BlackRock Life Part VII Response Team
PO Box 1402
Peterborough
PE1 9UZ

BLACKROCK®

Our ref:
BLKP7/MEMBERCONTRACT1A/account#

First name, Surname
Address Line 1
Address Line 2
Address Line 3
Address Line 4
Postcode

Phone (Part VII Response team); 9am to 5pm Monday to Friday:
0800 917 6962 (Freephone - UK landlines)
+44 (0) 1733 355 816 (from overseas)

Email: PartVII@blackrock.com

Web: www.blackrock.com/member

[insert date]

Dear [First name, Surname],

Account number: <account number>
Scheme name: <Scheme name>

IMPORTANT CHANGES TO YOUR PENSION ACCOUNT

Here is some important information about your pension account. Please carefully read this information pack. More information is available online at www.blackrock.com/member.

BlackRock Life Limited (**BLL**) has decided to transfer the majority of its defined contribution (**DC**) platform and administration pension business, including your account, to Scottish Equitable plc (**Scottish Equitable**). Scottish Equitable is part of the Aegon NV group, a multinational life insurance, pensions and investment company and Aegon is the brand name of Scottish Equitable. BLL is a member of the BlackRock group of companies. BLL and Scottish Equitable believe that the proposed transfer will be beneficial to members. Further details on this, the reasons behind the proposed transfer and important changes to your pension account are included in the enclosed Questions and Answers booklet (**Q&A**).

You can also find out more information about Aegon by visiting www.aegon.co.uk/about-aegon.html. Scottish Equitable is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and the PRA.

There are no changes to the terms and conditions of your account and the fees you currently pay as a result of this proposed transfer.

BLL is proposing to transfer your pension account to Scottish Equitable on 1 July 2018 (**Transfer Date**). The proposed transfer will be carried out in accordance with Part VII of the Financial Services and Markets Act 2000. The proposed transfer requires approval from the High Court of Justice of England and Wales (**the Court**) and BLL has applied to the Court to formally transfer certain accounts, including your account, from BLL to Scottish Equitable. You have the right to object to the proposed transfer if you feel you may be adversely affected. Details of how to do so are provided in this information pack. If you do so, the Court will consider any such objection and take this into account when reaching a decision on whether to approve the proposed transfer.

Summary of the proposals

- BlackRock Life Limited is proposing to transfer your pension account to a new provider, Scottish Equitable plc, on 1 July 2018.
- The terms and conditions of your account and the fees you currently pay will not change as a result of the proposed transfer.
- The value of your pension account will not be affected by the proposed transfer to Scottish Equitable.
- There are a number of other important changes, which are detailed in this information pack that you should be aware of.
- Please read this information pack. If you are unsure about the proposals, have any questions or concerns, or wish to object please contact the Part VII Response team using any of the contact details above.
- The proposals have been reviewed by an Independent Expert and his conclusions are summarised in this information pack.
- You can get more detailed information about the proposed transfer, including the Independent Expert's full and summary report at: www.blackrock.com/member

If you have more than one account transferring to Scottish Equitable, you may receive more than one letter. Please carefully read all letters you receive.

Please share this information pack with anyone else who has an interest in your account; for example, if there are contingent beneficiaries (e.g. a spouse), if your account has been earmarked or assigned, or if you hold joint power of attorney. Please also make them aware of their right to raise an objection.

How will the proposed transfer affect you?

We would like to draw your attention to the changes that will be made if the proposed transfer is approved by the Court. Although these changes will lead to differences in how your pension account operates, the terms and conditions and the value of your pension account will not change due to the proposed transfer to Scottish Equitable.

Scottish Equitable will retain BlackRock as investment manager of the funds and more generally to provide investment solutions for its DC business.

Both companies believe that the proposed transfer will ensure that their capabilities are combined to offer you a better experience. Over time you will have access to a broader range of retirement products (in one place) and will continue to have access to BlackRock's DC investment solutions and expertise via Scottish Equitable's platform.

The impacts of the proposed transfer on members have been reviewed and considered by an Independent Expert. A summary of the conclusions of the Independent Expert are included in this pack.

Further details on the impacts of the proposed transfer on members are available in section 2 of the enclosed Q&A. In summary, the key impacts are:

1. **Pension Provider:** Scottish Equitable will become the provider of your pension account and be responsible for the ongoing management under the terms of your account. Your account will retain the same account number, as noted above.
2. **Administration and Servicing:** Scottish Equitable will become solely responsible for the servicing of your account from the Transfer Date. Scottish Equitable already services your account on behalf of BLL. Scottish Equitable intends to issue you with a 'Welcome Letter' after the Transfer Date.
3. **Branding:** Following the Transfer Date, you will start to see references to Aegon, which is the brand name of Scottish Equitable, on any correspondence you receive. The branding will also be reflected on any online portals and account literature. Fund names will change to "Aegon" or, in some instances, where the fund wraps a BlackRock managed strategy it will be co-branded as "Aegon BlackRock". Please refer to the BLL Part VII website for a complete list of fund name changes www.blackrock.com/member. In summary, you should expect to see Aegon referred to where you see reference to BlackRock or BLL today.
4. **TargetPlan (online portal which includes details of your pension account):** After the Transfer Date, the web address for TargetPlan will change. Please use the following address https://lwp.aegon.co.uk/targetplan. Your current username and password will not change.

   If you currently go directly into TargetPlan via your employer's website, then you do not need to take any action – direct access will continue to be in place after the Transfer Date.

   Additionally, within TargetPlan, you will still have access to retirement planning tools such as a pension modeller. You will continue to have the ability to use these tools to help plan your income needs in retirement. Although the tool's appearance will differ, it will remain easy to navigate with all of the existing features and functionality available to you. Further details are provided in section 2 of the enclosed Q&A.

5. **Dealing Blackout Period**: There will be a blackout period expected to be two business days between 29 June 2018 and 2 July 2018. During this time, you will not be able to switch funds and any investment instructions will be actioned after the blackout period. Additionally, any contributions received during this period will be invested after the blackout period. This is a temporary, one-off impact resulting from the proposed transfer. If you think you may want to switch funds, instruct investment changes or make withdrawals during this period you should read the detail provided in question 18 in section 2 of the enclosed Q&A or contact us.

6. **Fund Restructuring**: For some of the funds, we will be changing the underlying funds from a life fund structure to a non-life fund structure. There will be no changes to the way your money is invested into these funds, the investment outcomes the funds aim to achieve and the way the funds seek to do this. Further information on what these changes mean for you and any resulting impact are set out in section 2 of the enclosed Q&A.

If you do have any questions about any of the contents in this information pack, you can still contact us up until the Transfer Date (1 July 2018).

How you are protected

The Part VII process protects members in a number of ways to make sure that they are not adversely affected. The protections include:

- the appointment of an Independent Expert, whose appointment is approved by the PRA (in consultation with the FCA). The Independent Expert reports to the Court on the effects of the proposed transfer. A summary of the conclusions of the Independent Expert are included in this information pack. The Independent Expert's full report and a summary of the full report can be accessed online at www.blackrock.com/member;

- advance notification of the proposed transfer to affected members (this information pack);

- Court approval – the transfer proposals will be heard at the High Court, Business and Property Courts, Rolls Building, Fetter Lane, London EC4A 1NL on 21 June 2018. The Court will consider the views of members, the Independent Expert and the regulators, before reaching a decision on whether to approve the proposed transfer;

- your right to object if you have any concerns or consider that you may be adversely affected by the proposed transfer (copies of all objections will be passed to the PRA, FCA, Independent Expert and the Court for consideration); and

- an ongoing review by the regulators until the Transfer Date.

In addition to the above protections, the Chief Actuary of BLL and both the Chief Actuary and the With-Profits Actuary of Scottish Equitable, have each written their own reports on the effects of the proposed transfer on members and on the companies. You can access their full reports at www.blackrock.com/member and www.aegon.co.uk/aegontransfer.

Details of the proposed transfer are contained in a legal document called the Scheme. The Scheme gives effect to the proposed transfer of all transferring accounts, together with all rights and powers in relation to the transferring business. A summary of the Scheme is included in this information pack. This will include details of the transferring liabilities, continuity of proceedings and the approvals needed should the Scheme need to be modified in the future. You will also find a copy of the full Scheme and other information relating to the proposed transfer on our Part VII website.

If the Scheme is approved by the Court, Scottish Equitable will become the insurer in relation to your account from the Transfer Date (1 July 2018). BlackRock will continue to offer access to investment solutions through Aegon.

In the unlikely event of a default, qualifying pension policies will remain covered by the UK Financial Services Compensation Scheme (**FSCS**) if the proposed transfer is approved by the Court. Your account is a protected contract of insurance for the purposes of the FSCS. FSCS cover is 100% of the claim without limit on the default of the insurer. Your specific circumstances will be assessed by the FSCS at the time of the claim. The default of external manager funds is not covered by FSCS. More information is included in section 2 of the enclosed Q&A, including a summary table of default protection before and after the proposed transfer.

Scottish Equitable will become the data controller (the person who determines the purpose for which any personal data is processed) in place of BLL in relation to the transferred business. Member consents and information given to BLL will be deemed to have been given to Scottish Equitable.

If the Court approves the Scheme, it is expected that the proposed transfer will become effective on 1 July 2018 at 00:01 BST. We will update our website if the proposed transfer is approved or if the Transfer Date changes.

Independent Expert's Report

As previously mentioned, an Independent Expert, Mr Nick Dumbreck, a Partner of Milliman LLP, has been appointed to report to the Court on the effects of the proposed transfer on account holders. A summary of the Independent Expert's conclusions is included in this information pack. Additionally, the Independent Expert's full report and a summary of the full report can be accessed online at www.blackrock.com/member.

The Independent Expert's full report considers in detail the effects of the proposed transfer on all account holders and sets out how each conclusion has been reached. It is intended to comply fully with the regulatory requirements and has been prepared primarily for the benefit of the Court.

The summary of the full report provides an overview of the proposed transfer and sets out the Independent Expert's conclusions on the effect of the proposed transfer on all account holders. It is intended to provide sufficient detail to enable most account holders to understand the terms of the Scheme, the associated fund changes and the consequences for their policies.

The summary of the Independent Expert's conclusions provides an outline of the effect of the proposed transfer (and associated fund changes) on account holders, with particular focus on those accounts transferring from BLL to Scottish Equitable. The language used is less technical than that in the fuller versions. It is expected that a high proportion of account holders will rely solely on the summary of the Independent Expert's conclusions in considering the proposed transfer.

