



Addendum to the Supplementary Report considering the Part VII Transfer of the Business of Phoenix Life Assurance Limited, Standard Life Assurance Limited, and Standard Life Pension Funds Limited to Phoenix Life Limited

2 October 2023

PURPOSE AND SCOPE

1. I am the Independent Expert in relation to this proposed transfer of all the long-term insurance business from PLAL, SLAL, and SLPF to Phoenix. I have produced a report on the transfer dated 18 April 2023 which I refer to as my Main Report, and a further report on the transfer dated 20 September 2023 which I refer to as my Supplementary Report. This report is an Addendum to my Supplementary Report and must be read in conjunction with my Main Report and my Supplementary Report.
2. The terms and abbreviations used in my Main Report and Supplementary Report are also used (without further definition) in this Addendum to my Supplementary Report. Appendix D of my Supplementary Report contains the full glossary of terms used throughout my Main Report, my Supplementary Report, and this Addendum to my Supplementary Report.
3. The purpose of this Addendum is to consider matters arising following the publication of my Supplementary Report, these being the discovery by SLAL of a modelling error in relation to the Heritage WPF, an update on the objections received from policyholders following the policyholder communications process, and an update regarding the very recent publication by the PRA of consultation paper CP19/23 in relation to the Matching Adjustment.
4. I note that the Chief Actuaries of Phoenix/PLAL and SLAL/SLPF have produced a combined update to their own Supplementary Reports which I refer to below as the Updated CA Supplementary Report. This Updated CA Supplementary Report also contains an updated statement from the Heritage WPF WPA which I also refer to below. I confirm that I have read and duly noted the contents of the Updated CA Supplementary Report.
5. This Addendum to my Supplementary Report is subject to the same reliances and limitations as set out in my Main Report. No liability will be accepted by Milliman, or me, for any application of this Addendum to my Supplementary Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of this Addendum to my Supplementary Report. In particular, no liability will be accepted by Milliman or me under the terms of the Contracts (Rights of Third Parties) Act 1999.

MODELLING ERROR IN RELATION TO THE HERITAGE WPF

Overview of the modelling error

6. Subsequent to the finalisation of my Supplementary Report, SLAL discovered a modelling error in relation to the Heritage WPF. The error relates to the modelling of the future investment mix of the Heritage WPF in certain circumstances, in particular in relation to the proportion assumed to be invested in equities and property. Phoenix and SLAL have carried out a number of re-runs of the relevant models as at 30 June 2023 in order to estimate the impact of the correction of this modelling error. The tables set out below show the impact of the error correction

as at 30 June 2023. Table 1 shows the impact within SLAL pre-Scheme, and Table 2 shows the impact within Phoenix post-Scheme. Table 2 also shows the effect of the Scheme itself on results before and after the error correction.

Table 1: Heritage WPF 30 June 2023 Pre-Scheme

| £m | Before Error Correction | Effect of Error Correction | After Error Correction |
|-----------------------------|-------------------------|----------------------------|------------------------|
| Own Funds (A1) | 1,943 | -45 | 1,898 |
| SCR (B1) | 545 | +65 | 610 |
| Excess Own Funds (C1=A1-B1) | 1,398 | -110 | 1,288 |

Source: Phoenix Information summarised by Milliman

Table 2: Heritage WPF 30 June 2023 Post-Scheme

| £m | Before Error Correction | Effect of Error Correction | After Error Correction |
|------------------------------------|-------------------------|----------------------------|------------------------|
| Own Funds (A2) | 1,943 | -50 | 1,893 |
| SCR (B2) | 603 | +110 | 713 |
| Excess Own Funds (C2=A2-B2) | 1,340 | -160 | 1,180 |
| Effect of Scheme on Excess (C2-C1) | -58 | -50 | -108 |

Source: Phoenix Information summarised by Milliman

7. The above tables show that the Heritage WPF, both pre-Scheme within SLAL and post-Scheme within Phoenix, continues to have a significant excess of Own Funds over SCR after the correction of the error. The corrected excess (both pre-Scheme and post-Scheme) continues itself to be materially in excess of the amount required under the Phoenix/SLAL capital management policy (which is covered extensively in my Main Report including from paragraph 7.49). The Heritage WPF is thus an unsupported WPF (using the terminology used in my Main Report and Supplementary Report), and is still fully expected to remain in that position. The Heritage WPF is thus a strong WPF and this remains the case after the correction of the error.
8. The effect of correcting the error is £50m greater post-Scheme as compared with pre-Scheme, and this is because (as set out in paragraph 4.16 of my Supplementary Report), Phoenix will not be continuing post-Scheme with the use of the Volatility Adjustment which applies within SLAL pre-Scheme. Use of the Volatility Adjustment enables a higher discount rate to be applied in valuing the liabilities (thus lowering the liabilities) but does not affect the actual investment returns which will be earned. This change is thus effectively one of presentation, as opposed to representing any genuine change to the long term financial strength or position of the Heritage WPF.
9. As stated in both my Main Report and in my Supplementary Report, the Heritage WPF is a ring fenced fund within SLAL (pre-Scheme) and within Phoenix (post-Scheme). The excess amounts of Own Funds over SCR shown in the above tables are restricted within the relevant entity Solvency II balance sheets and do not count towards the overall excess assets of SLAL (pre-Scheme) or Phoenix (post-Scheme).
10. As Independent Expert for the Scheme, I need to give consideration to two key matters arising from the identification and correction of this error. The first relates to policyholder benefit expectations and the second relates to financial security. These are considered below. I note that modelling errors arising within complex life

