Scottish Life Fund

Explanatory Booklet

Part A

The **Explanatory Booklet** gives you key information about our offer and what it could mean for you.

This booklet is **Part A** of your **Explanatory Booklet**. It sets out the key details of our offer.

Part B of your **Explanatory Booklet** gives more detailed information about our offer. You can find it by scanning the QR code opposite or by visiting our website at **royallondon.com/SLscheme**. A paper copy is available on request.

Please read both parts of the **Explanatory Booklet** to help you decide whether to vote for or against our offer.

We recommend reading **Part A** first.

We've tried to make the information in this pack easy to understand. However, we're aware that some planholders may have circumstances that affect their ability to understand or make a decision.

If you feel you require additional support, please contact us on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK). The team at Royal London is here to help you.

You can also find support on our website at **royallondon.com/SLscheme**

Welcome

We wrote to you and other planholders like you earlier this year to get your views on our offer. Many of those who responded told us they were supportive of us going ahead with a formal vote. So, we are proceeding with the offer and it's now time to vote.

We're making the offer through a legal process called a *Scheme of Arrangement* under Part 26 of the Companies Act 2006. Throughout your *Voting Pack* we'll call it the *Scheme*. The legal process gives *Eligible Planholders* the right to have a say on the *Scheme* through a formal vote.

Eligible Planholders are those with a plan invested in *Qualifying With Profits* (with some exceptions).

Under the *Scheme*, we'll ask *Eligible Planholders* to consider the following exchange:

Gain	Give Up
+	−
Certainty of your distribution from the *Estate*	*Scheme Contribution* deducted from *Estate*

If the *Scheme* does go ahead	If the *Scheme* doesn't go ahead
The percentage increase we'd apply to your *Qualifying Plan Value* from the *Estate* of the *Scottish Life Fund* would be **certain** at 29.9%. In exchange, we'd ask you to give up a share of an amount from the *Estate* (known as the *Scheme Contribution*). We explain this in more detail in **Section 3**.	The percentage increase we'd apply to your *Qualifying Plan Value* from the *Estate* of the *Scottish Life Fund* would be **uncertain**, as we explain in **Section 2**. This means the percentage increase we'd apply when your plan is claimed could be **higher** or **lower** than the 29.9% *Uplift* offered under the *Scheme*. We would not deduct the *Scheme Contribution*.

To reassure you that our offer is fair, the *Scheme* can only go ahead if:

- Enough *Eligible Planholders* vote in favour of the *Scheme*.
- The *Financial Conduct Authority (FCA)* has no objection to the *Scheme* going ahead.
- An *Independent Expert* confirms that the *Scheme* is fair.
- The High Court of Justice of England and Wales (the *Court*) approves the *Scheme*.

This booklet gives you the key information you need to understand the *Scheme* and what it could mean for you.

Before we explain the *Scheme*, some planholders might need a reminder of how their *Qualifying With Profits* investment works and how it fits into *Royal London*. You can find this in **Section 1** of this booklet.

The key dates for the *Scheme* are below. You can find a more detailed timeline in **Section 8** of this booklet.

Date	
By 12 noon on 2 November 2021 Vote online or send your postal vote **5 November 2021** *Planholder Meeting* takes place	All the *Eligible Planholders* vote together on the *Scheme*. **Section 7** of this booklet explains how the voting works. We'll only implement the *Scheme* if enough *Eligible Planholders* vote in favour of it and the High Court of Justice of England and Wales (the *Court*) approves it (see below).
25-26 November 2021 *Sanction Hearing* at the *Court*	In making its decision, the *Court* will take into account the fairness of the *Scheme*. **Section 6** of this booklet sets out the steps we've taken to make sure that the *Scheme* is fair to *Eligible Planholders* and *Royal London's* other planholders. One of these steps was to appoint an *Independent Expert* who has provided a report to the *Court* on the fairness of the *Scheme*.
31 December 2021 We expect the changes will be implemented if the vote passes and the *Court* approves the *Scheme*	If enough *Eligible Planholders* vote in favour of it and the *Court* approves it, we'll implement the *Scheme* on the *Implementation Date*. We expect the *Implementation Date* to be on **31 December 2021**. If the *Scheme* goes ahead, we'll increase your *Qualifying Plan Value* by **29.9%** (the *Uplift*), on the *Implementation Date*. In exchange, *Royal London* will deduct the *Scheme Contribution* from the *Estate* of the *Scottish Life Fund*. **Section 3** of this booklet explains the *Scheme* in more detail and how it would affect your *Qualifying With Profits* investment. The *Scheme* will only apply to *Eligible Plans* that are still in the *Scottish Life Fund* at **11:59pm** on **31 December 2021**. We call these plans the *Included Plans*. **Section 3** of this booklet also explains why some plans have been excluded from our offer.

Please now read your **Explanatory Booklet** and decide whether you want to vote for or against the *Scheme*. It's very important you vote. If the required majority of *Eligible Planholders* vote for it, the *Scheme* will be binding on all the *Included Planholders*, regardless of how they voted or if they didn't vote at all.

What you'll find inside

This booklet contains the following sections:

Part A and **Part B** of your **Explanatory Booklet** and your **Personalised Illustration(s)** make up the explanatory statement for the purposes of section 897 of the Companies Act 2006 in relation to the *Scheme*.

If you have any further questions after reading your *Voting Pack*, please visit our website at **royallondon.com/SLscheme** where you'll find our frequently asked questions.

Or you can contact us on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK) between 8am and 6pm Monday to Friday (excluding bank holidays). Please have your plan number to hand. You'll find this at the start of your letter.

The majority of *Eligible Planholders* hold an individual plan. So, we expect those individuals, like you, will consider how the *Scheme* affects them and vote accordingly. However, there are some *Eligible Planholders* who are the trustees of an occupational pension scheme.

The way *Eligible Plans* that are held by the trustees of an occupational pension scheme operate is slightly different. Therefore, we've produced a bespoke **Part A** of the **Explanatory Booklet** to make things as clear as possible for those trustees. However, the terms of the offer we're making are **identical** for **all** *Eligible Planholders*.

You can find a copy of **Part A** of the **Explanatory Booklet** issued to trustees on our website at **royallondon.com/SLscheme**

Scottish Life Fund

1. Background

This section provides a reminder of how your *Qualifying With Profits* investment works and how it fits into *Royal London*. We recommend that you read this section first.

When your plan transferred to *Royal London*

Royal London purchased the business of the *Scottish Life* Assurance Company in 2001. The *Scottish Life* plans, including yours, then transferred to *Royal London*. We've been looking after these plans ever since.

If the name *Royal London* doesn't ring any bells, we're the largest mutual life, pensions and investment company in the UK. We've been helping people plan for life's financial milestones for over 150 years. As a *Mutual Organisation*, we don't have shareholders. This means we can reinvest more of our profits to benefit our customers. For example, by improving products and customer service.

The *Scottish Life Fund*

After your plan transferred to *Royal London*, we set up a separate *With Profits Fund* called the *Scottish Life Fund*. We set up this fund to look after the interests of the transferring plans separately from other plans managed by *Royal London*. Within the *Scottish Life Fund*, we keep a pot of money called the *Estate*. It's used to protect planholders against future risks that may occur.

Any *With Profits Investments* in the *Scottish Life Fund* committed to before 11 September 2000 qualify for distributions from the *Estate* of the *Scottish Life Fund*. We refer to plans that qualify for distributions from the *Estate* as having a *Qualifying With Profits* investment. These investments are also known as *With Profits 1 (WP1)* investments.

The table below shows which parts of each plan qualify for distributions from the *Estate* of the *Scottish Life Fund*.

Pension	***ProfitBuilder***
Only *With Profits Investments* committed to before 11 September 2000 are *Qualifying With Profits*. Any other investments do not qualify for a distribution from the *Estate* of the *Scottish Life Fund*.	
Endowment	***Whole of Life***
The entire plan is a *Qualifying With Profits* investment, and qualifies for a distribution from the *Estate* of the *Scottish Life Fund*.	

If you have a *Pension Plan* or a *ProfitBuilder Plan*, then it may be invested in *Qualifying With Profits*, and other types of investment, such as *With Profits 2 (WP2)*, *With Profits 3 (WP3)*, or one of our *Unit Linked* funds.

- During our transition from *Scottish Life* to *Royal London*, any new *With Profits Investments* taken out between 11 September 2000 and 30 June 2001 would have continued to be invested in the *Scottish Life Fund*. However, these *With Profits Investments* wouldn't qualify for distributions from the *Estate* of the *Scottish Life Fund*. These investments are known as *With Profits 2 (WP2)* investments.
- Any new *With Profits Investments* made after 30 June 2001 are invested in the *Royal London Open Fund*. These investments are known as *With Profits 3 (WP3)* investments.

The *Scheme* only impacts the part of your plan invested in *Qualifying With Profits* (also known as *With Profits 1 (WP1)*).

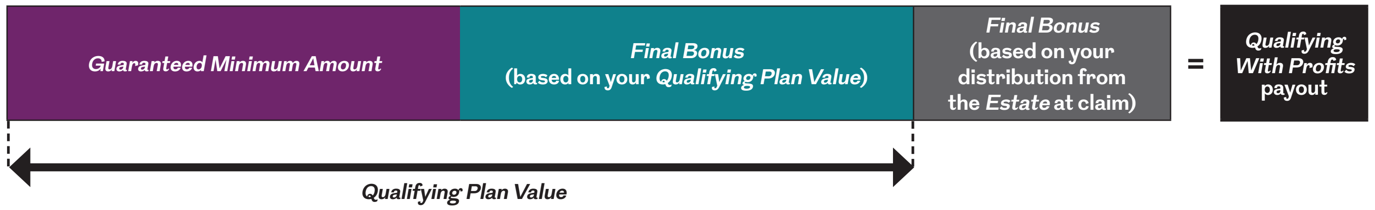
Any other investment types you may have are not directly affected by the *Scheme*.

So, we're only going to talk about your *Qualifying With Profits* investment throughout the rest of this booklet.

How your *Qualifying With Profits* investment works

This section explains how we determine the amount we'll pay out in respect of your *Qualifying With Profits* investment when your plan is claimed. We've explained the technical language shown in initial capitals and italics below in the Glossary at the back of this booklet.

Your *Qualifying With Profits* payout is your *Guaranteed Minimum Amount* plus any *Final Bonus*, as shown in the following diagram:



Guaranteed Minimum Amount

Your *Qualifying With Profits* investment has a *Guaranteed Minimum Amount*. We guarantee to pay at least this amount when your plan is claimed, provided you've made all your *Payments*.

We aim to increase the *Guaranteed Minimum Amount* by adding *Annual Bonuses* to it. Once *Annual Bonuses* have been added, they cannot be taken away.

Final Bonuses

We also aim to add a *Final Bonus* to your *Qualifying With Profits* investment when your plan is claimed. We base the size of the *Final Bonus* on the following:

- ***Qualifying Plan Value:*** We call the underlying value of your *Qualifying With Profits* investment your *Qualifying Plan Value*.

  We calculate your *Qualifying Plan Value* as the *Payments* you've made into *Qualifying With Profits* plus any investment returns earned, less the charges taken by *Royal London* for managing your investment. Your *Qualifying Plan Value* goes up and down with investment markets and other factors. To ensure the *Qualifying With Profits* payout is fair, we aim to add a *Final Bonus* if your *Qualifying Plan Value* is higher than your *Guaranteed Minimum Amount*.