You can also request a copy by calling our Part VII contact centre on 0800 917 6962 (Freephone from UK landlines) or +44 (0) 1733 355 816 (from overseas), by email from PartVII@blackrock.com or by writing to us at BlackRock Life Limited, Part VII Response Team, PO Box 1402, Peterborough PE1 9UZ.

The Independent Expert will continue to review the proposed transfer and will submit a Supplementary Report to the Court shortly before the final Court hearing. The Supplementary Report will reflect upon events, both company-specific and in the wider market, since the date of his main report and consider whether those events have had an effect on his conclusions regarding the proposed transfer. The Supplementary Report will be published online once reviewed by the PRA (in consultation with the FCA).

Do I need to do anything?

Please make sure you understand what the proposals mean for you by reading this information pack and any relevant documents on the website. Please ensure you remain aware of the dealing blackout period around the Transfer Date.

You can see copies of all the documents we publish on our website, at the office of our Part VII Response team in Peterborough (see section 3 of the enclosed Q&A), or request a copy free of charge from the Part VII Response team.

If you have any queries or concerns about the proposed transfer generally, you can contact us using any of the details noted at the top of this letter. When writing to us, it would help if you could provide your full name, account number and the reference noted at the top of this letter.

If you are satisfied with the proposed transfer you do not need to do anything else. If the proposed transfer is approved, we will publish confirmation on our website after the Transfer Date (1 July 2018). Scottish Equitable also intends to write to you after the proposed transfer has completed.

Objections

If, having read the information available, you have any concerns or feel you may be adversely affected by the proposed transfer, you have the right to object. If you wish to object, it would be helpful, but not obligatory, if you could let us know and explain the reasons for your objection when you contact us.

We will acknowledge and reply in writing to all objections we receive. We will also submit details of all objections not only to the Court, who will consider them when reaching a decision on whether to approve the Scheme on 21 June 2018, but also to the PRA, FCA and the Independent Expert.

You can, if you wish, choose to present your views to the Court yourself or be represented at Court.

If you are satisfied that you understand the transfer proposals and do not have any concerns or objections, then you do not need to do anything further.

If you need a copy of this letter in braille, audio or large print, please contact our Part VII Response team on 0800 917 6962 (Freephone from UK landlines) or +44 (0) 1733 355 816 (from overseas), by email from PartVII@blackrock.com or by writing to us at BlackRock Life Limited, Part VII Response Team, PO Box 1402, Peterborough PE1 9UZ. Please note that the dedicated Part VII Response team is for enquiries about the transfer to Scottish Equitable only. If you have any general questions about your account, please contact your customer services team in the usual way and they will be happy to help.

Yours sincerely,

Adrian Lawrence
Chief Executive Officer
BlackRock Life Limited

BLACKROCK®

Questions and Answers about the proposed transfer

Further information about the proposed transfer and important changes to your pension account

BlackRock®

Contents

Your questions answered

Whilst we have made every effort to keep information in this document as easy to understand as possible, we recognise that you may still have questions or may not understand some parts. If this is the case then please do call us at the BlackRock Life Limited Part VII Response team and we will be happy to help.

You can contact the BLL Part VII Response team via:

- calling us on 0800 917 6962 or +44 (0) 1733 355 816
- writing to us at PO Box 1402, Peterborough PE1 9UZ
- emailing us at PartVII@blackrock.com
- visiting our BLL Part VII website www.blackrock.com/member

Please note that the dedicated helpline is for enquiries about the proposed transfer to Scottish Equitable plc only. If you have any general questions about your account, please call the customer services team in the usual manner and they will be happy to help.

When writing to us, it would help if you could provide your full name, account number and the reference noted at the top of the covering letter.

Section 1 – What is happening and why?

1. What is happening and why?

BlackRock Life Limited (**BLL**) has decided to focus on its core offering of delivering investment solutions to pension schemes and other types of investors and will exit the Defined Contribution (**DC**) pension administration market. As a result, BLL has agreed to sell and transfer the majority of its DC platform and pension administration business to Scottish Equitable plc (**Scottish Equitable**). Scottish Equitable is part of Aegon UK, an active provider in the UK pensions market, and its senior management team has considerable experience in managing DC pensions business.

The proposed transfer requires approval from the High Court of England and Wales (**the Court**). BLL applied to the Court on 7 March 2018 to transfer certain accounts, including your account, from BLL to Scottish Equitable in accordance with Part VII of the Financial Services and Markets Act 2000. BLL is a member of the BlackRock group of companies.

You have the right to object to the proposed transfer if you feel you may be adversely affected. If you do so, the Court will consider any such objection and take this into account when reaching a decision on whether to approve the proposed transfer. Details of how to do so are provided in the covering letter and section 4 of this Q&A.

2. Who are Scottish Equitable?

Scottish Equitable is a UK life insurance company that traces its origins back to 1831. Scottish Equitable became part of the Aegon group of companies in 1994. Aegon NV is an international provider of life insurance, pensions and asset management and is the ultimate parent company of Scottish Equitable. Aegon is the brand name of Scottish Equitable, which has its registered office in Edinburgh (Edinburgh Park, Edinburgh

EH12 9SE; Registered in Scotland No. 144517). Aegon has more than three million customers in the UK alone, manages over £150bn of assets and is a market-leading provider in the UK workplace savings market.

Scottish Equitable is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and the PRA.

3. What is the Scheme?

Details of the proposed transfer are contained in a legal document called the Scheme. The Scheme gives effect to the proposed transfer of all transferring accounts, together with all rights and powers in relation to the transferring business. This will include details of the transferring liabilities, continuity of proceedings and the approvals needed should the Scheme need to be modified in the future. You will also find a copy of the full Scheme and other information relating to the proposed transfer on our Part VII website. A copy of the summary of the Scheme has been included in this information pack.

As a result of the legal requirements relating to the transfer of insurance business issued to residents of the Bailiwick of Guernsey, there's a similar scheme to transfer such business in the Bailiwick of Guernsey. Please contact us for more information if you think you may hold an account affected by the scheme in the Bailiwick of Guernsey and have not received a separate notification about your Guernsey account.

4. What do you mean by "adversely affected"?

By this, we mean anything that could adversely affect you such as benefits, security of benefits, protections or service experience. An Independent Expert has been appointed to consider anything that affects the position of the members. This includes the financial security of the legal entities involved and changes to the managing and servicing of the transferring accounts. The Independent Expert then also considers the materiality of any adverse changes based on their size, or likelihood of occurrence in the context of the Scheme overall. The Independent Expert provides his conclusions in the Independent Expert's report, which is considered by the Court. Please see Question 23 for detail on "Who is the Independent Expert?"?

Section 2 – How am I impacted?

5. How does this proposed transfer impact me?

If the Scheme is approved by the Court, Scottish Equitable will become the insurer in relation to your account from the proposed transfer date, 1 July 2018 (**Transfer Date).** BLL will no longer manage your account but BlackRock group entities will continue to offer access to their investment solutions through Scottish Equitable if you wish to access these. Please refer to Question 3 for more information on the Scheme.

6. Will there be any change to my pension account as a result of the transfer?

Yes. Scottish Equitable will become the provider of your pension account and be responsible for the ongoing management and servicing of your account. Your account will retain the same account number, as noted at the top of the covering letter. The value of your account will not be affected by the proposed transfer to Scottish Equitable.

Following the Transfer Date, you will start to see references to Aegon, which is the brand name of Scottish Equitable, on any correspondence. The branding will also be reflected on any online portals, in account literature and investment fund names. In summary, you should expect to see Aegon referred to where you see reference to BlackRock or BLL today.

7. Will there be any change to the way my account is serviced?

No. Scottish Equitable will continue to offer the same high-quality service that you currently receive. Your account will be serviced by the same people, using the same systems. Scottish Equitable has been providing the servicing for your account since August 2016 under an outsourcing arrangement with BLL.

8. Will there be any changes to the funds that I invest in as a result of the proposed transfer?

Yes, there will be some changes to the funds as a result of the proposed transfer. The funds will be Scottish Equitable funds instead of BLL funds from the Transfer Date. However, there will be no change in the investment strategies of the funds (i.e. the investment outcomes they aim to achieve and the way they seek to do this).

All of the funds will undergo a name change to reflect the proposed transfer. In most instances, the change in your fund's name will be minimal, with reference to "BlackRock" being removed and replaced with "Aegon". In some instances where the fund wraps a BLL or BlackRock managed strategy it will be co-branded as "Aegon BlackRock". Please refer to the BLL Part VII website for a complete list of fund name changes www.blackrock.com/member.

There will be no change in the investment strategies of the funds (i.e. the investment outcomes they aim to achieve and the way they seek to do this). The funds invest in underlying funds, the majority of which are, and will continue to be, managed by BlackRock who designs the investment strategy for those underlying funds and carries out the investment activity within them.

We will be carrying out restructuring activity on some of the funds (referred to as "fund restructuring"). Your fund is currently fully invested in one or more funds (referred to as "underlying funds") in order to achieve its investment objective. For the majority of funds these underlying funds are insurance funds (also referred to as "life funds") provided by BLL. In other instances, the underlying funds are not insurance funds but mutual funds (sometimes referred to as "non-life" funds), such as unit trusts or corporate entities.

Mutual funds are a different type of legal fund structure from the insurance funds. A mutual fund is a fund structure, which is regulated and which will safeguard and oversee your assets. The assets of the mutual fund are held by a custodian appointed by the trustee or depositary for the fund and separated, or “ring-fenced”, from the assets of the fund manager, providing a robust level of protection for investors in that fund.