company valuation models are not without precedent, both in the UK and internationally. Phoenix/SLAL are in the process of determining the full causes of the error, but my understanding is that initial investigations reveal that the error arose from a misunderstanding as to the specification of one of the input parameters to the model. Throughout the course of my work as Independent Expert for this Scheme, I have found the financial and other information provided to me by the Companies to be of high quality with no issues of restatement or amendment arising prior to this particular error emerging. I am thus satisfied that the emergence of this error does not call into question the validity of the information which has been provided to me throughout the duration of my role as Independent Expert. I note that Phoenix/SLAL informed me promptly when the error was discovered. I note further that it is in my view preferable that this error has been identified pre-Scheme rather than post-Scheme, so that consideration can be given (as set out below) to any potential effects of the error on the effects of the Scheme.

Policyholder Benefit Expectations

11. In relation to benefit expectations, and given the ring-fenced and unsupported nature of the Heritage WPF, it is clear to me that any effect on benefit expectations arising from the correction of this error will be the same post-Scheme as pre-Scheme. This applies equally to with-profits, unit-linked, or non-profit policies and benefits within or allocated to the Heritage WPF. The conclusions which I reached in respect of benefit expectations within my Main Report and Supplementary Report thus remain unchanged.
12. I have, additionally, discussed the effects of this error with the WPA of the Heritage WPF, and I note that the Heritage WPF WPA has included the following written statement (within the Updated CA Supplementary Report) in respect of her investigations and considerations in relation to this matter:

"It is already clear that discovery of the error does not lead to any need to change the current investment mix of the Heritage WPF and will not affect consideration of future investment strategy. The transfer of the Heritage WPF business from SLAL to Phoenix will have no effect on the ongoing investigations into the error."

13. I note that the current mix and the future investment strategy, which the Heritage WPF WPA confirms will not be affected by the discovery of the error, are key aspects in relation to the benefit expectations of with-profits policies.

Financial Security

14. As already noted above, the Heritage WPF itself remains in a financially strong position, with a significant and ring-fenced excess of Own Funds over SCR, even after the correction of the error. As also noted above, the increased effect of the error as a result of the Scheme is one of presentation only.
15. The ultimate financial security for all policyholders derives from the position of Phoenix post-Scheme. In order to assess the effect of the error on this position I have set out below an updated version of Table 4.1 from my Supplementary Report. This updated table allows, both pre-Scheme and post-Scheme for the effects of correcting the error. Of key importance are the Solvency Coverage Ratios, and where these have changed from those in my Supplementary Report the values are shown in blue font with the changes shown in parentheses.

Table 3: Phoenix, SLAL and PLAL UK Solvency II balance sheet as at 30 June 2023 after correction of Heritage WPF modelling error *

| £m | Pre-Scheme | | | | Post-Scheme | Difference |
|---|------------|-------|---------------|-------|---------------|------------|
| | Phoenix | PLAL | SLAL | Total | Phoenix | |
| Own Funds (£m) (A) | 3,929 | 1,485 | 4,351 | 9,764 | 9,741 | (23) |
| RFF Restriction (£m) (B) | 358 | 311 | 1,288 | 1,957 | 1,849 | (108) |
| SCR (£m) (C) | 2,275 | 751 | 1,975 | 5,002 | 4,554 | (448) |
| Excess Own Funds (£m) (D=A-B-C) | 1,295 | 422 | 1,087 | 2,805 | 3,337 | 532 |
| Solvency Coverage Ratio – as per regulatory returns ((A-B)/C) | | | | | | |
| | 157% | 156% | 155% (-3%) | N/A | 173% (-2%) | N/A |
| Solvency Coverage Ratio – Shareholder (Actual) | | | | | | |
| | 175% | 230% | 183% (-1%) | N/A | 219% (-1%) | N/A |
| Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target) | | | | | | |
| | 175% | 230% | 161% (-2%) | N/A | 209% (-1%) | N/A |
| Solvency Coverage Ratio – Shareholder (Capital Policy Target) | | | | | | |
| | 139% | 146% | 135% | N/A | 138% | N/A |

Source: Phoenix Information summarised by Milliman

* The notes below Table 4.1 in my Supplementary Report also apply to the above Table 3.

