent Director, and the chairman of subsidiary boards, in each case to take into account the additional responsibilities and time commitments of the roles. The Board retains discretion to remunerate the non-executive Directors in shares rather than cash where appropriate.	housing, office, transport and other business-related expenses incurred in carrying out their role.

Remuneration policy for new appointments

Appointment of executive Directors

Principles

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Remuneration Committee applies the following principles:

- The Remuneration Committee takes into consideration all relevant factors, including the calibre of the individual, local market practice and existing arrangements for other executive Directors, adhering to the underlying principle that any arrangements should reflect the best interests of the Group and its shareholders
- Remuneration arrangements for new appointments will typically align with the remuneration policy presented above
- In the case of internal promotions (including directors of Aberdeen joining the Board), the Remuneration Committee will honour existing commitments entered into before promotion
- The Remuneration Committee will explain to shareholders the rationale for the relevant arrangements in the following year's Directors' remuneration report; and the maximum level of bonus and long-term incentive awards which may be awarded to a new executive Director (excluding the Chief Executive Officer, Standard Life Investments, the CIO and legacy Aberdeen directors) at or shortly following recruitment shall be limited to 475% of salary. The maximum level for the CIO will be 865% of salary (in line with the previous maximum for the Chief Executive Officer, Standard Life Investments). These limits exclude buyout awards and are in line with the policy table above.

Components and approach

The remuneration package offered to new appointments may include any element of remuneration included in the remuneration policy set out in this report, or any other element which the Remuneration Committee considers is appropriate given the particular circumstances but not exceeding the maximum level of bonus and long-term incentive awards detailed above. In considering which elements to include, and in determining the approach for all relevant elements, the Remuneration Committee will take into account a number of different factors, including (but not limited to) typical market practice, existing arrangements for other executive Directors and internal relativities, and market positioning.

Buyouts

To facilitate recruitment, the Remuneration Committee may make an award to buy out remuneration terms forfeited on leaving a previous employer. In doing so, the Remuneration Committee will adhere to regulatory guidance in relation to the practice of buyout awards to new recruits and, in particular, the requirements for Code Staff (as defined by the Group's regulators). In considering buyout levels and conditions, the Remuneration Committee will take into account such factors as the type of award and performance measures and the likelihood of performance conditions being met. The buyout award will reflect the foregone award in amount and terms (including any deferral or retention period and performance conditions) as closely as possible but within the structures and timing of equivalent Group plans. Where appropriate, the Remuneration Committee retains the discretion to utilise Listing Rule 9.4.2 (a rule, set by the United Kingdom Listing Authority, which permits an arrangement to be made without shareholder approval, specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual) for the purpose of making an award to 'buy out' remuneration terms forfeited on leaving a previous employer or to utilise any other incentive plan operated by the Group.

Appointment of non-executive Directors

If a new Chairman or non-executive Director is appointed, remuneration arrangements will normally be in line with those detailed in the remuneration policy for non-executive Directors set out above.

Service Contracts

Executive Directors

The executive Directors' terms and conditions of employment are detailed in individuals' executive service contracts. In these contracts, the Remuneration Committee aims to strike the right balance between the Company's interests and those of the executive Directors, while ensuring that the contracts comply with best practice, legislation and the agreed remuneration principles. Contracts are not for a fixed term, but set out notice periods in line with the executive Director's role.

The terms and provisions that relate to remuneration in each of the executive Director's contracts (that are not set out elsewhere in this report) are set out below. It is intended that the terms for any new appointment would be in line with these:

Provision	Policy
Notice periods	Six months by the executive Director to the employer. Up to 12 months by the employer to the executive Director. A payment in lieu of notice can be made.
Termination payments	Any payment in lieu of notice will be up to 12 months' salary, pension contributions and the value of other contractual benefits (except that, in line with their legacy agreements with Aberdeen, Martin Gilbert and Bill Rattray may be entitled to variable pay, which they might otherwise have been eligible to receive had they been permitted to serve their notice, subject to the Remuneration