The fund restructuring involves the relevant fund changing from investing in BLL life fund(s) as its underlying fund(s) to investing in mutual funds managed by BlackRock group entities instead. As a result of this change, the funds that are being restructured will become funds invested in mutual funds. As these mutual funds have a depositary or trustee and a fund manager, after fund restructuring, the funds that are being restructured will have indirect exposure to the relevant depositary or trustee and fund manager, each of which is separate to BLL. The mutual funds that replace the underlying invested BLL life funds after the fund restructuring are referred to as “new mutual funds”. The mutual funds that will be used in the fund restructuring are commonly used in UK pension schemes and are regulated by the FCA or Central Bank of Ireland. Below is a list of funds which Scottish Equitable are planning to restructure:

BlackRock DC Aquila (50:50) Global Equity Index
BlackRock DC Aquila (60:40) Global Equity Index
BlackRock DC Aquila (70:30) Global Equity Index
BlackRock DC Aquila All Stocks UK Gilt Index
BlackRock DC Aquila Balanced Index
BlackRock DC Aquila Cash
BlackRock DC Aquila Consensus Index
BlackRock DC Aquila Corporate Bond All Stocks Index
BlackRock DC Aquila European Equity Index
BlackRock DC Aquila Japanese Equity Index
BlackRock DC Aquila Over 15 Year Corporate Bond Index
BlackRock DC Aquila Over 15 Year Gilt Index
BlackRock DC Aquila Over 5 Year Index-Linked Gilt Index
BlackRock DC Aquila UK Equity Index
BlackRock DC Aquila US Equity Index
BlackRock DC Aquila World (Ex-UK) Equity Index
BlackRock DC LifePath Flexi 3 year vintage funds
BlackRock DC LifePath Flexi fund
BlackRock DC LifePath Capital 3 year vintage funds
BlackRock DC LifePath Retirement 3 year vintage funds
BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index
BlackRock DC Aquila (40:60) Global Equity Index

In the event of insolvency of a manager, trustee or depositary of a mutual fund, Scottish Equitable will seek to recover the value of the mutual fund from the fund manager but the member will bear the risk if recovery is not made. You should also note that it is standard practice for the trustee or depositary appointed in connection with the mutual fund to be subject to liability and indemnity provisions in favour of the fund as part of their appointment, which may provide additional support in the event of their failure to act appropriately in the event of the insolvency of the fund manager.

However, if you or your fund(s) invest in one of the funds listed above through your pension account, then following the later of the date at which fund restructuring takes place for that fund and the Transfer Date, Scottish Equitable will protect you if you suffer loss as a direct result of the insolvency of the fund manager, depositary or trustee of the new mutual fund (e.g. caused by negligence or fraud by the fund manager or depositary, or the trustee). In this circumstance, Scottish Equitable will protect you to the extent that you would have been entitled to protection prior to the fund restructuring and the transfer taking place. In this case, Scottish Equitable will pay you the amount by which your account benefits have reduced as a result of the relevant insolvency. This protection will be available whether:

- you invest in a fund that is being restructured; or
- you invest in a fund which itself is invested in a fund that is being restructured.

You will retain the investment risk associated with your investment in line with the position before the fund restructuring and the Transfer Date.

After the Transfer Date, if you choose to switch into one of the funds listed above through your pension account, the protection offered by Scottish Equitable will apply in respect of your investment in that fund.

In the event that a fund that is being restructured is closed at a future date (i.e. a date after both the date at which fund restructuring takes place and the Transfer Date) and that fund is directly replaced by another mutual fund, the protection offered by Scottish Equitable will transfer to the replacement mutual fund.

The full list of funds planned to be restructured can be found on the BLL Part VII website.

After the Transfer Date and up until Fund Restructuring is complete, an updated list of the funds that have been restructured and that are planned to be restructured, will be made available on Scottish Equitable's Part VII website.

If you would like to know whether a fund you are invested in is being restructured, you can call the BLL Part VII Response team on 0800 917 6962 (free from UK landlines) or +44 (0) 1733 355 816 (from overseas).

9. Will the fund restructuring activity impact me?

The fund restructuring will not result in any adverse effect on the impacted funds or on the members invested in the impacted funds.

The underlying mutual funds will have the same investment strategies as the insurance fund that your fund currently invests in and will continue to be managed by the relevant BlackRock group entities in the same way. The value of your units in the relevant funds will not change as a result of the fund restructuring. Funds that are being restructured will become funds invested in new mutual funds, and will therefore have indirect exposure to the depositary or trustee and fund manager of that new mutual fund, each of which is separate to BLL, and although this ensures "ring fencing" of assets for the benefit of investors, as set out in Question 8 above, Scottish Equitable will protect you in the unlikely event that the fund manager or depositary, or trustee, of the new mutual fund becomes insolvent (e.g. caused by negligence or fraud by the fund manager or depositary, or the trustee). Scottish Equitable will protect you to the extent that you would have been entitled to protection prior to the fund restructuring and the transfer taking place. In this case, Scottish Equitable will pay you the amount by which your account benefits have reduced as a result of the relevant insolvency. You will retain the investment risk associated with your investment in line with the position before the fund restructuring and the Transfer Date.

Whilst this is not part of the Scheme, the Independent Expert (see Question 23: 'Who is the Independent Expert?') has reviewed the fund restructuring proposal and is satisfied that the fund restructuring will not materially adversely affect you. Please see sections 6 and 7 of the Independent Expert's report for further information. Details of where this report is available are set out in Question 23.

10. Is there a change in the management charge I pay for the funds?

There will be no change in the management charge for funds as a result of the proposed transfer.

Please see the response to Question 11 below, which includes a summary table describing the cost impact of the proposed transfer.

11. Are there any additional costs I should be aware of?

There are no additional costs that you will incur as a direct result of the proposed transfer and fund restructuring.

Scottish Equitable will cover the costs of implementing the fund restructuring (as outlined in Questions 8 and 9). However, there may be some small differences to the ongoing charges you currently incur within the funds as an indirect result of the proposed transfer and the fund restructuring. These are explained in more detail in the paragraphs below.

Mutual funds tend to have higher operating expenses than similar insurance funds due to regulatory requirements around how they should be set up and governed. Scottish Equitable will pay the additional operating expenses that arise as a direct consequence of the change in the structure of underlying funds, i.e. audit, trustee and depositary fees and additional regulatory fees.

For both insurance funds and mutual funds there are other additional expenses incurred by the funds that vary with the service providers' (e.g. custodian) commercial terms, the size of the fund and the transaction activity levels within funds. Fund flows and the commercial terms of service providers differ for the mutual and life funds. As a result, there may be some small differences in the additional expenses incurred by the funds. The nature of these commercial cost differences is such that they could change at any time for any fund (be that insurance or mutual) irrespective of the fund restructuring. These expenses are paid out of the fund and therefore indirectly borne by the investors in that fund.

At the time of this Q&A, our analysis indicates that the differences in commercial aspects and activity levels between the relevant underlying insurance and mutual funds would result in a minor decrease in these particular expenses for all of the funds undergoing fund restructuring. The largest annual decrease is 0.0079% (or 7.9 pence for every £1,000.00 invested). This analysis was based on the annualised ongoing charge of the relevant fund as at the end of November 2017. It may not always be the case that these additional expenses in the mutual fund are lower than they were in the equivalent insurance fund prior to the fund restructuring. However, any difference is likely to be very small, i.e. a similar amount to the decrease that our analysis currently shows. This does not take into account the costs of the audit, trustee and depositary fees and additional regulator fees because Scottish Equitable has agreed to bear these, as explained above.

The following table outlines the treatment of management charges and additional expenses for different fund types before and after fund restructuring and the proposed transfer:

	Current fund type	**Before Fund Restructuring & Proposed Transfer**	**After Fund Restructuring & Proposed Transfer**
Annual Management Charge		As per current terms	As per current terms

	Current fund type	Before Fund Restructuring & Proposed Transfer	After Fund Restructuring & Proposed Transfer
Fund expenses	Funds not being restructured	Fund operating costs are deducted from the fund. These vary over time depending on fund flows and commercial terms agreed with service providers.	Fund operating costs are deducted from the fund. These vary over time depending on fund flows and commercial terms agreed with service providers.
	Funds being restructured	Fund operating costs are deducted from the fund. These vary over time depending on fund flows and commercial terms agreed with service providers.	Fund operating costs are deducted from the fund. These vary over time depending on fund flows and commercial terms agreed with service providers. As the fund flows and service providers are different for the mutual funds, there may be small differences, either positive or negative, in operating expenses. New fund expenses directly related to mutual fund structure (i.e. regulatory fees, trustee or depositary fees and audit fees) will be paid by Scottish Equitable.

12. Why are the fund changes taking place?

The changes to the names of funds are happening as a result of the proposed transfer to Scottish Equitable.

The fund restructuring is taking place because it has the effect of reducing Scottish Equitable's counterparty exposure to BLL. Without fund restructuring, the proposed transfer would have the effect of significantly increasing Scottish Equitable's counterparty exposure to BLL, as the majority of the assets related to the transferring policies are invested in BLL funds (insurance funds). As is common practice for financial institutions, in order to manage risk, Scottish Equitable is seeking to reduce significant exposure to any one counterparty. The fund restructuring has the effect of reducing Scottish Equitable's exposure to BLL by accessing mutual funds from associated BlackRock group entities instead.

13. When will the fund changes take effect?

The fund name changes will take effect on the Transfer Date. The changes to the legal structure of some of the underlying funds as described in Question 8 above will take place in phases. These phases will begin just before the Transfer Date and we anticipate will complete by the end of 2018.

14. My account has a lifestyle option. Will funds still be switched in the same way?

The lifestyle options you have available to you today will be available to you after the Transfer Date and these will be implemented by Scottish Equitable in the same way as they are now.

15. Can I still switch between the range of funds on offer?

Yes. BLL allows unlimited switching between funds at no fee and Scottish Equitable will continue this account. In line with current practice, there will be no charge for the switch itself but you may incur dealing costs on the price of the units in the fund that you are switching out of and the units in the fund that you switch into. These dealing costs are typically made up of the costs of buying and selling the underlying market instruments that the funds invest in such as taxes and broker charges.

16. Is there any impact on dealing in the funds following implementation of the proposed transfer?

No, dealing cut-offs will not change after the Transfer Date. See Question 18 for information about dealing blackout periods around the Transfer Date.

17. Is there any impact on contributions into the funds following implementation of the proposed transfer?

No, your contributions after the Transfer Date will work in the same manner that they do today.

18. Will there be a dealing blackout period as a result of the proposed transfer?

Yes. As a result of the proposed transfer, there will be a dealing blackout period around the Transfer Date to allow the transferring accounts to be switched over to the systems used by Scottish Equitable. The dealing blackout period is expected to last for 2 business days from 29 June 2018 to 2 July 2018 (inclusive). This 2 business day period has been chosen to minimise disruption to you while ensuring that adequate time is allotted to minimise operational risks. How the dealing blackout period will impact normal processes for valid instructions in relation to your account is explained below.

a. <u>Changing your investments</u>

We will continue to take your investment instructions throughout the dealing blackout period, however, please note that there may be a delay in processing them.