16. The above table shows that (as expected) the only ratios which have changed are those for SLAL pre-Scheme and for Phoenix post-Scheme. The above table also shows that the changes are very small, which is essentially due to the ring-fenced nature of the Heritage WPF. The small changes which do arise to the pre-Scheme SLAL and the post-Scheme Phoenix Solvency Coverage Ratios arise from a small technical impact on the SCR of the SLAL PBF and the Phoenix NPF as a result of the increased SCR within the Heritage WPF. This can also be seen by the £10m reduction in the Excess Own Funds for SLAL pre-Scheme and Phoenix post-Scheme if the above table is compared with Table 4.1 of my Supplementary Report. I note in particular that the post-Scheme Shareholder Solvency Coverage Ratio – Adjusted for Comparison with the Capital Policy Target, falls by only 1% and remains materially above the Capital Policy Target.
17. Based on the above, I conclude that the effects of the error on my analysis of the effects of the Scheme on matters of financial security is immaterial. I can thus confirm that the conclusions which I reached in my Main Report and Supplementary Report in relation to the security of policyholder benefits remain unchanged.

Summary in relation to the Heritage WPF modelling error

18. Having considered the nature of the error which has been discovered, and having received and considered updated financial analyses from Phoenix and SLAL in respect of the effects of correcting the error, I confirm that the conclusions which I reached in my Main Report and Supplementary Report remain unchanged.

UPDATE IN RELATION TO SLAESL

19. Paragraph 5.25 of my Supplementary Report explained the position in relation to SLAESL in the event that the planned merger of PGS and SLAESL into PGMS to form a single service company does not occur prior to the

Transfer Date. In this event, SLAESL would need to become an Appointed Representative of Phoenix, and paragraph 5.25 stated that the relevant FCA application/notification process had been commenced.

20. It remains the case that the Companies expect the single service company to be operational prior to the Transfer Date. However, should this not be the case, alternative fallback arrangements are now intended as opposed to SLAESL becoming an Appointed Representative of Phoenix. All relevant staff are now employed by PGMS. PGMS will provide or procure services and personnel to Phoenix to enable it to carry on its insurance business (including the former SLAL business). For any activities post-Scheme which PGMS needs to carry out for Phoenix, and where PGMS does not yet have the relevant permissions, such activities will be provided on a “provision of personnel” basis, where such personnel undertake the activity in the name of (and under the direction and control of) Phoenix.
21. I am satisfied that these alternative fallback arrangements have no impact on the conclusions which I reached in my Main Report and my Supplementary Report.

UPDATE ON OBJECTIONS RECEIVED TO DATE

22. I have continued to monitor objections raised by policyholders regarding the Scheme following the finalisation of my Supplementary Report. It continues to be the case that there have been no objections of relevance to the Scheme where the aspects raised have not already been considered in my Main Report. I will continue to monitor any further objections received following the finalisation of this Addendum up until the final Court Sanctions hearings.
23. I have set out below in Table 4 a summary of the new and additional objections arising since finalising my Supplementary Report which fall into category b) as defined in paragraph 6.9 of my Supplementary Report. Table 4 below is in the same format as Table 6.2 of my Supplementary Report. In some cases the new objection relates to a matter already included in Table 6.2 of my Supplementary Report and I have indicated this within Table 4 below. I note that the objections in Table 4 below in respect of PLAL Case 32 are additional objections from a previously objecting policyholder. The objections arising from this policyholder (i.e. PLAL Case 32) have had a number of components which have been submitted by the policyholder in stages, and I have liaised closely with Phoenix/PLAL to ensure that full and complete responses have been provided to this policyholder.
24. I have liaised closely with the Companies to ensure that all new and additional objections arising since the finalisation of my Supplementary Report and up to the date of this Addendum have been considered by me and, where appropriate, included in Table 4 below. I can confirm that, taken together, Table 4 below and Table 6.2 of my Supplementary Report contain all the objection areas received to date which fall into category b) as defined in paragraph 6.9 of my Supplementary Report. These are the objection areas which are relevant to the Scheme and which are addressed and covered in my Main Report.