- **Distribution from the *Estate*:** Planholders with a *Qualifying With Profits* investment are eligible to receive a distribution from the *Estate* of the *Scottish Life Fund*. We aim to distribute some of the *Estate* of the *Scottish Life Fund* when your plan is claimed. **Section 2** of this booklet explains how we currently distribute the *Estate* of the *Scottish Life Fund*.

We apply *Smoothing* when setting *Final Bonuses* to protect your *Qualifying With Profits* payout against fluctuations from short-term changes in the investments held by the *Scottish Life Fund*.

! It is important to note that if you have a *Pension Plan* or a *Profitbuilder Plan*, where we refer to *Qualifying Plan Value* we are referring only to the value of your *Qualifying With Profits* investment. The amount we'll pay out in respect of your other types of investment is not directly affected by the *Scheme*.

2. The *Estate* of the *Scottish Life Fund*

This section explains how we currently distribute the *Estate* of the *Scottish Life Fund*, and how this may need to change in the future.

How we currently distribute the *Estate* of the *Scottish Life Fund*

We keep a pot of money (the *Estate*) back in the *Scottish Life Fund* to protect planholders against future risks, and to meet rules set by our *Regulators*. If those risks don't materialise, then we can distribute some of the *Estate* to *Qualifying With Profits* planholders. You can think of the *Estate* as a 'rainy day fund'.

We aim to distribute some of the *Estate* each year by increasing your *Qualifying Plan Value*. We may also add an extra amount when your plan is claimed. Both of these distributions are used to increase the size of your *Final Bonus* when your plan is claimed.

The amount we add to *Qualifying Plan Values* each year is uncertain and could even be zero. This is because the amount of money we need to hold back depends on things outside of our control, such as how many planholders claim each year and uncertainty in the investment markets.

How we've distributed the *Estate* of the *Scottish Life Fund* in the past

The amount we've been able to distribute from the *Estate* of the *Scottish Life Fund* in the past has been very changeable. In some years, we've been able to add up to an extra 15% to *Qualifying Plan Values* when plans were claimed. In other years, we haven't been able to add any extra amount when plans were claimed.

We aim to give *Qualifying With Profits* planholders more certainty over future distributions from the *Estate*. So, we carry out projects (like this one) to reduce the risks for planholders in the *Scottish Life Fund*. By reducing these risks, we should be able to distribute the *Estate* sooner.

If you had a *Pension Plan* with a *Guaranteed Annuity Rate* we may have written to you in 2018 to give you a choice based on your retirement needs. The changes we made to some of those *Pension Plans* also reduced the risks in the *Scottish Life Fund*. This has allowed us to distribute more of the *Estate* between *Qualifying With Profits* planholders since then.

However, the amount we're able to increase your *Qualifying Plan Value* by each year is still **uncertain**.

How we'd distribute the *Estate* of the *Scottish Life Fund* in the short term

In the short term, we could continue to distribute the *Estate* to *Qualifying With Profits* planholders gradually as we currently do. We'd do this by potentially:

- Increasing your *Qualifying Plan Value* each year; and/or
- Applying an extra increase when your plan is claimed.

We currently expect to be able to increase the *Qualifying Plan Values* of all *Qualifying With Profits* investments by **3.1%** on **31 December 2021**.

We also expect we'd be able to apply an extra increase of **11.0%** to the *Qualifying Plan Values* of *Qualifying With Profits* investments which are claimed in **2022**.

This means that if your plan was **claimed in 2022**, we'd be able to increase your *Qualifying Plan Value* by **14.1%** to allow for your distribution from the *Estate* of the *Scottish Life Fund*, if the *Scheme* does not go ahead. This would increase the *Final Bonuses* we can add to *Qualifying Plan Values* for plans which are **claimed in 2022.**

If your plan is claimed further into the future, we currently expect the total percentage increase we'd make to your *Qualifying Plan Value* to reflect your distribution from the *Estate* of the *Scottish Life Fund* to gradually increase over time.

However, this is not guaranteed, and the percentage increase we'd make when your plan is claimed could be higher or lower than we've shown above.

How we'd distribute the *Estate* of the *Scottish Life Fund* in the long term

The plans in the *Scottish Life Fund* stopped being sold in 2001 and the fund is closed to new plans. So, as plans in the *Scottish Life Fund* are claimed, the number of plans left in the *Scottish Life Fund* reduces.

When there are fewer plans, we don't usually need to hold back as much of the *Estate* as we did in the past. This is because future risks can no longer occur for the plans that have already been claimed. Therefore, we should be able to distribute more of the *Estate* as the number of plans left in the fund reduces.

However, the amount we need to hold back in the *Estate* depends on factors outside of our control, like the number of planholders claiming each year and uncertainty in investment markets. So, the amount of the *Estate* we'll be able to distribute to *Qualifying With Profits* planholders each year is **uncertain**.

! This means plans with a *Qualifying With Profits* investment which are claimed in a certain year could get much **more** or **less** of a distribution from the *Estate* than plans claimed in previous years. There's no guarantee that we'll be able to distribute any of the *Estate* in a particular year.

In around 20 years' time, we expect there won't be enough plans left in the *Scottish Life Fund* to manage the fund efficiently. At that point, we'd look to merge the *Scottish Life Fund* into the *Royal London Open Fund*. The *Royal London Open Fund* is a much larger, more varied fund that is open to new plans.

When we merge the funds, we'd distribute what is left of the *Estate* of the *Scottish Life Fund* to the *Qualifying With Profits* planholders still invested in the *Scottish Life Fund* at that time. The costs of carrying out the merger would be removed from the *Estate* of the *Scottish Life Fund* before it is distributed.

Making sure we continue to distribute the *Estate* fairly

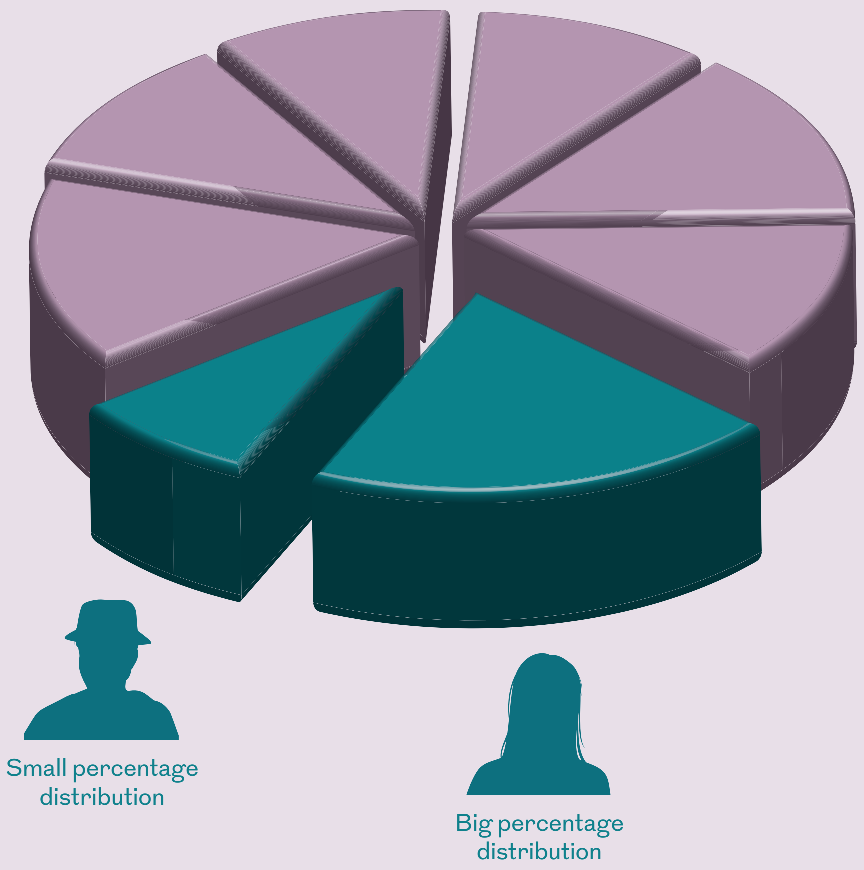
Our current approach shares out the *Estate* between *Qualifying With Profits* planholders fairly.

In the future, as plans are claimed, and the number of plans in the fund reduces, we believe it'll become harder to continue to share the *Estate* between the remaining *Qualifying With Profits* planholders fairly. Our aim is to continue to distribute the *Estate* so *Qualifying With Profits* planholders get a fair percentage increase to their *Qualifying Plan Value* from the *Estate* when their plan is claimed.

If you think of the *Estate* as a cake, our current approach ensures *Qualifying With Profits* planholders get a fair slice of the *Estate* when their plan is claimed.

In the future, as plans are claimed, and the number of plans in the fund reduces, we believe it'll become harder to ensure all *Qualifying With Profits* planholders continue to get a fair slice of the cake.

This could mean that plans which are claimed in a certain year could get a very big slice. Whereas, plans claimed in other years could get a much smaller slice. This is indicated in the diagram below.



Note: Cake diagram produced for illustrative purposes only – it is not to scale.

We don't think it would be the fairest outcome if different groups of *Qualifying With Profits* planholders receive very different percentage distributions from the *Estate* of the *Scottish Life Fund* depending on when their plan is claimed.

As a result, we set out an offer in the next section which we believe distributes the *Estate* of the *Scottish Life Fund* between *Qualifying With Profits* planholders in an even fairer way.

3. What the *Scheme* means for you

This section explains the *Scheme* in more detail and what it would mean for your *Qualifying With Profits* investment depending on whether the *Scheme* does or doesn't go ahead.

We believe the *Scheme* we've set out below is an even fairer way to distribute the *Estate* between *Qualifying With Profits* planholders.

What is the *Scheme*?

The *Scheme* gives *Eligible Planholders* the right to vote on our proposed distribution from the *Estate* of the *Scottish Life Fund*. *Eligible Planholders* are those planholders with a *Qualifying With Profits* investment who are expected to receive a financial benefit from their distribution from the *Estate* of the *Scottish Life Fund*.

The *Scheme* will only apply to *Eligible Plans* that are still invested in the *Scottish Life Fund* at 11.59pm on 31 December 2021. We call these plans the *Included Plans*.

If the *Scheme* goes ahead, we'd distribute the *Estate* of the *Scottish Life Fund* to *Included Plans* and move them into the *Royal London Open Fund*. The *Scheme* would give *Included Planholders* **certainty** over their distribution from the *Estate*. In exchange, an amount (called the *Scheme Contribution*) would be paid out of the *Estate* of the *Scottish Life Fund* immediately before it is distributed to *Included Plans*.

If the *Scheme* goes ahead, you'd:

We explain how we'd distribute the *Estate* in detail below.

Gain

\+

Certainty of your distribution from the Estate

Give Up

−

Scheme Contribution deducted from *Estate*

We explain the *Scheme Contribution* in detail below.

How would *Royal London* distribute the *Estate* of the *Scottish Life Fund* if the *Scheme* goes ahead?

If the *Scheme* goes ahead:

- We'd apply a one-off *Uplift* to your *Qualifying Plan Value* of **29.9%** on the *Implementation Date*.
- Any *Payments* you invest into *Qualifying With Profits* won't be affected by the *Scheme*. However, we'd top up your *Qualifying Plan Value* by applying the same **29.9%** *Uplift* for any *Payments* you invest into *Qualifying With Profits* after the *Scheme* is implemented, as and when you make them.