- Instructions received before 1p.m. on 27 June 2018 and after 1p.m. on 29 June 2018 will be completed in line with our standard service levels (processed with a trade date of 28 June 2018 and 3 July 2018 respectively).
- Instructions received between 1p.m. on 27 June 2018 and 1p.m. on 29 June 2018 will be held until we can begin the investment process (which is expected to be on 2 July 2018 with trade dates of 3 July 2018).

b. <u>Investing money in your pension (regular and single contributions and transfers in)</u>

To ensure all incoming money is invested before the dealing blackout period, we will accept payments up to 26 June 2018 (processed with a trade date of 28 June 2018).

Where we are working with companies on your behalf, for instance where you make your contributions through your employer or another pension scheme (if you are transferring money in at this time), wherever possible, we will notify them of the implications of the dealing blackout period.

Should any payments be received that cannot be processed before the dealing blackout period, then that money will be held until the investment process can begin again (i.e. following the completion of the dealing blackout period). This is expected to be on 2 July 2018.

c. **If you pay by Direct Debit to us**

If we can take your June 2018 direct debit payment and invest it before the blackout period, and follow normal timings and processes, then we will do so.

If your June 2018 direct debit payment cannot be invested before the dealing blackout period then we will defer taking this payment from your bank account until the week commencing 2 July 2018. Thereafter, it will return to your regular payment date.

d. **Transferring out**

If you are intending to transfer your pension monies to another company at the end of June 2018 then we need to receive everything to process your instruction by close of business on 26 June 2018. This will enable us to sell your units and make the relevant payment(s) before the dealing blackout period begins.

If we receive everything we require to process your instruction between 27 June 2018 and 29 June 2018 then your instruction will be held until the disinvestment process can begin again (i.e. following the completion of the dealing blackout period) which is expected to be on 2 July 2018. In this scenario, the earliest date any payment(s) will be made is expected to be 4 July 2018.

e. **Taking your retirement benefits**

If you are thinking of taking your retirement benefits at the end of June 2018 or start of July 2018 then please be aware of the dealing blackout period and plan accordingly.

f. **If you receive drawdown payments from us**

Drawdown payments are expected to continue as normal.

19. I currently use TargetPlan to look up details of my pension online. Will I still be able to do this?

Yes. You will still be able to access all of the existing features that are available to you today on TargetPlan.

After the proposed transfer has taken place, the web address for TargetPlan will change. Please use the following address from 1 July 2018: https//lwp.aegon.co.uk/targetplan. If you currently go directly into TargetPlan via your employer's website then you do not need to take any action – direct access will continue to be in place after the proposed transfer. Your username and password will not change.

20. Will I still have the ability to access retirement planning tools?

Yes. You will continue to have the ability to use a pension modeler to help plan your income needs in retirement and it can be accessed in the same way as today. Post the Transfer Date, you will have access to 'new' Aegon tools and whilst their appearance will differ, they will remain easy to navigate with all of the existing features and functionality available to you.

21. Will my account still be protected by the Financial Services Compensation Scheme (FSCS)?

The FSCS is an independent body set up by the Government under the Financial Services and Markets Act 2000 and funded by the financial services industry. As the "fund of last resort" for customers of authorised financial services firms, it can pay you compensation if a firm is in default and cannot meet any valid claims against it. In the unlikely event of default, pension accounts that qualify for FSCS protection will remain covered by the UK FSCS if the proposed transfer is approved by the Court. If the FSCS is unable to transfer your account to a new solvent insurer, it would itself pay 100% of the value of your claim without limit. Prior to the transfer, you were entitled to compensation under FSCS if BLL defaulted. After the transfer, Scottish Equitable will be the provider of your pension account and therefore you will be entitled to compensation if Scottish Equitable defaults instead. Therefore, the proposed transfer will not affect your entitlement to compensation under FSCS. Note that FSCS cover does not include the default of an external manager (see Question 24) but Scottish Equitable will provide protection for you where you are invested in funds being restructured to mutual funds (see Questions 8 and 9).

The following table summarises FSCS protection before and after fund restructuring:

	Before Fund Restructuring & Proposed Transfer	**After Fund Restructuring & Proposed Transfer**
Insurer failure	In the event that BLL fails, FSCS protection applies to 100% of the account value.	In the event that Scottish Equitable fails, FSCS protection applies to 100% of the account value.

22. Is my account safe?

Scottish Equitable is part of Aegon, an international insurance group. It is a UK regulated insurer and you can find more about it in both the Independent Expert's report and the report by the Chief Actuary of Scottish Equitable.

In the highly unlikely event that Scottish Equitable became insolvent and was unable to meet its liabilities, your account will remain covered by the FSCS (see Question 21 above), which if it was unable to transfer your account to a new solvent insurer would itself pay 100% of the value of your account. The proposed transfer will not affect your entitlement to compensation under FSCS. Note that FSCS cover does not include the default of an external manager.

23. Who is the Independent Expert?

An Independent Expert, Mr Nick Dumbreck, a Partner of Milliman LLP, has been appointed to report to the Court on the effects of the proposed transfer on account holders. A summary of the conclusions from the Independent Expert's report is included in this information pack and the detailed report and a summary of the Independent Expert's report are available (free of charge) on the BLL Part VII website www.blackrock.com/member.

The PRA, in consultation with the Financial Conduct Authority, has approved the appointment of Nick Dumbreck in a letter dated 10 August 2016. He is independent of both BLL and Scottish Equitable.

Mr Dumbreck has acted as Independent Expert for 25 previous transfers of life insurance businesses.

24. What happens if an external fund manager becomes insolvent?

After the transfer, the BLL funds will be external manager funds and will have external fund managers. In addition, some funds will become funds invested in new mutual funds (see Questions 8 and 9 for more information about new mutual funds and the fund restructuring), and as a result these underlying funds, which were previously managed by BLL, will be managed by other BlackRock group entities instead. You, as account holder, take the risk that the value of the assets to which your account is linked goes up and down. FSCS protection applies where your insurer fails (for more information on FSCS protection see Question 21 above). The FSCS does not cover the failure of external manager funds to which account benefits are linked or the failure or insolvency of an external manager underlying funds held in funds.

In the event of the insolvency of a mutual (non–life) fund, Scottish Equitable will seek to recover the value of the fund owed from the fund manager. The member will carry any loss between the recovery value and the fund value. However, Scottish Equitable has agreed to offer additional protection to you in relation to the insolvency of an external fund manager in certain cases explained below:

- **BLL funds:** Following the Transfer Date, Scottish Equitable will protect you from the unlikely event of the insolvency of BLL following the proposed transfer (but not other BlackRock group entities). In the event of the insolvency of BLL, Scottish Equitable will protect you to the extent that, had you held the investments with BLL directly (and not via Scottish Equitable), you would have been entitled to protection from the FSCS as a result of BLL's insolvency. In the event of the insolvency of a third-party life fund or any mutual fund, in line with the current terms and conditions, account holders with policies taken out on or after 1 January 2012 will bear the risk of insolvency of third party life funds or mutual funds.

- **Restructured funds:** If you or your fund(s) invest in one of the funds being restructured (i.e. one of the funds listed in Question 8 above) through your pension account, then following the later of the date at which fund restructuring takes place for that fund and the Transfer Date, Scottish Equitable will protect you if you suffer loss as a direct result of the insolvency of the fund manager, depositary or trustee of the new mutual fund (e.g. caused by negligence or fraud by the fund manager or depositary, or the trustee). In this circumstance, Scottish Equitable will protect you to the extent that you would have been entitled to protection prior to the fund restructuring and transfer taking place. In this case, Scottish Equitable will pay you the amount by which your account benefits have reduced as a result of the relevant insolvency. This protection will be available whether:

    - you invest in a fund that is being restructured; or

    - you invest in a fund which itself is invested in a fund which is being restructured.

You will retain the investment risk associated with your investment in line with the position before fund restructuring and the Transfer Date.

It is also worth noting that it is standard within the industry for the trustee or depositary appointed in connection with the mutual fund to be subject to liability and indemnity provisions in favour of the fund as part of their appointment, which may provide additional support in the event of their failure to act appropriately in the event of a default of the fund manager.

Note that both before and after the transfer, the FSCS does not protect account holders against the insolvency of an external manager. The following table outlines the security of assets of different fund types before and after fund restructuring and the proposed transfer:

Current underlying fund type	Before Fund Restructuring & Proposed Transfer	After Fund Restructuring & Proposed Transfer
BLL funds not being restructured	Account holder is protected against BLL failure by FSCS protection.	Scottish Equitable protects account holder from BLL failure. Account holder is protected from Scottish Equitable failure (caused by BLL failure or otherwise) through FSCS protection.
BLL funds being restructured	Account holder is protected against BLL failure by FSCS protection.	For funds listed in Question 8, following the latter of the date at which fund restructuring takes place for those funds and the Transfer Date, Scottish Equitable will protect the account holder in the event the account holder suffers a loss as a direct result of the insolvency of the fund manager, depositary or the trustee of the new mutual fund (e.g. caused by negligence or fraud by the fund manager or depositary, or the trustee) to the extent that the account holder would have been entitled to protection prior to the fund restructuring and transfer taking place. In this case, Scottish Equitable will pay the account holder the amount by which their account benefits have reduced as a result of the relevant insolvency. This is the case whether: • the account holder invests in a fund that is being restructured; or • the account holder invests in a fund which itself is invested in a fund which is being restructured. The account holder will continue to bear the investment risk associated with their investment in line with the position before the fund restructuring and the Transfer Date.
Mutual Funds/External Non-Life Funds	Mutual fund structure is regulated and safeguards the ring-fenced assets. BLL pursues a claim against the underlying fund vehicle, but BLL would not be liable to cover the shortfall between any money recovered and the overall loss.	Mutual fund structure is regulated and safeguards the ring-fenced assets. Scottish Equitable will seek to recover amounts owed in the event of the insolvency of the fund manager and trustee/depositary. Account holder carries any shortfall in recovery.
Third party Life fund (account (policy) starting on or before 31 December 2011)	BLL pursues a claim against the insolvent insurer, ranking as a creditor in line with direct account holders of the insolvent insurer. Account holder carries any shortfall between money recovered by BLL and the overall loss.	Scottish Equitable protects the account holder from third party life insurer failure.