	Committee's assessment of Group and personal performance). A duty to mitigate applies (except in relation to Martin Gilbert and Bill Rattray, as a result of their legacy agreements with Aberdeen). The payment may be made in phased instalments. Rights to bonus and existing long-term incentive awards are governed by the rules of the respective plans.
Remuneration	Salary, pension contributions and core benefits are specified in the contracts and are treated as described above (except Martin Gilbert and Bill Rattray, whose contracts do not specify pension contributions and core benefits, in accordance with legacy agreements with Aberdeen). There is no contractual entitlement to participate in the annual bonus plan or receive long-term incentive awards. Individuals are notified of these discretionary schemes at the beginning of each year.
Non-compete clauses	Applies during the contract and for up to six months after leaving at the Company's choice (except that Martin Gilbert and Bill Rattray's legacy agreements with Aberdeen contain non-compete clauses that apply during the contract and for up to 12 months after ceasing employment).

Non-executive Directors

The non-executive Directors, including the Chairman, have letters of appointment that set out their duties and responsibilities. The key terms are:

Provision	Policy
Period of appointment	Three-year term which can be extended by mutual consent and is subject to re-election by shareholders in line with the Company's articles of association and the UK Corporate Governance Code.
Time commitment	Two to three days per week for the Chairman. For other non-executive Directors – 30 to 35 days a year.
Notice periods (apply to both the Company and non-executive Director)	Chairman – six months. For other non-executive Directors – no notice period.
Remuneration	Fees in line with the policy. Reimbursement of travel and other reasonable expenses incurred in the performance of their duties. No pension, annual bonus or other incentive payment permitted.

The service agreements / letters of appointment for Directors are available to shareholders to view on request from the Group Company Secretary at the Company's registered address.

Loss of office remuneration

The Remuneration Committee will consider the following factors when considering remuneration for loss of office:

- The individual's service contract and the rules of the relevant incentive plans
- Circumstances of the loss of office
- Performance during office
- The commercial justification for any payments.

The remuneration policy for loss of office for executive Directors is as follows:

- Any payment in lieu of notice will be up to 12 months' salary, pension contributions and the value of other contractual benefits (except that Martin Gilbert and Bill Rattray may, under their pre-existing arrangements with Aberdeen, be entitled to variable pay which they might otherwise have been eligible to receive had they been permitted to serve their notice, subject to the Remuneration Committee's assessment of Group and personal performance)
- There is a duty to mitigate any termination payments (except in relation to Martin Gilbert and Bill Rattray, as a result of their legacy agreements with Aberdeen)
- The payment may be made in phased instalments and the policy is to do this for notice periods of over six months
- Rights under all-employee share plans, to bonus awards and to long-term incentive awards are governed by the rules of the respective plans
- Awards under all-employee share plans vest in accordance with their terms, under which good leavers are entitled to shares on or shortly after cessation. Other leavers would usually forfeit awards
- Typically, for good leavers, rights to annual bonus and long-term incentive awards will be pro-rated for time in service to termination as a proportion of the performance period and will, subject to performance, be paid at the usual time (which in the case of the Executive LTIP will normally include the holding period). Outstanding deferred share awards granted in respect of Group annual bonus or Standard Life Investments' company and personal bonus plan will typically vest in full at the date of termination. Outstanding Aberdeen Deferred Share Awards will typically vest in full at the normal vesting date, unless the Remuneration Committee decides it will vest on the date of termination
- In certain circumstances, such as the individual's death, the Remuneration Committee retains the discretion to accelerate payments if it is considered appropriate
- In all plans, the Remuneration Committee retains the discretion to disapply time pro-rating for good leavers (see below) and, in the case of the Executive LTIP, performance pro-rating
- Typically, for other leavers, rights to annual bonus, deferred shares and outstanding long-term incentive awards will be forfeited
- Other payments such as legal fees or outplacement costs may be paid if considered commercially appropriate.