This means you'll have **certainty** over your distribution from the *Estate* of the *Scottish Life Fund*. However, the *Uplift* could be more or less than the percentage that we'd increase your *Qualifying Plan Value* by from the *Estate* of the *Scottish Life Fund* if the *Scheme* didn't go ahead.

! Whether the *Scheme* goes ahead or not, your plan will still be invested in *Qualifying With Profits*. This means that the whole of your *Qualifying Plan Value* will continue to go up and down with investment performance and other factors.

What is the *Scheme Contribution*?

If the *Scheme* goes ahead, a payment called the *Scheme Contribution* will be paid out of the *Estate* of the *Scottish Life Fund* to the *Royal London Open Fund* immediately before we distribute the *Estate* of the *Scottish Life Fund*. The *Scheme Contribution* is made up of three parts which we explain below.

1 *Closed Fund Contribution* + **2 *Project Costs Allowance*** + **3 *Payment Uplift Contribution*** = ***Scheme Contribution***

1 *Closed Fund Contribution*

Part of the *Scheme Contribution* will cover the cost to the *Royal London Open Fund* of taking on responsibility for holding back enough money in its *Estate* to protect the *Included Plans* against future risks and to meet rules set by our *Regulators*. We call this part of the *Scheme Contribution* the *Closed Fund Contribution*.

We've fixed the *Closed Fund Contribution* on **31 March 2021** (the *Calculation Date*). A small element of the *Closed Fund Contribution* will cover the expected cost to the *Royal London Open Fund* of fixing the *Uplift* in percentage terms.

2 *Project Costs Allowance*

The *Scheme* is part of a wider series of changes we plan to make over the next few years. Part of the *Scheme Contribution* covers the *Scottish Life Fund's* share of the cost of implementing these changes. We call this part of the *Scheme Contribution* the *Project Costs Allowance*. These costs include, but are not limited to, the following:

- the cost of producing documentation for the *Court* and the *Voting Packs* for *Eligible Planholders*;
- the cost of appointing the *Independent Expert* to review the fairness of the *Scheme*; and
- the cost of working with internal and external technical experts to produce the terms of the offer and responding to questions from *Eligible Planholders*.

We fixed the *Project Costs Allowance* on the *Calculation Date* which means it is based on an estimate of the expected costs of implementing the changes described above. By doing this, we can give you certainty over the *Uplift* we can apply to your *Qualifying Plan Value*.

If the costs end up being higher than allowed for, then the extra costs wouldn't be charged to *Included Planholders*. Instead, the *Royal London Open Fund* would cover these extra costs. The *Project Costs Allowance* includes an amount to reflect the risk the *Royal London Open Fund* is taking on in relation to the costs being higher than allowed for in the *Project Costs Allowance* between now and the end of the project. If the project costs end up being lower than allowed for, then the *Royal London Open Fund* would retain the difference.

3 *Payment Uplift Contribution*

The *Payment* amounts you make won't be affected by the *Scheme*. However, if the *Scheme* goes ahead, the *Royal London Open Fund* will top up your *Qualifying Plan Value* by applying the same **29.9%** *Uplift* for any *Payments* made into *Qualifying With Profits* after the *Implementation Date* as and when you make them.

Because we don't know exactly how many *Payments* each *Included Planholder* will make into *Qualifying With Profits* in the future, we have to estimate the expected value across all plans still making *Payments* into *Qualifying With Profits*.

The *Estate* of the *Royal London Open Fund* will be provided with this value by the *Estate* of the *Scottish Life Fund*, which we call the *Payment Uplift Contribution*. In exchange, the *Royal London Open Fund* will agree to top up *Qualifying Plan Values* by applying the *Uplift* for *Payments* invested into *Qualifying With Profits* after the *Implementation Date* as and when these are made.

The *Royal London Open Fund* will apply the *Uplift* for these *Payments* whether or not the *Payment Uplift Contribution* ends up being large enough to *Uplift* the *Qualifying Plan Values* for the *Payments* made in the future.

See Section 3 of **Part B** of your **Explanatory Booklet** for further details on the *Scheme Contribution.*

You can find this by scanning the following QR code or by visiting our website at **royallondon.com/SLscheme**

How does deducting the *Scheme Contribution* affect the *Uplift* to my *Qualifying Plan Value*?

To help you weigh up the exchange we're offering you under the *Scheme*, we've set out below the impact of deducting the *Scheme Contribution*:

- We could distribute all of the *Estate* of the *Scottish Life Fund* to *Eligible Planholders* if we didn't have to hold some of it back to protect you against future risks, and meet rules set by our *Regulators*. This would be equivalent to an increase of **35.4%** to *Qualifying Plan Values* on the *Implementation Date*.
- However, we can't distribute all of it to *Eligible Planholders* now, as while we manage the *Scottish Life Fund* as a separate *With Profits Fund*, we must hold some of the *Estate* back to protect you against future risks, and meet rules set by our *Regulators*.
- Under the *Scheme*, the *Royal London Open Fund* takes on this responsibility. This allows us to distribute more of the *Estate* of the *Scottish Life Fund* to *Eligible Planholders* sooner.
- However, before we can do this, we need to compensate the *Royal London Open Fund* for taking on this responsibility, and to cover the costs of the *Scheme*. After the *Scheme Contribution* is deducted, we're able to apply an *Uplift* of **29.9%** to your *Qualifying Plan Value* on the *Implementation Date*.

Therefore, the effect of deducting the *Scheme Contribution* has reduced the potential *Uplift* in absolute terms by **5.5%**.

How can you be sure that the *Scheme Contribution* is fair?

We've taken care to make sure that the basis for calculating the *Scheme Contribution* fairly reflects the exchange we're asking *Eligible Planholders* to weigh up.

The *Independent Expert* has reviewed the basis for calculating the *Scheme Contribution* and believes it is fair. You can read a summary of his report in **Appendix 2** in **Part B** of your **Explanatory Booklet**, and his full report online at **royallondon.com/SLscheme**

How has *Royal London* calculated the *Uplift*?

The *Uplift* has been fixed in percentage terms at the *Calculation Date* of **31 March 2021**. This means if the *Scheme* goes ahead, an *Uplift* of **29.9%** will be applied to the *Qualifying Plan Value* of all *Included Plans* on the *Implementation Date* (expected to be **31 December 2021**).

The *Uplift* is calculated on the *Calculation Date* as the amount of money we expect to be in the *Estate* of the *Scottish Life Fund* on the *Implementation Date* (less the *Scheme Contribution*) divided by the estimated total *Qualifying Plan Value* of all plans in the *Scottish Life Fund* invested in *Qualifying With Profits* on the *Implementation Date*. This means that the *Uplift* would be the same (in percentage terms) for all *Included Plans*. Remember, we've fixed the terms of the offer on the *Calculation Date* (**31 March 2021**) to give you certainty over the *Uplift* we'd apply on the *Implementation Date* if the *Scheme* does go ahead.

On the *Implementation Date*, we expect both the *Estate* and the total *Qualifying Plan Value* of all plans invested in *Qualifying With Profits* will be different to the amounts estimated on the *Calculation Date*. This means that the total amount paid in respect of the *Uplift* and the *Scheme Contribution* on the *Implementation Date* may not match the amount in the *Estate* of the *Scottish Life Fund* on that date. Any shortfall in the *Estate* of the *Scottish Life Fund* from this mismatch would be covered by the *Royal London Open Fund*. Similarly, any surplus would go to the *Royal London Open Fund*.

Scottish Life Fund

Why are some plans which are invested in *Qualifying With Profits* excluded from the *Scheme*?

Plans with *Qualifying With Profits* investments are eligible for distributions from the *Estate* of the *Scottish Life Fund*.

However, some *Pension Plans* with a *Qualifying With Profits* investment have a *Guaranteed Pension Amount*. This means we've promised to provide a minimum income for life to these planholders from their *Selected Retirement Age*, even if their retirement savings are not enough to pay for this level of income.

For some of these *Pension Plans*, we expect their *Guaranteed Pension Amount* will exceed the level of income that their retirement savings would pay for at their *Selected Retirement Age*. We expect this will still be the case even if their *Qualifying Plan Value* is increased by the *Uplift* under the *Scheme*. In other words, we expect the *Uplift* will have no effect on the retirement savings payable under these plans. As a result, we've decided to exclude these plans from the *Scheme*. We call these plans the *Excluded Plans*.

What will happen to the *Scottish Life Fund* if the *Scheme* goes ahead?

If the *Scheme* is implemented, then *Included Plans* will be allocated to the *Royal London Open Fund*.

Following this, some plans will still remain invested in the *Scottish Life Fund* (such as *Excluded Plans* and plans invested in *With Profits 2 (WP2)* but not *Qualifying With Profits*).

The *Scottish Life Fund* will be too small to manage efficiently with just those remaining plans. Therefore, immediately afterwards, we'll merge the *Scottish Life Fund* with the *Royal London Open Fund*. All plans and investments allocated to the *Scottish Life Fund* at that time (including *Excluded Plans*) will be reallocated to the *Royal London Open Fund*. This is in line with the legal document that we entered into when we took on the business of the *Scottish Life Assurance*, called the *2001 Scottish Life Scheme*.

We describe how moving to the *Royal London Open Fund* will affect your plan in **Section 5** of this booklet. Our *Principles and Practices of Financial Management (PPFM)* documents describe how we manage our *With Profits Funds*. **Section 11** of **Part B** of the **Explanatory Booklet** sets out the changes we'll make to your *PPFM* if the *Scheme* does go ahead. It also describes some changes to the way we manage some of our other *With Profits Funds*.

What will happen to the *2001 Scottish Life Scheme* if the *Scheme* goes ahead?

As we said above, if the *Scheme* is implemented, immediately afterwards we intend to merge the *Scottish Life Fund* with the *Royal London Open Fund*. This merger is in line with the terms of the *2001 Scottish Life Scheme*. Following the merger, the *Scottish Life Fund* will no longer exist as a separate *With Profits Fund*.

We've received legal advice from Queen's Counsel (also known as a 'QC') who has extensive experience of *Schemes of Arrangement*. That legal advice has confirmed that, once the *Scottish Life Fund* is merged with the *Royal London Open Fund*, the terms of the *2001 Scottish Life Scheme* will no longer apply. This includes the requirement to maintain the *Scottish Life Supervisory Committee*, which provides independent oversight of how we manage plans in the *Scottish Life Fund*.

We've completed a detailed review to ensure the relevant protections provided by the *2001 Scottish Life Scheme* are appropriately provided for elsewhere. We've ensured they're provided by regulation (which has advanced significantly since the *2001 Scottish Life Scheme* was prepared), by the *With Profits Committee*, or within the *PPFM*.

The *2001 Scottish Life Scheme* does not fall away automatically once the *Scottish Life Fund* is merged with the *Royal London Open Fund*. Assuming that the *Scheme* goes ahead, for housekeeping purposes, we intend to make a formal application to the *Court of Session* next year to amend the *2001 Scottish Life Scheme* and obtain a declaration that the *2001 Scottish Life Scheme* has formally fallen away. The *Scheme* does not depend on this application being made or approved by the *Court of Session*, and the *Court of Session* is not required to approve the *Scheme*.

As we are writing to you now about the *Scheme* and the proposed application to the *Court of Session*, we don't intend to write to you again before the application is made. If you have any questions regarding our application to the *Court of Session* you can write to us or contact us using the details shown on page 15.