Current underlying fund type	Before Fund Restructuring & Proposed Transfer	After Fund Restructuring & Proposed Transfer
Third party Life fund (account (policy) starting on or after 1 January 2012)	BLL pursues a claim against the insurer, ranking as a creditor in line with the insurer's other account holders. Account holder carries any shortfall between any money recovered by BLL and the overall loss.	Scottish Equitable pursues a claim against the insolvent insurer, ranking as a creditor in line with the insurer's other account holders. Account holder carries any shortfall between any money recovered by Scottish Equitable and the overall loss.

25. Will the proposed transfer impact the tax treatment of my account?

No, the tax status of your account is not impacted by the proposed transfer.

Section 3 - The Part VII transfer

26. What is the Part VII transfer process?

The UK insurance business transfer process is governed by Part VII of the Financial Services and Markets Act 2000. The transfer can only be approved by the Court. As part of this process, the Court is provided with reports from the UK financial services regulators (the PRA and the FCA) and an Independent Expert to assist the Court in its decision. The Court will consider the opinion of the Independent Expert, the regulators and views of account holders before reaching its decision on whether to approve the proposed transfer.

The Court hearing is due to take place at the High Court, Business and Property Courts, Rolls Building, Fetter Lane, London EC4A 1NL on 21 June 2018. Any updates or changes in relation to Court hearings will be announced on the BLL Part VII website www.blackrock.com/member.

If the Court approves the Scheme, the transferring business of BLL will transfer to Scottish Equitable. It is expected that the proposed transfer will become effective at 00:01 BST on 1 July 2018. We will update the BLL Part VII website www.blackrock.com/member if the proposed transfer is approved or if the Transfer Date changes.

27. Is there an opportunity to vote on the proposed transfer?

The proposed transfer is subject to Court approval, and is not subject to a vote. However, if you think you may be adversely affected by the proposals, then you can express an objection or raise your concern. Copies of all objections will be passed to the PRA, FCA, Independent Expert and the Court for consideration. You can, if you wish, choose to present your views to Court yourself. You can also be represented at Court if you prefer.

For more information on how to do this, please refer to section 4 of this Q&A. If you are satisfied that you understand the transfer proposals and do not have any concerns or objections then you do not need to do anything further.

28. What will happen if the Court does not approve the proposed transfer?

If the proposed transfer is rejected, your account will remain with BLL. If the proposed transfer is delayed for any reason then we will inform you of this via the BLL Part VII website www.blackrock.com/member.

29. How are the interests of affected parties protected?

The Part VII process protects members in a number of ways to make sure that they are not adversely affected. The protections include:

- the appointment of an Independent Expert, whose appointment is approved by the PRA (in consultation with the FCA). He reports to the Court on the effects of the proposed transfer. A summary of the Independent Expert's conclusions is included in this information pack and his full report and a summary of his full report can be accessed online at www.blackrock.com/member;

- advance notification of the proposed transfer to affected members (this information pack);

- Court approval – the transfer proposals will be heard at the High Court, Business and Property Courts, Rolls Building, Fetter Lane, London EC4A 1NL on 21 June 2018. The Court will consider the views of members, the Independent Expert and the regulators, before reaching a decision on whether to approve the proposed transfer;

- your right to object if you have any concerns or consider that you may be adversely affected by the proposed transfer (copies of all objections will be passed to the PRA, FCA, Independent Expert and the Court for consideration); and

- an ongoing review by the regulators until the Transfer Date.

In addition to the above protections, the Chief Actuary of BLL and both the Chief Actuary and the With-Profits Actuary of Scottish Equitable, have each written their own reports on the effects of the proposed transfer on members and on the companies. You can access their full reports at www.blackrock.com/member and www.aegon.co.uk/aegontransfer.

30. What if I have any questions or queries?

If you have any questions or queries about the proposed transfer you can contact us using any of the details noted in this information pack. When writing to us, it would help if you could provide your full name, account number and the reference noted in the top right of your covering letter.

31. What do I do if I have concerns or want to object?

If, having read the information available, you have any concerns or feel you may be adversely affected by the proposed transfer, you have the right to object. If you wish to object, it would be helpful, but is not obligatory, to let us know your objections and explain the reasons for your objections when you contact us. If you are satisfied that you understand the transfer proposals and do not have any concerns or objections then you do not need to do anything further. Please refer to section 4 of this Q&A for further information.

32. Who do I contact once the proposed transfer has been completed?

If you wish to get in touch after the Transfer Date you should continue to contact your normal contact. The relevant details will also be included within your Scottish Equitable 'Welcome Letter' that will be sent to you after the Transfer Date and your account is managed by Scottish Equitable.

Scottish Equitable will become data controller (the person who determines the purpose for which any personal data is processed) in place of BLL in relation to the transferred business, and member consents and information given to BLL will be deemed to have been given to Scottish Equitable.

33. How will you let me know about any changes or updates with respect to the Court hearings?

Any updates or changes in relation to Court hearings will be announced on the BLL Part VII website www.blackrock.com/member.

34. How do I find out more about the proposed transfer?

You can read the full and summary version of the Scheme document, the full and summary version of the Independent Expert's report and the report of the Chief Actuary of BLL (www.blackrock.com/member) and the reports of both the Chief Actuary and With Profits Actuary of Scottish Equitable (www.aegon.co.uk/aegontransfer).

You can request copies of all the documents relating to the proposed transfer free of charge by emailing us at PartVII@blackrock.com, calling the BLL Part VII Response team on 0800 917 6962 (free from UK landlines) or +44 (0) 1733 355 816 (from overseas), writing to us at PO Box 1402, Peterborough PE1 9UZ or collecting them from the offices of BLL Part VII Response team at Churchgate, New Road, Peterborough PE1 1TT.

Section 4 – Objections, queries and concerns

35. What do I do if I have concerns or want to object?

If, having read the information available, you have any concerns or feel you may be adversely affected by the proposed transfer, you have the right to object. If you wish to object, it would be helpful, but is not obligatory, to let us know your objections and explain the reasons for your objections when you contact us.

We will acknowledge and reply in writing to all objections we receive. We will also submit details of all account holder objections not only to the Court, who will consider them when reaching a decision on whether to approve the Scheme on 21 June 2018, but also to the PRA, FCA and the Independent Expert.

You can, if you wish, choose to present your views to Court yourself or be represented at Court.

You can contact the BLL Part VII Response team via:

- calling us on 0800 917 6962 or +44 (0) 1733 355 816
- writing to us at PO Box 1402, Peterborough PE1 9UZ
- emailing us at PartVII@blackrock.com
- visiting our BLL Part VII website www.blackrock.com/member

Please note that the dedicated helpline is for enquiries about the proposed transfer to Scottish Equitable only. If you have any general questions about your account, please call the customer services team in the usual manner and they will be happy to help.

When writing to us, it would help if you could provide your full name, account number and the reference noted at the top of the covering letter.

Section 5 – What am I required to do now?

36. What am I required to do now?

Please make sure you understand what the proposals mean for you by reading the covering letter, the enclosed documents and any relevant documents on the BLL Part VII website.

If you are aware of anyone else who has an interest in or is entitled to benefits under your account, please inform them of the proposed transfer and pass on the information contained in this information pack.

If you are satisfied that you understand the proposed transfer and do not have any concerns or objections then you do not need to do anything further.

If the proposed transfer is approved, we will publish confirmation on our website after the Transfer Date. Scottish Equitable also intends to write to you after the Transfer Date.

If, having read the information available, you have any concerns or feel you may be adversely affected by the proposed transfer, you have the right to object. If you wish to object, it would be helpful, but is not obligatory, if you could let us know and explain the reasons for your objection when you contact us. See section 4 for details on how to do this.

We will acknowledge and reply in writing to all objections we receive. We will also submit details of all account holder objections not only to the Court, who will consider them when reaching a decision on whether to approve the Scheme on 21 June 2018, but also the PRA, FCA and the Independent Expert.

You can, if you wish, choose to present your views to Court yourself. You can also be represented at Court if you prefer.

You can contact the BLL Part VII Response team via:

- calling us on 0800 917 6962 or +44 (0) 1733 355 816
- writing to us at PO Box 1402, Peterborough PE1 9UZ
- emailing us at PartVII@blackrock.com
- visiting our BLL Part VII website www.blackrock.com/member

Please note that the dedicated helpline is for enquiries about the proposed transfer to Scottish Equitable only. If you have any general questions about your account, please call the customer services team in the usual manner and they will be happy to help.

When writing to us, it would help if you could provide your full name, account number and the reference noted at the top of the covering letter.

If you would like this information pack, or any of the documents referred to in it, in large print, in Braille or in audio, please contact the BLL Part VII Response team by:

- **calling us on - 0800 917 6962 or +44 (0) 1733 355 816**
- **writing to us at - PO Box 1402, Peterborough PE1 9UZ**
- **emailing us at - PartVII@blackrock.com**
- **visiting our BLL Part VII website - www.blackrock.com/member**

Section 6 – Summary of the Scheme

1. **INTRODUCTION**

1.1 BlackRock Life Limited ("**BlackRock**") has agreed to transfer to Scottish Equitable Plc ("**Scottish Equitable**") BlackRock's defined contribution pensions platform and administration business (the "**Transferring Business**") (the "**Transfer**").

1.2 The assets, systems and personnel supporting the provision of the administration in respect of the Transferring Business were transferred to Aegon UK Corporate Services Limited ("**AUKCS**") (an affiliate of Scottish Equitable) from August 2016. Aegon Corporate Services Limited is the service company within Scottish Equitable's group and provides staff and IT systems to Scottish Equitable to enable it to administer its life and pensions business.

1.3 The Transfer to Scottish Equitable will be effected by way of a scheme under the provisions contained in Part VII of the UK Financial Services and Markets Act 2000 (the "**Act**") (the "**Scheme**") and will require the sanction of the High Court of Justice of England and Wales (the "**Court**").

1.4 This document sets out a summary of the key terms of the Scheme. The full Scheme document can be found on the website of BlackRock at **www.blackrock.com/partvii**.

2. **COURT APPROVAL OF THE TRANSFER**

2.1 The Court hearing to consider the Transfer is expected to take place on 21 June 2018 (the "**Sanctions Hearing**"). If the Court approves the Scheme, the Transfer is expected to come into effect on 1 July 2018 (the "**Effective Date**").