In both the annual bonus plans' and long-term incentive plans' rules, the distinction is made between good leavers and other leavers. A good leaver is someone whose employment comes to an end because of death, ill health, injury, disability, redundancy or retirement as determined by their employing company, sale of the employing company or business or any other circumstance at the discretion of the Remuneration Committee. For the purposes of the Standard Life Investments LTIP, a good leaver may also include an individual who is transferred out of Standard Life Investments to another company in the Group. In determining whether an individual is a good leaver, the Remuneration Committee will exercise its judgement in a manner which seeks to be in the Company's interests taking into account all relevant factors in relation to the departure. Where judgement has been exercised, the Remuneration Committee would provide an explanation in the following year's Directors' remuneration report.

In the event of a change of control, executive Directors may receive a cash bonus in respect of the year in which the change of control occurs which, unless the Remuneration Committee determines otherwise, will be time pro-rated by reference to the bonus year. Outstanding deferred share awards will typically vest in full. Long-term incentives will normally vest early, taking into account the extent to which any relevant performance conditions have been met and, unless the Remuneration Committee determines otherwise, the time that has elapsed from the beginning of the relevant performance period. The Remuneration Committee may allow or require participants to exchange their existing awards (deferred shares or long-term incentives) for new awards on a change of control. If the Company undergoes a winding up or is subject to a demerger, delisting, special dividend or other event which in the opinion of the Remuneration Committee may affect the current or future share price, the Remuneration Committee may allow awards to vest on the same basis as for a change of control.

The treatment of other awards in the event of a change of control will be in line with the relevant plan rules as approved by shareholders.

There is no provision for compensation payments for loss of office for non-executive Directors.

Considering conditions elsewhere in the Group

When setting the policy for executive Directors' remuneration, the Committee takes into account the pay and employment conditions elsewhere within the Group, recognising international variance and jurisdictional differences, where appropriate.

The Remuneration Committee is informed about the approach on salary increases, group-wide benefit offerings including pensions, the structure of incentive arrangements and distribution of outcomes throughout the wider organisation, as well as the take up of all-employee share plans, employee engagement survey results and staff morale.

The Group engages with its employee associations from an early stage in the annual remuneration cycle. The areas discussed include: external relativities, economic factors, employee expectations and congruence of executive pay with that of the wider workforce in terms of overall pay budgets and approach.

Consideration of shareholder views

The Remuneration Committee values the opportunity to listen to the Company's shareholders. At the time the current Standard Life and Aberdeen Directors' remuneration policies in effect immediately prior to completion of the Merger were introduced the respective major institutional shareholders were consulted. The Company also wrote to its largest shareholders in respect of the proposed transitional amendments for 2017 as detailed in the Overview of Proposed Changes to Standard Life Directors' Remuneration Policy for 2017 found at Part A of the Appendix to the circular sent to shareholders of the Company on 9 May 2017 and within this policy.

Implementation of policy in 2017

The way in which the policy will be implemented from the date of completion of the Merger is set out below. The individuals listed will be the executive Directors of the Company if the Merger completes. Up to the date of completion, the remuneration policy will be implemented as set out in the 2014 Annual Report, a copy of which can be found on our website at www.standardlife.com/dotcom/our-company/directors-remuneration-policy and in the 2014 Annual Report.

	Keith Skeoch	**Martin Gilbert**	**Bill Rattray**	**Rod Paris**
Base salary	£700,000	£522,000	£365,000	£450,000
Benefits	In line with policy			
Pension	Up to 25% of salary			
Group annual bonus	175% of salary	-	-	60% of salary
Standard Life Investments bonus	-	-	-	Company bonus – 200% of salary Personal bonus – 125% of salary
LTIP	400% of salary	-	-	No award to be made in 2017 post appointment to Board
Legacy Aberdeen variable pay in non-deferred cash	-	250% of fixed pay[1]	75% of fixed pay[1]	-
Legacy Aberdeen variable pay in deferred shares	-	750% of fixed pay[1]	225% of fixed pay[1]	-

[1] For these purposes, fixed pay comprises base salary and benefits, but excludes pension allowance.

Subject to commercial sensitivity, details of the performance targets for annual variable awards will be disclosed in the 2017 Directors' Remuneration Report. As Standard Life Investments is a subsidiary of the Group, details on the performance targets for this business unit are considered commercially sensitive, and therefore will not be provided in the 2017 Directors' Remuneration Report. Contextual information, with details on performance against the underlying targets, will be provided.