The *Scottish Life Supervisory Committee* has reviewed and approved the *Scheme* and the proposals for the *2001 Scottish Life Scheme* set out above. The *Independent Expert* has also reviewed the proposals for the *2001 Scottish Life Scheme* and will conclude on their fairness in his supplementary report.

What will stay the same regardless of whether the *Scheme* does or doesn't go ahead?

Your plan will still be invested in *Qualifying With Profits*. This means that the whole of your *Qualifying Plan Value* will continue to go up and down with investment performance and other factors.
The *Scheme* itself won't change the terms and conditions of your plan.
If you're still making *Payments*, the *Payment* amounts you make will remain the same.
We'll still promise to pay out at least your *Guaranteed Minimum Amount* on your plan, provided you've made all your *Payments*.
We'll continue to aim to add *Annual Bonuses* to your *Guaranteed Minimum Amount*, provided you've made all your *Payments*.
We'll continue to aim to add a *Final Bonus* to your plan when your benefits are claimed. Whether or not we can add a *Final Bonus* to your plan depends on how large your *Qualifying Plan Value* is compared to your *Guaranteed Minimum Amount* when your plan is claimed.
If your plan includes a *Guaranteed Annuity Rate* (*GAR*) or a *Guaranteed Minimum Pension* (*GMP*) this won't be affected by the *Scheme*.
We'll continue to apply *Smoothing* when determining *Final Bonuses*, to protect against short-term fluctuations in the investments backing your plan.
Your *Eligible Plan* does not currently entitle you to membership of *Royal London*. This won't change under the *Scheme*.
Royal London is covered by the *Financial Services Compensation Scheme* (*FSCS*). This means you're entitled to compensation if we cannot meet our obligations to planholders. The *Scheme* won't affect your entitlement to such compensation.

What happens if the *Scheme* doesn't go ahead?

We'll continue to manage the *Scottish Life Fund* separately from the Royal *London Open Fund* and our other *With Profits Funds*. We expect we'll do this until the *Scottish Life Fund* becomes too small to manage efficiently. We expect this to happen in about 20 years.

In the short term, we'll continue to aim to distribute the *Estate* of the *Scottish Life Fund* between *Eligible Planholders* by gradually increasing the *Qualifying Plan Value* of their *Eligible Plans* each year and when their benefits are claimed.

If the *Scheme* does not go ahead, we currently expect if your plan was **claimed in 2022**, we'd be able to increase your *Qualifying Plan Value* by **14.1%** to allow for your distribution from the *Estate* of the *Scottish Life Fund* as described in **Section 2**.

We expect the total percentage increase we'd be able to apply to your *Qualifying Plan Value* may gradually increase if your plan is claimed further into the future. However, this is not guaranteed, and the percentage increase could be higher or lower than we've shown above.

In the long term, as plans are claimed, and the number of plans in the *Scottish Life Fund* reduces, we believe it'll become harder to continue to distribute the *Estate* of the *Scottish Life Fund* fairly. Therefore, we'd consider alternative ways to distribute the *Estate* between *Qualifying With Profits* planholders, in consultation with our *Regulators*.

Sharing costs if the *Scheme* doesn't go ahead

If the *Scheme* doesn't go ahead (for example, because not enough *Eligible Planholders* vote in favour of it or the *Court* doesn't approve it), then:

- We won't take the *Scheme Contribution* from the *Estate* of the *Scottish Life Fund*; and
- The costs incurred up until the point at which the *Scheme* is abandoned will be shared equally between the *Estate* of the *Scottish Life Fund* and the *Estate* of the *Royal London Open Fund*.

We're asking you to vote on the *Scheme* now as many of the *Eligible Planholders* who gave feedback earlier this year were supportive of us making this formal offer. As a result, we believe that it's fair to split the costs associated with proposing the *Scheme* between the *Scottish Life Fund* and the *Royal London Open Fund* if the *Scheme* doesn't go ahead.

How can you object to the *Scheme*?

Section 7 of this booklet explains how you can vote for or against the *Scheme*. However, if you wish to make an objection or comment to the *Court* about the *Scheme*, then you can do. If you wish to do so, it would be helpful if you could contact us, ideally before **12 November 2021**. We'll pass all objections or comments we receive relating to the *Scheme* to the *Court* at the *Sanction Hearing*.

You can write to us at FAO Fund Consolidation Team, Royal London House, Alderley Park, Congleton Road, Nether Alderley, Macclesfield, SK10 4EL. Or you can call us on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK) between 8am and 6pm Monday to Friday (excluding bank holidays).

4. Why *Royal London* is doing this

This section explains why *Royal London* is doing this.

Even fairer payouts

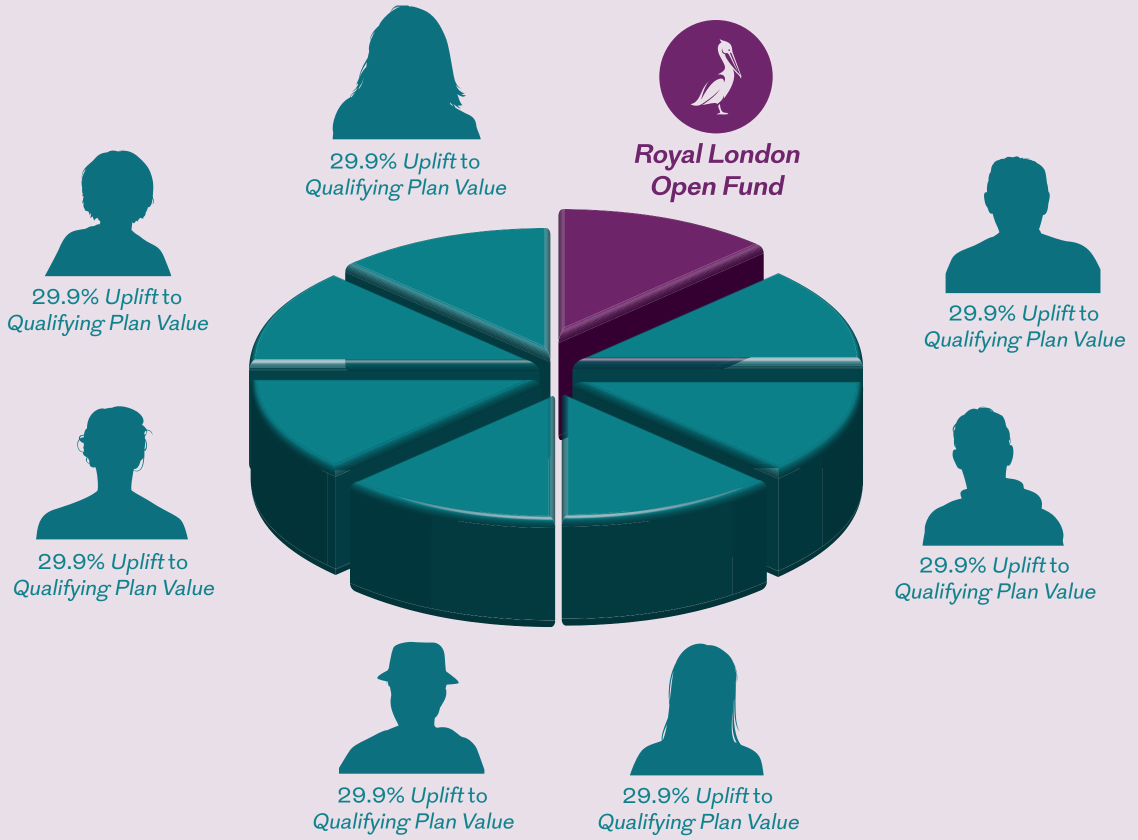
Our current approach distributes the *Estate* of the *Scottish Life Fund* between *Qualifying With Profits* planholders fairly.

In the future, as plans are claimed, and the number of plans in the fund reduces, we believe it'll become harder to continue to distribute the *Estate* between the remaining *Qualifying With Profits* planholders fairly. This could mean that plans invested in *Qualifying With Profits* which are claimed in a certain year could get much **more** or **less** of a distribution from the *Estate* of the *Scottish Life Fund* than in previous years.

If the *Scheme* goes ahead, it would mean *Included Planholders* would all get the same percentage increase (the *Uplift*) to their *Qualifying Plan Value* to allow for their distribution from the *Estate* of the *Scottish Life Fund*. We think this is a fairer outcome for *Included Planholders*.

Again, if you think of the *Estate* as a cake, we'd give the *Royal London Open Fund* a slice of the cake (the *Scheme Contribution*). This is shown as the purple slice in the diagram below.

By removing this slice, we can cut up the rest of the cake equally and give a fair slice to each *Included Planholder*.



Note: Cake diagram produced for illustrative purposes only – it is not to scale.

Remember, as part of the exchange we're offering *Eligible Planholders* under the *Scheme*, the *Scheme Contribution* will be paid out of the *Estate* of the *Scottish Life Fund* if the *Scheme* goes ahead.

The *Royal London Open Fund* will become responsible for holding enough money in its *Estate* to protect *Included Planholders* against future risks, and meet rules set by our *Regulators*.

The *Scheme Contribution* will compensate the *Royal London Open Fund* for this. It has been set at a level that provides a fair return to the *Royal London Open Fund*. The *Scheme Contribution*, and what this payment to the *Royal London Open Fund* covers is explained in more detail in **Section 3** of this booklet.

The *Independent Expert* has reviewed the basis for calculating the *Scheme Contribution*, and confirmed in his report that he believes it has been calculated in a fair way.

More certainty

At the moment, the percentage that we'll increase your *Qualifying Plan Value* by to reflect your distribution from the *Estate* of the *Scottish Life Fund* is **uncertain**.

If the *Scheme* goes ahead, you'll have certainty over the size of this percentage increase. This means you'll have more certainty over the amount we'll pay you or your family when your plan is claimed.

Whether the *Scheme* goes ahead or not, your plan will still be invested in *Qualifying With Profits*. This means that the whole of your *Qualifying Plan Value* will continue to go up and down with investment performance and other factors.

Sharing the savings

The *Scheme* is part of a wider series of changes that we plan to make to our business over the next few years. These changes will simplify and modernise the way we do things for the benefit of our customers.

Merging the *Scottish Life Fund* into the *Royal London Open Fund* will make our business simpler to manage. We also plan to merge three of our other *With Profits Funds* into the *Royal London Open Fund* this year. These changes will help us make *Royal London* a more modern *Mutual Organisation* set up for continued success.

As a *Mutual Organisation*, the costs of making changes like this are borne, directly or indirectly, by our planholders. So, it's important that we believe the changes will benefit our planholders, and that we structure the project in a way that minimises the cost faced by each planholder.

Implementing the *Scheme* now allows us to reduce the cost of the *Scheme* to each planholder. We can spread the cost of implementing the *Scheme* over a larger number of planholders.

If we don't go ahead with the *Scheme*, eventually the *Scottish Life Fund* will be too small for us to manage efficiently and we will have to merge it into the *Royal London Open Fund*. If this happens, we would have to spread the costs of completing the merger across a smaller number of planholders. This could reduce the value of their distribution from the *Estate* of the *Scottish Life Fund*.