3. **SCHEME DOCUMENT**

3.1 If you require copies of the Scheme document you can write to the BlackRock Part VII contact centre at Churchgate, New Road, Peterborough PE11 1TT, or request a copy by email to **PartVII@blackrock.com** or by telephone on 0800 917 6962 or +44 (0) 1733 355 816 between Monday and Friday from 9am to 5pm (BST). Hard copies of the Scheme will also be available to collect at the address listed above. The Scheme document can also be viewed on BlackRock's website at **www.blackrock.com/partvii**, together with other transfer-related documents.

4. **OBJECTIONS**

4.1 If you feel you may be adversely affected if the Scheme came into effect, you are entitled to put your concerns, representations and/or objections to the Court at the Sanctions Hearing. If you have any objection to the Scheme, you can contact BlackRock by:

4.1.1 writing to us at PO Box 1402, Peterborough, PE1 9UZ;

4.1.2 email to **PartVII@blackrock.com**;

4.1.3 calling us on 0800 917 6962 or +44 (0) 1733 355 816 between Monday and Friday from 9am to 5pm (BST); or

4.1.4 visiting our BlackRock Part VII website at **www.blackrock.com/partvii**.

4.2 BlackRock will acknowledge and reply in writing to all objections received. Details of all objections received will be submitted to the Court, the UK financial services regulators, the Prudential Regulation Authority ("**PRA**") and the Financial Conduct Authority ("**FCA**") and the independent expert (the "**Independent Expert**") appointed to provide a report (the "**Report**") on the effect of the Scheme on policyholders of BlackRock and Scottish Equitable.

4.3 When writing to us, it would be helpful if you could provide your full name, account number and the reference noted at the top of the letter sent to you in connection with the Transfer (if you have received such a letter).

5. SUMMARY OF THE SCHEME

The consequences and coming into effect of the Scheme

5.1 The Transfer will only occur if the Court grants its approval. In that case, the Transfer will become effective on the Effective Date. If the Court imposes any change to the proposed Scheme, the Scheme will not take effect unless BlackRock and Scottish Equitable agree to the changes.

5.2 The Scheme is intended to transfer all of the insurance policies comprising the Transferring Business to Scottish Equitable. If the Transfer goes ahead, Scottish Equitable will replace BlackRock as the insurer in respect of the policies transferring under the Scheme.

5.3 If the Scheme is sanctioned, from the Effective Date, all of the rights and obligations arising in respect of the Transferring Business (including legacy liabilities), will automatically transfer to Scottish Equitable. This means that Scottish Equitable will become the provider of the policies transferring under the Scheme and will be responsible for meeting all the obligations which were previously the obligation of BlackRock in relation to the Transferring Business. The administration of your policy and claims handling is currently delegated by BlackRock to Scottish Equitable. Irrespective of whether the Transfer is approved by the Court, the policies comprising the Transferring Business (and claims under them) will continue to be administered by Scottish Equitable.

5.4 Certain policyholders, whose policies were, until recently, administered on BlackRock's UTADS platform (which was decommissioned and replaced with a successor platform, but for ease in this document we will refer to the platform as the UTADS platform), will experience certain changes to their policy terms and conditions upon implementation of the Scheme. This is because, after the Effective Date, the transferring policies will be administered by Scottish Equitable on a different platform, the Prestige platform. Some changes to the policy terms and conditions are required because the Prestige platform provides policyholders with the facility to invest in a wider range of external funds than are currently available. The changes to the terms and conditions include confirmation that the customer bears the investment risks arising from investment in third party funds made available to policyholders after the Effective Date (including the risk of the insolvency of the third party fund).

5.5 It is also necessary to change the terms and conditions to maintain the UTADS policyholders' right to receive reporting on their funds.

5.6 These changes are set out in greater detail in the Scheme and have also been considered by the Independent Expert in the Report, who concludes that "*the changes to the terms and conditions are fair and will not have a material adverse effect on the UTADS policyholders affected by the platform transfer process*".

5.7 Additionally, for those policies on the UTADS platform, most funds operate on a 'single swinging' pricing basis but there are some funds that operate on a 'dual pricing with crossing' basis. While not a change to the terms and conditions, following the Effective Date all funds will operate on a 'single swinging' pricing basis.

5.8 The Independent Expert has considered the change in pricing basis for those policyholders whose funds currently operate on a 'dual pricing with crossing' basis, and concludes that "*the change to unit pricing will not be materially detrimental to the Transferring Policyholders*".

5.9 Policyholders who are transferring pursuant to the Scheme will be sent an information letter. Policyholders whose terms and conditions are changing will be clearly notified of this in the information letter. The terms and conditions of all other transferring policyholders will remain the same. If you are in doubt and would like to understand whether your terms and conditions are changing, you can raise this question with BlackRock using the contact details in paragraph 3.1 above.

Exceptions

5.10 Despite the intention to transfer the whole of the Transferring Business on the Effective Date as explained above, there may be a small number of exceptions.

5.11 If for any reason BlackRock is unable to transfer policies forming part of the Transferring Business on the Effective Date, these will be treated for all practical purposes as if they had been transferred. This means that Scottish Equitable would be financially responsible for these policies and the responsibility for administering them would remain with Scottish Equitable.

5.12 Certain assets and liabilities relating to the Transferring Business are permanently excluded from the Transfer (such as certain tax liabilities).

Continuity of Proceedings

5.13 Any proceedings brought by or against Transferring Policyholders (as defined in the Scheme document) which are pending by or against BlackRock in connection with the business transferred by the Scheme shall be continued with effect by or against Scottish Equitable from the Effective Date. Any defences, claims, counterclaims and rights of set-off that would have been available to or against BlackRock may be raised in such proceedings in favour of or against Scottish Equitable.

5.14 From the Effective Date, any judgement, settlement, order or award in relation to disputes with Transferring Policyholders (as defined in the Scheme document) under existing or past proceedings obtained by or against BlackRock in relation to the business transferred by the Scheme shall be enforceable by or against Scottish Equitable in place of BlackRock.

Mandates and other Instructions

5.15 From the Effective Date, any mandate, including direct debits, standing orders or other instruction in force and providing for the payment by a bank (or other intermediary) of premiums payable under or in respect of any of the Transferring Policies or Excluded Policies to BlackRock shall be deemed to have been given to Scottish Equitable (in relation to any Excluded Policies, as agent for BlackRock).

5.16 From the Effective Date, any mandate including direct debits, standing orders or other instruction in force in respect of any of the Transferring Policies or Excluded Policies as to the manner of payment of any benefit or other amount by BlackRock shall continue in force as an effective authority to Scottish Equitable (in relation to any Excluded Policies, as agent for BlackRock).

Data Protection

5.17 From the Effective Date, Scottish Equitable will become the data controller in place of BlackRock in relation to the Transferring Business where BlackRock is currently the data controller (and the data processor in place of BlackRock in relation to the Transferring Business where BlackRock is currently the data processor), and consents and information given to BlackRock will be deemed to have been given to Scottish Equitable.

Costs and Expenses

5.18 All costs and expenses relating to the preparation of the Scheme and the related Court processes will be borne by BlackRock and Scottish Equitable. No such costs will be borne by policyholders.

Additional Policyholder Protection

5.19 From the Effective Date, where a Transferring Policy of a Transferring Policyholder is linked to a fund which is being restructured and the Transferring Policyholder suffers loss as a result of the insolvency of the fund manager, depositary or trustee of the fund in which such restructured fund is invested (e.g. caused by negligence or fraud by the fund manager or depositary, or the trustee), then Scottish Equitable will pay the Transferring Policyholder the amount by which the benefits payable to the Transferring Policyholder have reduced as a direct result of that insolvency. A list of funds being restructured will be set out in the Scheme. The Transferring Policyholder retains investment risk in line with the position before the Effective Date.

Amendment of the Scheme

5.20 The Scheme may, in time, need to be amended (e.g. to ensure the terms of the Scheme comply with applicable law).

5.21 The Scheme provides that it may be amended on application to the Court, provided that the PRA and FCA have been notified of the application and a certificate is obtained from an independent expert to the effect that, in his opinion, the proposed amendment will not materially adversely affect the interests of policyholders who would be impacted by such amendment.

5.22 Certain minor technical amendments to the terms of the Scheme (e.g. to rectify clear errors or to make amendments required to comply with applicable law) can be made without application to the Court, however, such changes would need to be notified to the PRA and FCA, who would have 30 days to object to such changes, and the parties would need to seek appropriate actuarial and legal advice regarding the proposals.

Section 7

SUMMARY OF THE CONCLUSIONS OF THE INDEPENDENT EXPERT

BlackRock Life Limited ("**BLL**") has agreed to sell and transfer the majority of its defined contribution platform and pension administration business to Scottish Equitable plc ("**Scottish Equitable**"). The proposed transfer requires approval from the High Court of England and Wales (the "**Court**") for policies issued to residents of the United Kingdom and approval of the Royal Court of Guernsey for policies issued to residents of the Bailiwick of Guernsey.

I have been appointed as Independent Expert for the proposed transfer. My role as Independent Expert is to consider how policyholders of BLL and Scottish Equitable are likely to be affected by the transfer.

This is a summary of the conclusions of my Independent Expert report ("**Full Report**") dated 2nd March 2018 which is available at www.blackrock.com/partvii, along with an abbreviated version of the Full Report (the "**Summary Report**") prepared for those policyholders interested in understanding the proposed transfer more fully but who may not wish to read the Full Report. This document is concerned in particular with the consequences of the proposed transfer for holders of BLL policies which will be transferred to Scottish Equitable if the Scheme is approved by the Court ("**Transferring Policies**").

The Full Report, the Summary Report and this Summary of Conclusions do not provide financial or other advice to individual policyholders.

Terminology

The policies affected by this transfer are all defined contribution pensions policies, the benefits of which are determined by the value of units of the **unit-linked funds** in which the policyholders have chosen to invest.

Unit-linked funds which are offered by life insurance companies will be referred to as **life funds** and unit-linked funds which are offered by companies that are not life insurance companies (for example, authorised unit trusts) will be referred to as **non-life funds**.

Fund separation, platform transfer and fund restructuring

BLL and Scottish Equitable will be undertaking the following additional activities to facilitate the transfer of business:

1. A **fund separation** exercise:
   - o to split the unit-linked funds in which both Transferring Policies and Non-Transferring Policies of BLL are currently invested. This is so that the investments of Transferring Policies can be transferred to Scottish Equitable on the Transfer Date and the investments of Non-Transferring Policies can remain in BLL; and
   - o to ensure that any proprietary investment strategies relevant to the funds being transferred remain under the management of BLL. Transferring policyholders affected by fund separation will still have access to these proprietary investment strategies by means of a reinsurance agreement between Scottish Equitable and BLL.
2. A **platform transfer** to the Prestige system for those Transferring Policies not currently administered on that platform, so that Scottish Equitable can use it for all Transferring Policies from the Transfer Date; and
3. A **fund restructuring** exercise to convert certain unit-linked funds of BLL into non-life funds operated by other BlackRock Group entities ("**non-life BlackRock funds**") with the same or very similar investment strategies. The non-life BlackRock funds do not form part of an insurance company but they do operate in a similar way.

   The primary purpose of the fund restructuring is to reduce the level of Scottish Equitable's counterparty default risk[1] exposure to BLL. Fund restructuring will commence 4 months before the Transfer Date and continue until 6 months after the Transfer Date.

A detailed description of these activities is provided in Section 6 of my Full Report and a list of every fund affected by each of these activities is provided in Appendix 4 of my Full Report.

The effect of the proposed transfer on Transferring Policies

Fund separation

For policies affected by fund separation (i.e. Transferring Policies which invest in funds that Non-Transferring Policies also invest in or Transferring Policies which invest in funds which have proprietary BLL investment strategies), the fund separation process may change:

- The latest times for which transactions can be processed using a given day's prices ("**cut-off times**"). The largest change will be from 10am on the trade date to 4pm the day before the trade date. For example, this would mean that if a policyholder wanted their transaction to be processed on Tuesday, they would have to give instruction by 4pm on

[1] The risk that a third party is unable to meet its obligations.

Monday. If they were to wait until Tuesday morning to give the instruction[4], then the transaction wouldn't happen until Wednesday and so would occur using Wednesday's prices.

- The price at which policyholders buy and sell units. In a unit-linked fund, these prices vary depending on how many other investors are buying and selling units in the fund that day. This is because the costs of selling or buying the underlying assets are shared among those investors. Fund separation will change the number of other investors in the fund and so, on any given day, there may be a small change to prices than would otherwise have applied[2]. This reflects a normal feature of investing in a pooled fund.

I am satisfied that the fund separation will not have a material adverse effect on the Transferring Policyholders.

Platform transfer

The platform transfer process will only affect transferring policyholders whose policies are not already administered on the Prestige platform. It will affect them in the following ways:

- Cut-off times will change for some funds, as for fund separation above.
- The pricing method for some of the unit-linked funds will change from 'dual pricing with crossing' to 'fully swinging single pricing'. This will mean that the prices at which policyholders buy and sell units in the unit-linked fund will be calculated differently and may result in slightly lower or higher prices being charged. 95% of affected policyholders' funds already use this method. Analysis indicates that if the unit price had been £1 on the current method, the maximum amount by which the price would change on the new method would be 0.5p. Any price change which disadvantages buyers of units on a given day will benefit sellers of units on that day, and vice versa.
- Policies have 'Investment Management Agreements' which specify how their money will be invested. These agreements will be terminated but all relevant information required by Scottish Equitable will be provided in a new document;
- Any cash that affected policyholders have in their custody accounts will be returned to them. Custody services will no longer be provided;
- Policies will have access to a wider range of funds; and
- In order to transfer the policies to the Prestige platform, there will be a period of 4 working days during which policyholders affected by the platform transfer will not be able to buy or sell any units[3] ("**blackout period**"). These policyholders will be notified in advance of this blackout period so they can plan accordingly.

Policies undergoing platform transfer will also have their terms and conditions altered. The main change is to include terms and conditions which state the risks that a policyholder takes on when investing in newly available external funds (from any BlackRock Group entity or 3rd party). Policyholders will bear the risk that fund incurs losses as a result of the fund manager (or depositary or trustee) being in default (meaning unable to pay)[4]. Policyholders do not have to invest in the newly available range of funds and the risks of investing in these new funds, if they choose to, will be clearly communicated to them.

I am satisfied that the platform transfer and the changes to policy terms and conditions will not have a material adverse effect on the Transferring Policyholders.

Some policies affected by platform transfer cover both defined contribution and defined benefit pension schemes ("**Mixed Policies**"). The policies will be split to enable the portion of the policy relating to defined benefit pension schemes to remain with BLL. The part of each Mixed Policy that relates to defined contribution will be transferred to Scottish Equitable and will be managed in line with the rest of the Transferring Policies affected by platform transfer according to the amended terms and conditions. The part of each Mixed Policy that relates to defined benefit will be retained by BLL and managed under the original terms and conditions without amendment.

I am satisfied that the proposed changes to Mixed Policies will not have a material adverse effect on the holders of these Mixed Policies.

Fund restructuring

The fund restructuring process may affect policyholders in the following ways:

- Asset Security: The structure of non-life funds offers some additional asset security compared to life funds. The non-life funds are ring-fenced so that all investments are kept separate from the assets of the company that manages the fund. The fund managers must appoint a depositary (or a trustee) who will be independent from the fund-manager

[2] The maximum change that a policyholder could experience would be the difference between the bid and offer price (known as the spread). BlackRock analysed the spread on funds undergoing fund separation and as at the 23rd January 2018 the spread was less than 1% for all funds but one. The one exception was the Smaller Companies fund which typically has a spread of 1%-2% due to the nature of the assets it holds. A 2% change to price would be 2p if the price was £1.

[3] This is in addition to the blackout period of 2 working days required to transfer the policies to Scottish Equitable.

[4] Scottish Equitable will bear the losses due to default of the fund manager or depositary or trustee for any fund that transferring policyholders undergoing platform transfer were invested in prior to the transfer. This is described in more detail in the section on Security of Benefits.

and have a duty to safeguard the assets as well as oversee the fund managers in key areas. In addition, the non-life BlackRock funds will also have a custodian (which is an independent company) who will hold the assets for safekeeping and be responsible for executing trades and settlements. Whilst the transfer and fund restructuring does introduce new sources of risk that are not covered by the Financial Services and Compensation Scheme ("FSCS"), Scottish Equitable has committed to protect policyholders against these risks. This is described fully in the section on Security of Benefits below.

- Charges: non-life BlackRock funds typically have additional expenses compared to equivalent life funds which relate to their structure or regulatory status. These are regulatory fees, trustee or depositary fees, and audit fees. These additional expenses will be absorbed by Scottish Equitable and will not be passed on to the affected policyholders.

  Both non-life and life funds are charged custody[5] and transaction charges. These charges will continue to be borne by policyholders after restructuring. There may be some differences in charges between the underlying life funds and non-life funds. These differences in costs will be passed on to policyholders. Based on BLL's current analysis these costs will be lower for the non-life funds used after restructuring than for the original life funds. The largest change was a 0.0079%[6] decrease (or 7.9 pence for every £1,000 invested). The costs in both the non-life and original life funds may change over time and so it is possible that the costs for non-life funds may be higher than the original life funds in the future, but the difference is expected to remain similar in scale to the amount that BLL's analysis currently shows.

- Tax: the tax treatment of the non-life BlackRock funds will not be worse than that of the original life funds based on current tax rules. However, the relevant tax rules may change in the future.

- Unit prices: Transition to a non-life fund in which there are other investors is likely to affect the balance between buyers and sellers of units on a given day, and hence the unit price on that day. As for fund separation, any change in prices would be small, and a normal feature of investment in pooled funds.

- Investment Experience: I understand that the non-life BlackRock funds will be run by the same portfolio management teams within the BlackRock Group as the original life funds, with the same investment objectives. Any differences in performance are expected to be small:

  - With the exception of certain funds in the 'TDF-LifePath' range (see the next point), funds will have the same benchmarks as before. BLL's analysis shows that the difference in tracking error[7] (relative to the benchmark indices) between the life funds and the corresponding non-life equivalents has been very small. The largest difference is 0.15%[8] (this is equivalent to a £1.50 for a fund of £1,000). The difference in tracking error could be positive or negative and it is dependent on future investment performance.

  - Some funds in the 'TDF-LifePath' range will have slightly different benchmarks. BLL has confirmed that the investment objectives of these funds will remain the same and that the strategy employed to fulfil the objectives will be similar. BLL's analysis shows that any difference in performance of the restructured fund is expected to be less than 0.10% compared to the current life fund. For a fund of £1,000 this represents a maximum change of £1. The difference caused by using slightly different benchmarks could be positive or negative and it is dependent on future investment performance.

I am satisfied that the fund restructuring processes will not have a material adverse effect on the Transferring Policyholders.

Security of Benefits

I have reviewed and compared the solvency positions and the capital management policies of BLL and Scottish Equitable.

I am satisfied that the change in the financial resources available to support the Transferring Policies resulting from the proposed transfer will not have a material adverse effect on the security of benefits of these policies.

Scottish Equitable's regulatory capital requirement will reflect the risk profile of that company following the transfer, and Scottish Equitable will continue to target capital significantly in excess of this minimum level in accordance with its current capital policy. Additionally, Scottish Equitable already has a substantial block of in-force unit-linked pensions business and so has experience of managing the risks associated with the Transferring Policies.

The Transferring Policies will become part of Scottish Equitable's Non-Profit Sub Fund ("**NPSF**") and as a result will be exposed to the risk that the NPSF has to provide capital support to Scottish Equitable's With-Profit Sub Fund ("**WPSF**") if the WPSF ever has insufficient assets to cover its liabilities. I have reviewed Scottish Equitable's analysis of the risk that the NPSF would have to support the WPSF, and am satisfied that Transferring Policyholders will not be exposed to material risk in this respect.

---

[5] A custody charge is primarily a charge to cover storage and protection of assets. It does also cover other services such as tax reclaims and relief at source, income collection, corporate asset processing, proxy voting, cash management and reporting.

[6] Based on figures at November 2017.

[7] Tracking error is the volatility of the difference between the monthly returns of the funds and those of the respective benchmarks.

[8] Based on a 3 year average as at 30th November 2017

I am satisfied that the change in risk profile will not have a material adverse effect on the benefit security of the Transferring Policies.