Scottish Life Fund

5. How moving to the *Royal London Open Fund* affects your investment

If the *Scheme* goes ahead, we'll move your plan and investments into the *Royal London Open Fund*. This means your plan will become part of a much larger, more varied fund. This section sets out what we think the benefits of this are for *Eligible Planholders*, and how the *Royal London Open Fund* compares to the *Scottish Life Fund*.

Healthy financial position

The *Royal London Open Fund*, just like the *Scottish Life Fund*, is in a healthy financial position. This means both funds are well-equipped to protect the *Included Plans* against future risks. We're not proposing to merge the *Scottish Life Fund* into the *Royal London Open Fund* because either fund is in financial difficulty.

Size of the fund

The *Scottish Life Fund* is closed to new plans. We expect the *Scottish Life Fund* will become too small to manage efficiently in about 20 years.

On the other hand, the *Royal London Open Fund* is open to new plans and we'll be able to manage it efficiently for the foreseeable future.

Diversity of business in the fund

The *Royal London Open Fund* is a much larger fund than the *Scottish Life Fund* and has a wider variety of plans. This means the funds are affected differently by certain risks. Therefore, each fund holds back a different amount of money in their *Estate* to protect against each risk.

Many of the risks faced by the *Eligible Plans* offset risks that the *Royal London Open Fund* already faces. This means, if the *Scheme* goes ahead, the amount of money that the *Royal London Open Fund* will need to hold in its *Estate* to protect the *Included Plans* will be lower than the amount that the *Scottish Life Fund* currently holds in its *Estate* for this purpose.

So, if the *Scheme* goes ahead, this will allow us to distribute more of the *Estate* of the *Scottish Life Fund* to the *Included Planholders* sooner than would otherwise be the case.

How we manage *With Profits Plans*

If the *Scheme* goes ahead, we'll manage *Included Plans* in a similar way in the *Royal London Open Fund*.

Shortly after the *Implementation Date*, the *Scottish Life Supervisory Committee* will no longer be required as the *Scottish Life Fund* will no longer exist. However, don't worry, your rights and interests will continue to be subject to significant oversight from the *With Profits Actuary* and the *With Profits Committee*. We explain these roles in more detail in **Section 6** of this booklet.

Sharing future one-off costs

Sometimes there are additional one-off costs that apply to your *Qualifying With Profits* plan and the other plans in the *Scottish Life Fund*. These types of costs are applied in exceptional circumstances. Currently these costs would be paid by the *Estate* of the *Scottish Life Fund*, reducing the distribution from the *Estate* you would receive.

If the *Scheme* goes ahead, then in future your share of these costs will be deducted directly from your *Qualifying Plan Value* instead.

Any future one-off costs will be scrutinised by the *With Profits Actuary* and the *With Profits Committee* to ensure they are allocated fairly.

Use of the *Estate* of the *Royal London Open Fund*

If the *Scheme* goes ahead, we'll distribute all of the *Estate* of the *Scottish Life Fund* (less the *Scheme Contribution*) by increasing the *Qualifying Plan Value* of all *Included Plans*.

If the *Scheme* goes ahead, you won't be entitled to any distribution from the *Estate* of the *Royal London Open Fund* once your plan transfers to that fund, except if we exercise our discretion to award *ProfitShare* at a future date.

Whether the *Scheme* goes ahead or not, we would use money in the *Estate* of the *Royal London Open Fund* to support the *Eligible Plans* in adverse circumstances.

6. How you can be sure that the *Scheme* is fair

We're asking you to make an important decision affecting your plan. This section sets out the steps we've taken to make sure that the *Scheme* is fair to the *Eligible Planholders* and *Royal London's* other planholders.

Royal London has reviewed the *Scheme* very carefully

We've considered the interests of all our planholders internally within *Royal London* including those invested in the *Scottish Life Fund*. Our *With Profits Actuary* and *Chief Actuary* have prepared reports which will be provided to the *Court*.

- **Our *With Profits Actuary*** is responsible for advising the directors of *Royal London* on the discretionary aspects of the with profits business in all of *Royal London's With Profits Funds*, including both the *Scottish Life Fund* and the *Royal London Open Fund*.
- **Our *Chief Actuary*** is responsible for the actuarial function of *Royal London*. This involves making sure that the risks that *Royal London* is exposed to are understood and monitored on a regular basis to make sure that *Royal London* is able to meet its liabilities to planholders and its regulatory capital requirements.

Both our *With Profits Actuary* and *Chief Actuary* are supportive of the *Scheme* and think that it represents a fair offer to *Eligible Planholders*. The *Scottish Life Supervisory Committee* (which has a majority of its membership independent of *Royal London*) has reviewed and been closely involved in the *Scheme*. It is comfortable that *Royal London* now proceeds with a formal vote on the *Scheme*.

Our *With Profits Committee* (also with a majority of its membership independent of *Royal London*), plus the *Royal London Board* have taken into account the opinions of the *Scottish Life Supervisory Committee*, the *Independent Expert*, our *With Profits Actuary* and *Chief Actuary*. They all think that the *Scheme* represents a fair offer to *Eligible Planholders*.

The *Independent Expert* has reviewed the *Scheme* very carefully

We've appointed an *Independent Expert*, Mr Oliver Gillespie of *Milliman*, to review the *Scheme*. The *Independent Expert* is an experienced senior *Actuary* who is independent of *Royal London*.

"I have a duty to the *Court* to consider the proposed *Scheme* and its effects on the customers of *Royal London* and whether the proposed *Scheme of Arrangement* is fair and reasonable to customers."

Oliver Gillespie,
Milliman
Independent Expert

To assess the fairness of the *Scheme* on *Royal London's* planholders, the *Independent Expert* has prepared a report containing a set of *Fairness Tests*. The *Scheme* must meet these *Fairness Tests* in order for the *Independent Expert* to be satisfied that the implementation of the *Scheme* would be fair and reasonable to *Royal London's* planholders.

Based on his review of the *Scheme*, the *Independent Expert* has concluded that each of the *Fairness Tests* has been passed.

The *Independent Expert's* report contains further information about the *Fairness Tests*, why he considers them to be important and sets out his conclusions. We submitted his report to the *Court* at the *Convening Hearing*.

You can read his full report on our website at **royallondon.com/SLscheme**. We've also included a summary of his report in **Part B** of your **Explanatory Booklet** which is also available on our website.

The *Independent Expert* will also prepare a supplementary report which we'll submit to the *Court* before the *Sanction Hearing* to confirm his earlier conclusions are still met. We'll publish the *Independent Expert's* supplementary report online at **royallondon.com/SLscheme** shortly before the *Sanction Hearing*.

Keeping our *Regulators* informed

We've shared information about the *Scheme* with the *Financial Conduct Authority (FCA)* and the *Prudential Regulation Authority (PRA)*, including a copy of the *Voting Pack* we've sent to you. We're authorised by the *PRA* and regulated by both the *FCA* and the *PRA*. The *FCA* have acted as the lead regulator for the purposes of the *Scheme* and have confirmed they have no objection to the *Scheme* going ahead.

FCA FINANCIAL CONDUCT AUTHORITY

BANK OF ENGLAND PRUDENTIAL REGULATION AUTHORITY

Eligible Planholders will consider and vote on the *Scheme*

Using a *Scheme of Arrangement* means that *Eligible Planholders* are being asked to vote on whether the *Scheme* does or doesn't go ahead.

As *Eligible Planholders* are eligible for distributions from the *Estate* of the *Scottish Life Fund*, we believe they should have a say in how we share it out between them. The *Scheme* process gives *Eligible Planholders* that say.

After the planholder vote, the *Scheme* must be approved by the *Court*

Even if the required majority of *Eligible Planholders* vote in favour of the *Scheme*, we still need the *Court* to approve the *Scheme*, otherwise we can't go ahead with it. The *Court* will consider key matters such as:

- Whether all the legal and regulatory requirements have been met;
- Any objections or comments that we receive from *Eligible Planholders*;
- Whether the voting was conducted fairly;
- Whether there is any other technical reason to not approve the *Scheme*; and
- Whether an intelligent and honest person, acting in their own interest, might reasonably vote for the *Scheme*.

See Section 4 of **Part B** of your **Explanatory Booklet** for further details on the fairness of the *Scheme*.

You can find this by scanning the following QR code or by visiting our website at **royallondon.com/SLscheme**

Scottish Life Fund

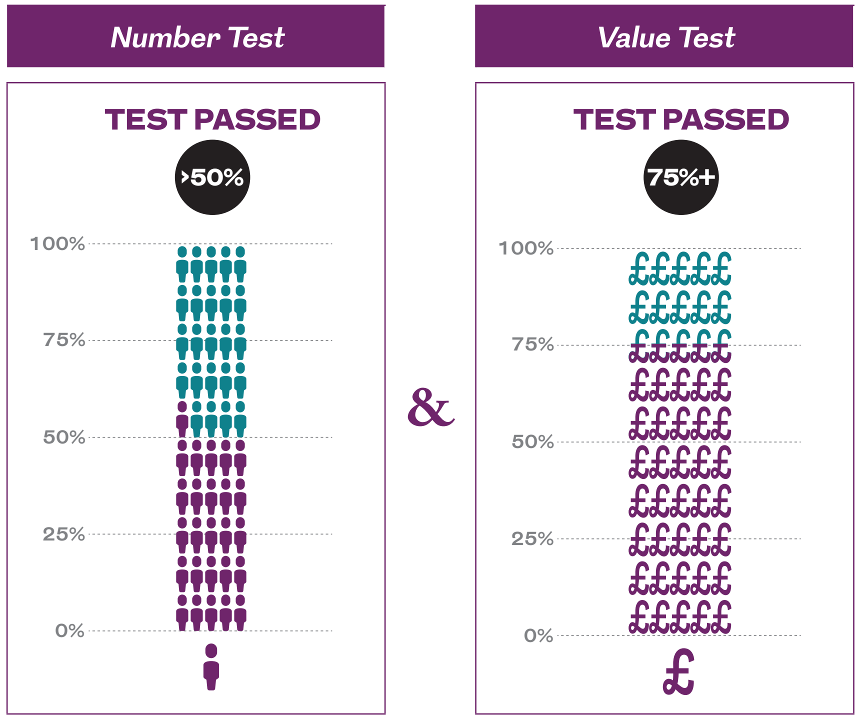
7. Voting

We can only implement the *Scheme* if the vote is passed and the *Court* approves it. This section explains how the vote will work.

How the voting will work

In order for the vote to pass the following two tests must be met:

It is voted for by a majority in number, ie. more than 50% of those who vote.



Those who voted in favour must hold 75% or more of the total *Voting Value* of everyone who voted.

You'll have one vote for the purpose of the *Number Test*. Your *Voting Value* will reflect all your plans for the *Value Test*. You can find your *Voting Value* at the top of the **Voting Form** we've sent you. The value of your vote for the purposes of the *Value Test* will be based on:

- The *Death Value* of your *Qualifying With Profits* investments, plus the sum of any future *Payments* due on your *Eligible Plans* (only if you're still making *Payments*) for *Whole of Life Plans*; or
- The *Cash In Value* of your *Qualifying With Profits* investments, plus the sum of any future *Payments* due on your *Eligible Plans* (only if you're still making *Payments*) for *Endowment Plans* and *Profitbuilder Plans*, or
- The *Transfer Value* of your *Qualifying With Profits* investments, plus the sum of any future *Payments* due on your *Eligible Plans* (only if you're still making *Payments*) for *Pension Plans*.

Once you've read your *Voting Pack*, including your **Personalised Illustration(s)**, it's very important you vote.

If the vote is passed and the *Court* approves it, the *Scheme* will be binding on all the *Included Planholders*, regardless of how they voted or if they didn't vote at all.

How to vote

You can vote on the *Scheme* online, by post or at the *Planholder Meeting*.

Online

Visit **cesvotes.com/SLscheme** and log in using your Security Code Part 1 & 2 as shown on the first page of your letter no later than **12 noon** on **2 November 2021**; or

By Post

Complete the **Voting Form** and return it in the **postage paid envelope** provided so that it reaches us no later than **12 noon** on **2 November 2021**; or

At the *Planholder Meeting*

You or your chosen *Proxy* can vote in person at the *Planholder Meeting* to be held at The Edwardian Manchester, Free Trade Hall, Peter Street, Manchester, M2 5GP on **5 November 2021** at **11am**. Alternatively, you can attend the *Planholder Meeting* virtually at **attend.cesjoinin.com/login**. To join the meeting, please enter the Meeting ID 30050, and your Security Code Part 1 & 2 shown on the first page of your letter.

The *Planholder Meeting* is an opportunity to consider the *Scheme* with other *Eligible Planholders* (either in person or virtually) as well as vote if you haven't already done so. Even if you or your *Proxy* plan to attend the *Planholder Meeting* in person, we recommend that you vote online or by post beforehand just in case your circumstances change, and you can no longer attend. You can still change your vote later at the *Planholder Meeting*. If you're planning to attend the *Planholder Meeting* in person, please let us know before **28 October 2021** by calling us on **0345 646 1016** (or **+441625 718588** if you are calling from outside the UK) between 8am and 6pm Monday to Friday (excluding bank holidays). We've appointed the independent voting registrar, *Civica Election Services*, to manage the vote on the *Scheme*.

Our formal notice of the *Planholder Meeting* is in **Section 10** of this booklet.

Do you have to attend the *Planholder Meeting*?

No, you don't need to attend the *Planholder Meeting* to vote on the *Scheme*. If you choose to vote online, or by post beforehand, then the chairman of the *Planholder Meeting* will act as your *Proxy* and vote on your behalf at the *Planholder Meeting* in the way you indicated.

Alternatively, you can appoint someone else to act as your *Proxy* by providing their details on the **Voting Form**. If you appoint someone other than the chairman, you need to know that they'll attend the *Planholder Meeting* in person. If neither you nor your *Proxy* attends in person and you haven't voted by post, online or virtually, your vote won't be cast.

What happens after all votes have been cast?

After the *Planholder Meeting*, *Civica Election Services* will count up the votes that were made by post, online and at the *Planholder Meeting*. The result will be announced shortly after the *Planholder Meeting* at **royallondon.com/SLscheme**. If the vote is passed, we'll go to the *Court* and ask for it to approve the *Scheme* at a *Sanction Hearing*. This is scheduled for **25-26 November 2021** and will take place at the High Court of Justice of England and Wales, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL. The result of the vote will need to be approved by the *Court*. If approved, the result will apply to all *Included Planholders*.

All *Eligible Planholders* and anyone else with an interest in the *Scheme* can attend the *Sanction Hearing*, subject to any coronavirus restrictions. Please let us know by **12 November 2021** if you wish to attend the *Sanction Hearing* in person.

See Section 6, 7 and 8 of **Part B** of your **Explanatory Booklet** for further details on voting on the *Scheme*, the *Planholder Meeting* and the *Sanction Hearing*.

You can find this by scanning the following QR code or by visiting our website at **royallondon.com/SLscheme**

Scottish Life Fund

8. Timeline

We expect to implement the *Scheme* at 11.59pm on 31 December 2021. The legal process could take longer than this, so we can't guarantee the changes would happen on this date.

Important – even if you don't vote, the result of the vote at the *Planholder Meeting* will apply to you. You can find out more about the voting arrangements in Section 7 of this booklet.

By 2 Nov 2021

You can vote on the *Scheme* online or by post

Review all the information in your *Voting Pack*. Once you've done this, you can cast your vote:

- **Online** – visit **cesvotes.com/SLscheme** and log in using your Security Code Part 1 & 2 as shown on the first page of your letter; or
- **By Post** – complete the **Voting Form** and return it in the postage paid envelope.

If you're voting online, you must submit your vote online no later than **12 noon** on **2 November 2021**.

If you're voting by post, you must complete the **Voting Form** and return it in the postage paid envelope so that it's received by **12 noon** on **2 November 2021**.

5 Nov 2021

Planholder Meeting will be held

At the *Planholder Meeting*, *Eligible Planholders* will be able to consider the *Scheme* with other *Eligible Planholders* and vote for or against it. You or your *Proxy* can attend in person at The Edwardian Manchester, Free Trade Hall, Peter Street, Manchester, M2 5GP.

Alternatively, you can attend the *Planholder Meeting* virtually at **attend.cesjoinin.com/login** following the instructions in **Section 7** of this booklet.

You're not required to attend the *Planholder Meeting* if you've already cast your vote, but you're still welcome to attend.

All votes will be counted, including votes that were made before the meeting.

We'll announce the result of the vote shortly after the *Planholder Meeting* has taken place at **royallondon.com/SLscheme**

25-26 Nov 2021

A final decision is made by the *Court* at the *Sanction Hearing*

If the vote is passed, we'll go to the *Court* and ask for its final approval at the *Sanction Hearing*.

We expect that the *Sanction Hearing* will be held at the High Court of Justice of England and Wales, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL on **25-26 November 2021**.

We'll announce the result of the *Sanction Hearing* shortly after the hearing has taken place at **royallondon.com/SLscheme**

31 Dec 2021

We expect to implement the changes on this date

If the *Court* approves the *Scheme* at the *Sanction Hearing* we expect to implement the changes at **11:59pm** on **31 December 2021**.

Early 2022

We'll write to you with confirmation of the changes

If the *Court* approves the *Scheme* at the *Sanction Hearing*, we'll write to you again in early **2022** to confirm that the changes have been made.

We'll also announce this on our website at **royallondon.com/SLscheme**

9. Your questions answered

We've answered some important questions you might have here.

If you don't see the answer you need below, you can use our **online chat service**, which you'll find by scanning the QR code or by visiting our website at **royallondon.com/SLscheme**

Alternatively, please call our dedicated helpline on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK) between 8am and 6pm Monday to Friday (excluding bank holidays). You'll need your plan number(s) which you can find at the top of the letter we've sent you. A trusted friend or family member may call on your behalf. Just make sure that you're with them when they call.

Where can I find more information about the *Scheme*?

Part B of your **Explanatory Booklet** gives more detailed information about the *Scheme*. This can be accessed by scanning the QR code shown in the box above or by visiting our website at **royallondon.com/SLscheme**. A paper copy is available on request.

The following documents are also available for you to read on our website:

- The *Scheme* document
- The *Independent Expert's* report
- The *With Profits Actuary*'s report
- The *Chief Actuary's* report
- *Royal London's* latest audited accounts and financial statements
- The *Principles and Practices of Financial Management (PPFM)*.

As we go through the process, there will be supplementary versions of the *Independent Expert's* report, *With Profits Actuary's* report and *Chief Actuary's* report. We'll publish these on our website ahead of the *Sanction Hearing*.

Why is Part B of the *Voting Pack* online instead of included with the rest of the *Voting Pack*?

As part of making the offer, we want to make all of the information about the *Scheme* easily available to *Eligible Planholders* in the most appropriate way. Our customer research showed that most *Eligible Planholders* are comfortable accessing information online.

As that is the case, making **Part B** available online reduces the costs of mailing *Eligible Planholders*. This reduced the size of the *Project Costs Allowance* which we'll deduct from the *Estate* of the *Scottish Life Fund*. It also significantly reduced our use of paper. *Royal London* is keen to manage its impact on the environment, and this is one opportunity for us to do so.

Of course, we want to ensure that all *Eligible Planholders* can access all of the information that they need in a way which best suits their needs. So, if you'd like us to send you a paper copy of **Part B**, please contact us on **0345 646 1016** (or **+441625 718588** if you are calling from outside the UK) between 8am and 6pm Monday to Friday (excluding bank holidays).

What plans are covered by the *Scheme*?

The *Scheme* applies to *Eligible Planholders* who have the plans with us of the types listed below. These plans were taken out with the *Scottish Life* before 11 September 2000. *Pension Plans* and *ProfitBuilder Plans* are only eligible where they have a *Qualifying With Profits* investment in the *Scottish Life Fund*.

Endowment Plans branded as Budget Plan, Low Cost Mortgage Plan, or With Profit Endowment
Whole of Life Plans branded as Whole of Life With Profit, or Whole of Life With Profit Limited Premiums
ProfitBuilder Plans
Talisman Personal Pension Plans taken out between 1 July 1985 and 1 July 1988, Personal Pension Bonds, Personal Pension Bonus Bonds, and Personal Pension Policies also known as Retirement Annuity Contracts ('RACs')
Talisman Personal Pension Plans and Talisman 1998 Personal Pension Plans also known as Personal Pension Plans taken out between 1 July 1988 and 11 September 2000 ('PP plans')
Talisman Group Personal Pension Plans and Talisman Group Pension Plans ('GPP plans')
Talisman Free Standing Additional Voluntary Contribution Plans and Talisman 1998 Free Standing Additional Voluntary Contribution Plans ('FSAVC Plans')
Talisman Executive Pension Plans (also branded as Hallmark) and Talisman 1998 Executive Pension Plans taken out between 1 July 1988 and 11 September 2000 ('EPP Plans')
Talisman Buyout Bonds
Talisman Section 32 Buy Out Plans
Crest Growth DC Plans
Crest Growth DB Plans
Versatile Retirement Benefit Plans ('VRBP Plans')

However, some *Pension Plans* with a *Qualifying With Profits* investment have a *Guaranteed Pension Amount*. This means we've promised to provide a minimum income for life to these planholders from their *Selected Retirement Age*, even if their retirement savings are not enough to pay for this level of income.

For some of these *Pension Plans*, we expect their *Guaranteed Pension Amount* will exceed the level of income that their retirement savings would pay for at their *Selected Retirement Age*. We expect this will still be the case even if their *Qualifying Plan Value* is increased by the *Uplift* under the *Scheme*. In other words, we expect the *Uplift* will have no effect on the retirement savings payable under these plans. As a result, we've decided to exclude these plans from the *Scheme*. We call these plans the *Excluded Plans*.

How do I know if I'd be better off with the *Scheme*, or with how things are today?

We've included a **Personalised Illustration** with this pack which shows how the percentage increase we could apply to your *Qualifying Plan Value* from your distribution of the *Estate* of the *Scottish Life Fund* could change if the *Scheme* does or doesn't go ahead.

As your plan will still be invested in *Qualifying With Profits*, the whole of your *Qualifying Plan Value* will continue to go up and down with investment performance and other factors. So, we cannot be certain what your *Qualifying With Profits* payout will be when your plan is claimed. However, the *Scheme* would give you certainty over your percentage distribution from the *Estate* of the *Scottish Life Fund*.

Scottish Life Fund

What do I do if I need financial advice?

We hope this **Explanatory Booklet,** and the supplementary materials provided such as your **Personalised Illustration**, have given you enough information to make your decision. If you have questions on the *Scheme*, the legal process, or the next steps then call us on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK). However, please note we cannot give you financial advice. If you don't have a financial adviser, you can find a professional in your area. Find out more at **royallondon.com/find-a-financial-adviser**. Advisers may charge for their services, but they should agree any costs with you up front.