The FSCS is the UK's statutory fund of last resort for customers of financial services firms. It will pay compensation in relation to liabilities owed by the primary insurer (in this case BLL before the transfer and Scottish Equitable after the transfer) in the event that the insurer is in default (meaning unable to pay). Losses arising from default by an external fund provider (for example another insurer or reinsurer or a unit trust manager) are not covered by the FSCS. Therefore, before the transfer, the FSCS would compensate policyholders for any losses caused by BLL defaulting. After the transfer, many Transferring Policyholders will still be invested in BLL funds through their policy with Scottish Equitable but the FSCS will not cover losses arising if BLL defaults (because after the transfer BLL will be an external fund manager). Transferring Policyholders will only be eligible for FSCS compensation if Scottish Equitable defaults. However, Scottish Equitable has undertaken to protect investments of Transferring Policyholders in currently available BLL funds in the event that BLL defaults after the date of the transfer to the same extent that the FSCS would have done had the transfer not occurred[9].

Any policyholder investment in funds that undergo restructuring will be invested in underlying BlackRock non-life funds rather than BLL funds after the restructuring. However, if Transferring Policyholders suffer a loss as a result of the fund manager (or depositary or trustee) of the underlying non-life fund being in default (meaning unable to pay which could, for example, be caused by negligence or fraud by the fund manager or depositary, or the trustee), then SE has undertaken to protect those policyholders to the same extent that they would have been protected had the fund restructuring and transfer not occurred. In this case, Scottish Equitable will pay Transferring Policyholders the amount by which their policy benefits have reduced as a result of the default.

In addition, for policies undergoing platform transfer, Scottish Equitable has undertaken to protect any Transferring Policyholders' investment into funds that are currently available (i.e. BLL funds and two BlackRock non-life funds) on the UTADS platform if the fund manager (or depositary or trustee) defaults. For the currently available BLL funds, Scottish Equitable has undertaken to protect investments of Transferring Policyholders against BLL default after the date of the transfer to the same extent that the FSCS would have done had the transfer not occurred. For investment in the two BlackRock non-life funds and any funds undergoing restructuring, Scottish Equitable will pay Transferring Policyholders the amount by which their policy benefits have reduced as a result of the default of the fund manager (or depositary or trustee). This protection will be provided in the same way as the protection referred to in the previous paragraph. There will also be a new range of funds available to these Transferring Policyholders as a result of platform transfer; however, Scottish Equitable will not provide protection in the event of default affecting any newly available external funds in which Transferring Policyholders choose to invest (including BLL funds).

In all cases, Transferring Policyholders will retain investment risk in line with the position before transfer and fund restructuring.

All Transferring Policyholders will be made aware of the policyholder protection being provided by SE within the policyholder communications in relation to the transfer. If in the future, a Transferring Policyholder chooses to invest in a newly available external life fund or non-life fund (i.e. a fund not covered by Scottish Equitable protection), they will be informed of the risks associated with investing in these funds via the investment fund guide and confirmation letter. **While the proposed transfer and associated fund changes will affect the nature of the protection for Transferring Policyholders in the event of default by an insurer or other fund manager, I am satisfied that this will not have a material adverse effect on benefit security.**

Reasonable Expectations

Transferring Policies are all (non-profit) defined contribution unit-linked pension policies. I have considered the policyholders' reasonable expectations in respect of their policies and summarised my conclusions below:

- There are no changes which will affect policyholder's contractual benefits.
- The Transferring Policies will have access to all of the funds they are currently invested in, or currently entitled to invest in, after the implementation of the Scheme, although some of these funds may have undergone fund restructuring and so be available from entities within the BlackRock Group rather than BLL itself.
- Policyholders are not expected to pay any more in charges as a result of the proposed transfer;
- After the transfer, the Transferring Policies will be managed by Scottish Equitable and subject to the governance of the Scottish Equitable Board. Scottish Equitable currently manages significant volumes of unit-linked pensions business, and I consider that the Scottish Equitable Board is experienced in the management and governance of unit-linked pensions business.

---

[9] In addition, for Transferring Policies that were issued prior to 1st January 2012, Scottish Equitable has undertaken to protect any Transferring Policyholders' money invested in external life funds where those funds are available before the Transfer. In this case, Scottish Equitable will pay Transferring Policyholders the amount by which their policy benefits have reduced as a result of the external fund manager defaulting.

- There will be no changes to the administration of most of the policies, as Scottish Equitable has been administering all the Transferring Policies on the Prestige platform under an outsourcing agreement with BLL since August 2016.

  The remaining policies (those affected by platform transfer) will be administered on the Prestige platform after the transfer, by the same people who have been administering the rest of the Transferring Business. Based on the information I have received, I am satisfied that there will not be any deterioration of service standards for these policies.

All Transferring Policies will be affected by a blackout period, during which they are unable to buy or sell investments. This period is currently scheduled for 29th June to 2nd July 2018 inclusive and covers 2 working days. This will allow BLL and Scottish Equitable to implement the transfer of the relevant business. As noted earlier, there will be an additional 4 working day blackout for policies affected by platform transfer.

I am satisfied that these changes will not have a material adverse effect on the interests of the Transferring Policyholders, including their reasonable benefit expectations, and the service standards, management and governance applicable to their policies.

The effect of the implementation of the Scheme on Non-Transferring Policies of BLL

Security of Benefits

I have considered the solvency position of BLL, and the effect on this if the proposed transfer had been effected as at 30th June 2017. I have also considered the capital management policy of BLL.

I am satisfied that the Scheme will not have a material adverse effect on the financial resources available to support the security of the benefits of the Non-Transferring Policies. I am also satisfied that the change in risk profile of BLL resulting from the implementation of the Scheme will not have a material adverse effect on the benefit security of the Non-Transferring Policies of BLL.

Fund separation, platform transfer and fund restructuring

Where fund separation affects the Non-Transferring Policies, these Non-Transferring Policies will be moved into new life funds created for this purpose. Each of these new funds will be equivalent to the corresponding original fund; i.e. the investments that Non-Transferring Policies will be able to access will be the same and the charges, cut-off times and pricing basis will be the same as for the original fund.

None of the Non-Transferring policies will be affected by the platform transfer, and only one Non-Transferring Policyholder will be affected by the fund restructuring, the consequences of which are listed below:

- Charges: BLL will cover the costs of the restructuring for this non-transferring policy and will neutralise any additional expenses as a result of the investment in a non-life fund i.e. regulatory fees, trustee or depositary fees, and audit fees.
- Asset Security: Any money which has been reinvested from BLL funds to BlackRock non-life funds will not be eligible for FSCS compensation in the event that the non-life BlackRock fund manager (or trustee or depositary) is in default (meaning unable to pay). This creates a new risk for this Non-Transferring policyholder - they could lose any money invested in a non-life BlackRock fund if the non-life BlackRock fund manager (or trustee or depositary) defaults, and would not be protected by the FSCS. However, the non-life BlackRock funds provide protections which are not available to life funds of insurers.
- Investment Experience: The non-life BlackRock funds will be run by the same portfolio management teams within BlackRock as the original BLL funds, with the same investment objectives. Some funds (or the underlying funds in which the main funds invest) in the 'TDF-LifePath' range will have slightly different benchmarks. BLL has confirmed that the strategy employed to fulfil the objectives will be similar. BLL's analysis shows that any difference in performance of the restructured fund is expected to be less than 0.1% compared to the current life fund. For a fund of £1,000 this represents a maximum change of £1. The difference cause by using slightly different benchmarks could be positive or negative, and it is dependent on performance of the underlying investments.

BLL will contact the one Non-Transferring Policyholder affected by fund restructuring in advance to make them aware of the changes.

I am satisfied that the fund separation, platform transfer and fund restructuring processes will not have a material adverse effect on the Non-Transferring Policyholders of BLL.

Reasonable Expectations

I have considered the policyholders' reasonable expectations in respect of their policies and summarised my conclusions below:

- There will be no change to contractual benefits, available funds, charges or governance for Non-Transferring Policyholders of BLL as a result of the proposed transfer.
- There will be no change to the service received by the majority of Non-Transferring Policyholders. 15 Non-Transferring Policyholders are currently being serviced by Scottish Equitable under an administration agreement.

The administration of these policies is due to be transferred back to BlackRock Group entities before the Transfer Date. BLL has stated that these policies will be transferred to teams which already provide the same service to other clients. Based on the information provided to me, I am satisfied that this change will not lead to a deterioration in service standards.

I am satisfied that the implementation of the Scheme will not have a material adverse effect on the interests of the Non-Transferring Policies of BLL, including their reasonable benefit expectations, and the service standards, management and governance applicable to their policies.

The effect of the implementation of the Scheme on existing Scottish Equitable policies

Security of Benefits

I have considered the solvency position of Scottish Equitable, and the effect on this if the proposed transfer had been effected as at 30th June 2017. The results show that Scottish Equitable's regulatory solvency cover would have reduced slightly as a result of the transfer. However, the cover would have remained close to the upper end of the target range set by Scottish Equitable's Board, and in excess of regulatory requirements. I have also considered the change in risk profile of Scottish Equitable that would result from the transfer.

I am satisfied that the change in risk profile of Scottish Equitable will not have a material effect on the benefit security of the existing Scottish Equitable policies. Having separately considered the impact of the Scheme on Scottish Equitable's financial position, regulatory approvals and risk profile, overall I am satisfied that the implementation of the Scheme will not have a material adverse effect on the security of the benefits of the existing Scottish Equitable policies.

Fund separation, platform transfer and fund restructuring

The existing policyholders of Scottish Equitable will not be affected by the fund separation, platform transfer or the fund restructuring processes related to the Scheme.

Reasonable Expectations

The proposed transfer will not alter the benefits payable under existing policies in Scottish Equitable or any other aspect of the existing policies including their governance, management or service arrangements.

Therefore, I am satisfied that the implementation of the Scheme will not have a material adverse effect on the interests of the Existing Policyholders in Scottish Equitable, including their reasonable benefit expectations, and the service standards, management and governance applicable to their policies.

Overall Conclusions

I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- **The security of benefits of the policyholders of BLL and Scottish Equitable;**
- **The interests of the policyholders of BLL and Scottish Equitable, including their reasonable benefit expectations, and the service standards, management and governance applicable to their policies.**

I am satisfied that the Scheme is equitable to all classes and generations of BLL and Scottish Equitable policyholders.

I am satisfied that the Scheme will operate as presented in the Court Scheme document.

In addition, I am satisfied that the activities distinct from but related to the Scheme, i.e. the fund separation, platform transfer and fund restructuring processes, will not have a material adverse effect on the current policyholders of BLL (whether they are Transferring or Non-Transferring under the Scheme).

Nick Dumbreck FIA CERA 2nd March 2018

Fellow of the Institute and Faculty of Actuaries