Can I cash in my plan?

Your *Endowment Plans*, *ProfitBuilder Plans* or *Whole of Life Plans* can be cashed in at any time. You can normally take your retirement savings from your *Pension Plans* if you have reached your minimum retirement age (which is currently age 55), or you could transfer your retirement savings to another pension arrangement. However, please be aware that if you cash in or transfer your plan before the *Scheme* is implemented, you won't be an *Included Planholder* and the *Scheme* won't apply to your plan. This means that your *Qualifying Plan Value* won't receive the *Uplift* from the *Scheme*. You will still be entitled to any *Final Bonus* applicable to your plan under your current plan terms.

When would the *Scheme* no longer apply to me?

The *Scheme* won't apply to you if you are not an *Included Planholder* for the purposes of the *Scheme*. This might happen, for example, because of one of the following occurring before **11.59pm** on **31 December 2021**:

Pension Plan	*Endowment Plan, ProfitBuilder Plan or Whole of Life Plan*
• You take your retirement savings; or • Your retirement savings can be paid out as a death benefit to your beneficiaries; • You transfer to another *Pension Plan*; or • You move your investment out of *Qualifying With Profits.*	• The *Life Covered* dies; or • You cash in your plan early; or • Your *Endowment Plan* or *ProfitBuilder Plan* reaches the end of its term; or • You have a *ProfitBuilder Plan* and you move your investment out of *Qualifying With Profits.*

If your *Eligible Plan* is due to reach the end of its term before the *Implementation Date* you may wish to consider extending the term of your plan to be part of the *Scheme* if the terms of your plan allow you to do this. We recommend you speak to your financial adviser if you are considering extending the term of your *Eligible Plan*.

The planholder or *Life Covered* has died. What should I do?

We're sorry to learn that the planholder or *Life Covered* has passed away. Their next of kin should contact us on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK) between 8am and 6pm Monday to Friday (excluding bank holidays), and we'll talk them through what they need to do. Please make sure they have the *Life Covered's* or planholder's death certificate when they phone.

Alternatively, they can visit our website at **royallondon.com/SLscheme** where they can arrange for a member of our bereavements team to call them at a suitable time.

I have more than one plan with you. Why aren't all of my plans listed in my letter?

The *Scheme* applies to plans with *Qualifying With Profits* investments in the *Scottish Life Fund* which are eligible for distributions from the *Estate* of the *Scottish Life Fund.*

However, some *Pension Plans* with a *Qualifying With Profits* investment have a *Guaranteed Pension Amount*. This means we've promised to provide a minimum income for life to these planholders from their *Selected Retirement Age*, even if their retirement savings are not enough to pay for this level of income.

For some of these *Pension Plans*, we expect their *Guaranteed Pension Amount* will exceed the level of income that their retirement savings would pay for at their *Selected Retirement Age*. We expect this will still be the case even if their *Qualifying Plan Value* is increased by the *Uplift* under the *Scheme*. In other words, we expect the *Uplift* will have no effect on the retirement savings payable under these plans. As a result, we've decided to exclude these plans from the *Scheme*. We call these plans the *Excluded Plans*.

You may have another plan with investments in the *Scottish Life Fund*. However, they may not be invested in *Qualifying With Profits*, so won't be eligible for distributions from the *Estate* of the *Scottish Life Fund*. If the *Scheme* goes ahead and your *Eligible Plans* are moved into *Royal London Open Fund*, we will write to you shortly afterwards about any other plans you have in the *Scottish Life Fund*.

Any plans you have in our other *With Profits Funds* are not affected by the *Scheme*. However, we may write to you in the future proposing similar changes to our other closed *With Profits Funds*.

I've changed my contact details. How can I notify *Royal London*?

You can do this online at **royallondon.com/SLscheme**. There may be certain documents we need to update your details. Alternatively, please give us a call on **0345 646 1016** (or **+441625 718588** if you're calling from outside the UK) to change your contact details.

Will the *Scheme* change the UK tax treatment of my plan?

You should read **Section 9** of **Part B** of your **Explanatory Booklet** for further details on tax implications of the *Scheme*. This can be found on our website at **royallondon.com/SLscheme**. A paper copy is available on request. If you are unsure how this impacts you, you may wish to talk to a financial adviser.

Our plan is jointly owned. How will voting work for us?

If your *Eligible Plan* is jointly owned, then both *Eligible Planholders* will need to cast an agreed vote either 'for' or 'against' the *Scheme*, for their vote to be counted.

We explain the process in more detail in **Section 6** of **Part B** of your **Explanatory Booklet**. This can be accessed online at **royallondon.com/SLscheme**. A paper copy is available on request.

How do I know this is not a scam?

We understand that everyone needs to be cautious these days. If the name *Royal London* doesn't ring any bells, we're the largest mutual life, pensions and investment company in the UK. You will have originally taken out your plan with *Scottish Life* and your plan transferred on 1 July 2001 to *Royal London*. We've been looking after your plan ever since. So you feel safe that we're not trying to scam you, you can find us registered with the *FCA* here: **register.fca.org.uk**

10. Legal Notice of the Planholder Meeting

IN THE HIGH COURT OF JUSTICE **NO. CR-2021-000893**
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)

IN THE MATTER OF THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an Order made following a convening hearing in the above matters, the High Court of Justice (the '**Court**') has directed that a meeting (the '**Meeting**') of Eligible Planholders (as defined in the Scheme of Arrangement referred to below), invested in the Royal London Scottish Life Fund be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the '**Scheme of Arrangement**') pursuant to Section 899 of the Companies Act 2006 proposed to be made between The Royal London Mutual Insurance Society Limited (the '**Company**') and the Included Planholders (as defined in the Scheme of Arrangement) and that such Meeting be held at The Edwardian Manchester, Free Trade Hall, Peter Street, Manchester, M2 5GP on 5 November 2021 at 11am. All the Eligible Planholders are invited to attend the Meeting and may do so by attending the Meeting in person or by virtual attendance as further described in the planholder circular referred to below.

A copy of the planholder circular required to be provided pursuant to Section 897 of the Companies Act 2006 is incorporated in the Explanatory Booklet of which this notice forms part, Part A of which has been sent to Eligible Planholders and Part B of which has been made available online at royallondon.com/SLscheme. A summary of the Scheme of Arrangement is incorporated in Part B of the Explanatory Booklet and made available online. Eligible Planholders may request that a copy of Part B of the Explanatory Booklet is sent to them by post by calling 0345 646 1016 (or +441625 718588 if you're calling from outside the UK) or writing to FAO Fund Consolidation Team, Royal London House, Alderley Park, Congleton Road, Nether Alderley, Macclesfield, SK10 4EL.

Eligible Planholders may vote at the Meeting in person or by virtual attendance or they may appoint another person as their proxy to attend, speak and vote on their behalf in person at the Meeting. A proxy may be appointed by completing the Voting Form enclosed with this notice and returning it to Civica Election Services, London, N81 1ER no later than 12 noon on 2 November 2021 or online by visiting cesvotes.com/SLscheme and logging on using the online voting ID and security code provided to each Eligible Planholder no later than 12 noon on 2 November 2021. A proxy need not be a Planholder of the Company. The appointment of a proxy does not preclude an Eligible Planholder from attending and voting at the Meeting, or any adjournment of the Meeting.

By the said Order, the Court has appointed Kevin Parry, the Chairman of the Board of Directors of Royal London, or, if for any reason he is unable to act, such other person appointed in accordance with the said Order to act as the Chairman of the Meeting and has directed the Chairman to report the result of the Meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Pinsent Masons LLP, 30 Crown Place, London EC2A 4ES. Reference HA06.
Solicitors for the above named Company

Scottish Life Fund

Glossary

We use some technical terms throughout your *Voting Pack*. You'll find full explanations for each of these below.

Term	Definition
2001 Scottish Life Scheme	The document that transferred with profits and other plans from the *Scottish Life* to *Royal London*, and which took effect on 1 July 2001.
Actuary	Someone who uses mathematical skills to measure risk and estimate its financial impact.
Annual Bonus	Gradual increases to the *Guaranteed Minimum Amount* we promise to pay out. Once added, an Annual Bonus becomes part of your *Guaranteed Minimum Amount* and cannot be taken away.
Assumed Retirement Age	The age we've assumed you take your retirement savings on your **Personalised Illustration** if you hold a *Pension Plan*. We explain in **Section 4** of your **Personalised Illustration** why this might be different from your *Selected Retirement Age*.
Calculation Date	**31 March 2021.**
Cash In Value	The amount we'll pay out if you choose to cash in your *Endowment Plan*, *ProfitBuilder Plan* or *Whole of Life Plan*.
Chief Actuary	The individual with responsibility for the actuarial function of *Royal London*. This involves ensuring that the risks that *Royal London* is exposed to are understood and monitored on a regular basis to ensure *Royal London* is able to meet its liabilities to planholders and rules set by our *Regulators*.
Civica Election Services (CES)	Civica Election Services have been appointed as the voting registrar. All **Voting Forms** will be returned to them, and they'll manage the online voting. They will also attend the *Planholder Meeting* to ensure that the voting at the meeting is properly managed and will provide evidence to the *Court* about how the vote was carried out.
Closed Fund Contribution	Part of the *Scheme Contribution* will cover the cost to the *Royal London Open Fund* of taking on responsibility for holding enough money in its *Estate* to protect the *Included Plans* against future risks and to meet rules set by our *Regulators*. We call this part of the *Scheme Contribution* the Closed Fund Contribution.
Convening Hearing	The *Court* hearing where the *Court* was asked to approve the convening of the *Planholder Meeting*.
Court	The High Court of Justice of England and Wales.
Court of Session	The supreme civil court of Scotland.
Death Value	Your Death Value is the amount we'll pay out when your *Endowment Plan*, *ProfitBuilder Plan* or *Whole of Life Plan* is claimed following the death of the *Life Covered*. We calculate the Death Value as the *Guaranteed Minimum Amount* plus any *Final Bonus* payable.

Eligible Plan	A plan with a *Qualifying With Profits* investment: (a) which is not an *Excluded Plan*; (b) which will not have reached its scheduled maturity date or retirement date prior to **11:59pm** on **31 December 2021**; (c) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death, in each case in accordance with the terms of the plan as at the *Calculation Date* or as at the date of the *Planholder Meeting*; and (d) in respect of which the *Eligible Planholder* has not (in accordance with the terms of the plan) ceased to be entitled to receive benefits as at the *Calculation Date* or as at the date of the *Planholder Meeting*. When we refer to your plan in your **Explanatory Booklet** we are referring to all your Eligible Plans if you have more than one.
Eligible Planholder	The legal owner of the *Eligible Plan*.
Endowment Plan	A plan that pays out at the end of a set period of time or on the death of the *Life Covered* if earlier. You make *Payments* throughout the term of the plan.
Estate	The Estate is the amount by which the assets of a *With Profits Fund* are greater than the liabilities in that fund. Those liabilities include the underlying value of *With Profits Investments* in that fund and the cost of ensuring we can pay the *Guaranteed Minimum Amounts* promised to planholders.
Excluded Plan	A plan with a *Qualifying With Profits* investment immediately prior to the *Calculation Date* in respect of which, based on *Royal London's* best estimate assumptions applied as at the *Calculation Date*, the projected value of the benefits payable under the plan as at the expected date of claim is not expected to be increased by the application of the *Uplift* and the same percentage increase for *Payments* (if applicable) under the *Scheme*. You might hear the Excluded Plans referred to as 'Heavily In the Money (HITM)' plans.
Fairness Tests	The tests developed by the *Independent Expert* for the purposes of assessing the fairness of the *Scheme*.
Final Bonus	We aim to add a Final Bonus to your plan if your *Qualifying Plan Value* is higher than your *Guaranteed Minimum Amount* when your plan is claimed.
Financial Conduct Authority (FCA)	The Financial Conduct Authority is one of *Royal London's Regulators*. Its objectives are to secure an appropriate degree of protection for consumers, to protect and enhance the integrity of the UK's financial system, and to promote effective competition in the interest of consumers.
Financial Services Compensation Scheme (FSCS)	*Royal London* is covered by the Financial Services Compensation Scheme (FSCS). This means you may be entitled to compensation from the scheme if we cannot meet our obligations. Further information about compensation scheme arrangements is available on their website **fscs.org.uk**
Guaranteed Annuity Rates (GAR)	A feature of some *Pension Plans* which allows a planholder to exchange some or all of their retirement savings for an annual income at a rate agreed when the plan was taken.
Guaranteed Minimum Amount	The minimum amount that your *With Profits Investment* will pay out as long as you've made your *Payments*.
Guaranteed Minimum Pension (GMP)	The minimum retirement income an occupational pension scheme must provide if you were contracted out of the additional state pension on the relevant basis for a period between 6 April 1978 and 5 April 1997.

Scottish Life Fund

Guaranteed Pension Amount	Some plans are set up to provide a minimum guaranteed level of income in retirement which could be of greater value than the underlying value of your plan.
Implementation Date	This is the date on which the *Scheme* will be implemented, if the vote is passed and the *Court* approves it. We expect the Implementation Date to be **11.59pm** on **31 December 2021**.
Included Plan	An *Eligible Plan* which continues to be invested in *Qualifying With Profits*, and; (a) which has not reached its scheduled maturity date or retirement date; (b) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death in each case in accordance with the terms of the plan; and (c) in respect of which the *Eligible Planholder* has not (in accordance with the terms of the plan) ceased to be entitled to receive benefits; in each case as at **11:59pm** on **31 December 2021**.
Included Planholder	A person who is a legal owner of an *Included Plan* and therefore a creditor for the purposes of the Companies Act 2006.
Independent Expert	An experienced senior *Actuary* who reviews the fairness of the *Scheme* and provides a report to the *Court*. The Independent Expert has a duty to the *Court* and does not work for *Royal London*.
Life Covered	The person or people on whose life a life insurance plan is based.
Maturity Date	The date at which an *Endowment Plan* or *ProfitBuilder Plan* will pay out.
Maturity Year	The year in which an *Endowment Plan* or *ProfitBuilder Plan* will pay out.
Milliman	An international actuarial and consulting firm. Milliman is among the world's largest providers of actuarial services.
Mutual Organisation	A company which doesn't have shareholders – its members are its customers. The profits of a Mutual Organisation may be shared amongst its *With Profits Planholders* and its members, or reinvested in the organisation to give better returns or lower charges.
Number Test	One of the tests that must be passed in order for the *Scheme* to be implemented. The Number Test is passed if more than half of the *Eligible Planholders* who vote on the *Scheme* vote in favour of the *Scheme*.
Payments	Regular Payments you promise to make to us in exchange for the benefits that your plan provides. It may be that you've now stopped making Payments. This could be because you decided to stop paying or because you reached the end of the payment term of your plan. For *Pension Plans*, we often refer to these Payments as contributions.
Payment Uplift Contribution	Part of the *Scheme Contribution* will help cover the cost to the *Royal London Open Fund* of topping up the *Qualifying Plan Values* by applying the *Uplift* to any *Payments* made into *Qualifying With Profits* after the *Implementation Date*. We call this part of the *Scheme Contribution* the Payment Uplift Contribution.
Pension Plan	A plan used to build up retirement savings which can be accessed when you choose to retire. At the start of your Pension Plan, you agreed to make *Payments* until your *Selected Retirement Age*. However, you can normally choose to retire any time after your 55th birthday.
Planholder Meeting	The meeting of *Eligible Planholders* convened by the *Court* to consider and, if thought fit, to approve the *Scheme*.
Principles and Practices of Financial Management (PPFM)	A document maintained by an insurer which describes how a *With Profits Fund* is managed.

ProfitBuilder Plan	A plan that pays out at the end of a set period of time or on the death of the *Life Covered* if earlier. You make *Payments* throughout the term of the plan. This type of plan allows the planholder to invest their *Payments* in different funds provided by *Royal London*. This includes our *With Profits Funds*.
ProfitShare	*Royal London's* way of sharing our operating profits with some of our planholders.
Project Costs Allowance	The *Scheme* is part of a wider series of changes we plan to make over the next few years. Part of the *Scheme Contribution* covers the *Scottish Life Fund's* share of the cost of implementing these changes. We call this part of the *Scheme Contribution* the Project Costs Allowance.
Proxy	A Proxy is someone appointed by you to vote in person at the *Planholder Meeting*, if you don't want to attend the meeting yourself in person or virtually. Your Proxy votes on your behalf, in the way you've indicated on your **Voting Form**. The chairman of the *Planholder Meeting* will act as your Proxy if you don't want to appoint anyone else.
Prudential Regulation Authority (PRA)	The Prudential Regulation Authority is one of *Royal London's Regulators*. The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
Qualifying Plan Value	This is the value of your *Qualifying With Profits* investment, which we calculate as the *Payments* you've made into *Qualifying With Profits* plus any investment returns earned, the charges taken by *Royal London* for managing your investment. For *Endowment Plans* and *Whole of Life Plans* this means the full value of your plan, as all investments of this type are *Qualifying With Profits*.
Qualifying With Profits	A *With Profits Investment* originally committed to with *Scottish Life* before 11 September 2000, including the *Payments* that you may have made in respect of that *With Profits Investment* since then. For *Pension Plans* and *ProfitBuilder Plans*, we sometimes refer to this as your *With Profits 1 (WP1)* investment.
Regulators	The *Financial Conduct Authority* and the *Prudential Regulation Authority*.
Royal London	The Royal London Mutual Insurance Society Limited.
Royal London Board	The board of directors of *Royal London*.
Royal London Open Fund	Our largest *With Profits Fund*. This fund is still open to new plans.
Sanction Hearing	The *Court* hearing where the *Court* will consider whether to sanction the *Scheme*. We expect the Sanction Hearing to take place on **25-26 November 2021**.
Scheme Contribution	The Scheme Contribution is made up of the *Closed Fund Contribution*, the *Project Costs Allowance* and the *Payment Uplift Contribution*. If the *Scheme* goes ahead, the *Royal London Open Fund* will take on responsibility for holding back enough money to protect plans like yours against future risks. In exchange for this, and to help cover costs associated with the *Scheme*, including the amount used to apply the *Uplift* for future *Payments*, a payment will be taken from the *Estate* of the *Scottish Life Fund* and paid to the *Royal London Open Fund*. We call this payment the Scheme Contribution.
Scheme of Arrangement (or Scheme)	A legal process which allows a company like *Royal London* to enter into a compromise or arrangement with some or all of its creditors (in this case, the *Included Planholders*) to change legal rights under an existing agreement with those creditors.
Scottish Life	The Scottish Life Assurance Company.
Scottish Life Fund	This is one of our closed *With Profits Funds* and the subject of the *Scheme*.
Scottish Life Supervisory Committee	A committee charged with considering the interests of *Scottish Life* planholders. It provides independent oversight of how *Royal London* manages plans in the *Scottish Life Fund*.

Scottish Life Fund

Selected Retirement Age	The date you told us you plan to retire, either when you took out your *Pension Plan* or when you updated your details. We sometimes refer to this as your normal retirement age.
Smoothing	Smoothing is one of the main features of *With Profits Investments* and we use it to determine payouts. We try to add *Final Bonuses* in a way that softens the impact of sudden movements in a fund's underlying investments. Instead of adding large *Final Bonuses* in good years and small or no *Final Bonuses* in bad years, we try to smooth them out. So we hold back some of the investment gains earned during good years, and release them as bonuses when returns have been poorer or when the fund has made a loss. We aim for the effect of Smoothing to cancel itself out over the long term. This means that, over time, the amounts we hold back in good years should offset the amounts distributed as bonuses in bad years.
Transfer Value	The value of your *Pension Plan* if you were to transfer the plan to another pension arrangement.
Unit Linked	A Unit Linked investment is divided up into a number of equal units. The price of each unit depends on the value of the underlying investments.
Uplift	If the *Scheme* goes ahead, we'll increase your current *Qualifying Plan Value* by an Uplift of 29.911187%. When we refer to the Uplift in this booklet we refer to that figure rounded to the nearest 0.1%. This is 29.9%. The *Payment* amounts payable under the *Included Plans* won't be affected by the *Scheme*. However, we'll also top up your *Qualifying Plan Value* by applying the same Uplift of 29.9% for any *Payments* invested into *Qualifying With Profits* after the *Implementation Date* as and when you make them.
Value Test	One of the tests that must be passed in order for the *Scheme* to be implemented. The Value Test is passed if those *Eligible Planholders* voting in favour of the *Scheme* represent three quarters or more of the total *Voting Value*.
Voting Pack	The information pack that we've sent you, as well as **Part B** of the **Explanatory Booklet** which can be accessed online at **royallondon.com/SLscheme**
Voting Value	The value of your vote for the purpose of the *Value Test*.
Whole of Life Plan	A plan that pays out when the *Life Covered* dies. At the start of the Whole of Life Plan, you chose to either make *Payments* until the *Life Covered* reaches a selected age or until the *Life Covered* dies.
With Profits Actuary	The *Actuary* responsible for advising the directors of *Royal London* on the discretionary aspects of with profits business.
With Profits Committee	A committee charged with considering the interests of all of *Royal London's With Profits Planholders*. It exercises independent judgement when advising the *Royal London Board* on how to treat *With Profits Planholders* fairly.
With Profits Fund	A fund that contains plans with *With Profits Investments*.
With Profits Investment	An investment in a plan designed to help you save for retirement (if it's a *Pension Plan*), a rainy day, or to help cover expenses when the *Life Covered* dies. The underlying value of your *With Profits Investment* changes with ups and downs in investment markets and other factors. However, there is a *Guaranteed Minimum Amount* the With Profits Investment will pay out in return for the *Payments* you promise to make, no matter what investment markets do.
With Profits Planholder	The holder of a *With Profits Investment*.
With Profits 1 (WP1)	A *With Profits* investment in the *Scottish Life Fund* which qualifies for a distribution from the *Estate* of the *Scottish Life Fund*.
With Profits 2 (WP2)	A *With Profits* investment in the *Scottish Life Fund* which doesn't qualify for a distribution from the *Estate* of the *Scottish Life Fund*.
With Profits 3 (WP3)	A *With Profits* investment in the *Royal London Open Fund* which doesn't qualify for a distribution from the *Estate* of the *Scottish Life Fund*.

We're happy to provide your documents in a different format, such as Braille, large print or audio – just ask us by calling 0345 646 1016 (or +44 1625 718588 if you're calling from outside the UK).

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07/2021

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