Table 4: Objections of relevance to the Scheme (addressed and covered in my Main Report), to date

| Case No.(s) | Summary of objection | Independent Expert response |
|----------------------|--|---|
| SLAL 174, PLAL 32 | <p>The benefit of the Scheme to policyholders.</p> <p>(Note: these objections relate to a matter already included in Table 6.2 of my Supplementary Report.)</p> | <p>The Scheme will benefit policyholders indirectly through the long-term operational and capital efficiencies achieved. This benefit is effectively explained in paragraphs 8.1 to 8.4 of my Main Report. However, it is not a requirement of the Part VII Transfer process that the Scheme must benefit policyholders either directly or indirectly. Additionally, my Main Report concludes that I am satisfied that the Scheme will not have a material adverse impact on the reasonable benefit expectations of the policyholders of the Companies, on the security of benefits of the policyholders of the Companies or on the levels of administration and customer service that apply to the policyholders of the Companies.</p> |
| SLAL 97 | <p>Impact of the Scheme on cyber security and data privacy and whether the Independent Expert has sufficient expertise to comment on cyber security matters.</p> <p>(Note: this objection relates to a matter already included in Table 6.2 of my Supplementary Report.)</p> | <p>The correspondence from the Companies to the objecting policyholders confirms that there will be no change of systems on which data is stored, no transfer of data as a result of the Scheme and no change in the teams or processes used in servicing the policies. The Phoenix Group operates a single risk management framework across the Companies; the cyber security and data privacy policies are therefore the same within each company, and will be the same pre and post-Scheme. The Phoenix Group carries out an external cyber audit annually, whilst its information security policy is reviewed annually. My Main Report does not address cyber security and data privacy explicitly, but the issue is covered by paragraph 12.34, in which I state that I am satisfied that the implementation of the Scheme would not have any material adverse impact on the standards of service, administration, management and governance applicable to policyholders of the Companies. See also the further comment below on my expertise in relation to cyber security.</p> |

PLAL 32

Concerns covering:

- f) The Funds' solvency;
- g) Whether Phoenix providing responses to customer objections referencing the view of the Independent Expert affects the independence of the Independent Expert;
- h) Whether policies will be exposed to new business risk after the Scheme;
- i) the reduction in PLAL's capital coverage;
- j) whether the Independent Expert is making implicit assumptions in reaching his conclusions.

f) The Companies and funds are all solvent, allowing where necessary for the relevant capital support. Paragraph 2.1 of my Main Report covers the provision of capital support by PLAL to the SERP WPF, London Life WPF and NPL WPF.

g) In paragraphs 3.27 onwards of my Main Report I describe my Independence, and as described in paragraph 1.11 of my Main Report I submitted a statement of Independence to the PRA and the FCA prior to their approval of me as the Independent Expert. It is normal practice for the companies involved in a Part VII Transfer to deal directly with correspondence with policyholders, liaising with the Independent Expert as necessary. It would not be practically possible for the Independent Expert to lead the responses provided to policyholders for all enquiries or objections and it normally requires the resources of the companies involved in a Part VII Transfer to be able to respond to the enquiries and objections in a timely manner. This approach does not compromise my Independence as the Independent Expert.

h) In paragraph 11.47 of my Main Report I state that in my view there will not be any material issues relating to the policyholders of PLAL becoming policyholders within a company that is open to new business (i.e. Phoenix). This is because new business written in Phoenix must be adequately capitalised under the requirements for the SCR and the Phoenix Capital Policy, and the liquidity requirements for the Companies will be unchanged by the Scheme and will continue to be applied consistently post-Scheme taking into account the new business being written. I note further that the closed WPFs within PLAL pre-Scheme will remain as closed WPFs within Phoenix post-Scheme. Paragraph 6.37 of my Main Report notes that in extreme adverse circumstances, the ring-fencing of closed WPFs will if necessary fall away (this being a matter of law). This would enable all policyholders of a company to be placed on equal footing in relation to their guaranteed benefits in such extreme circumstances. However, based on the capital positions of the Companies both pre-Scheme and post-Scheme, such extreme circumstances are in my view highly remote.

i) As outlined in paragraph 6.36 of my Main Report, any excess capital above that required under the PLAL CP (i.e. PLAL's Capital Policy Requirement) can be made available to shareholders, for example through dividends, therefore excess capital above that required under the PLAL CP should not be relied upon for policyholder security. As Phoenix expects to have more than enough assets to cover

its Capital Policy Requirement following the transfer, all customers will continue to have the same level of long-term financial security after the transfer.

j) In my Main Report, I note from paragraph 1.30 onwards that my conclusions depend on the substantial accuracy of the documentary evidence provided by Phoenix, and I have relied on this information without full independent verification. However, I have considered, and am satisfied with, the reasonableness of this information based upon my own experience across the UK life insurance industry. Other than this, it has not been necessary for me to make any assumptions as to (for example) future investment returns as these would be the same both pre-Scheme and post-Scheme.

PLAL 32 Impact of potential contagion risk and certain group aspects.

(Note: this objection relates to a matter already included in Table 6.2 of my Supplementary Report.)

In paragraphs 11.12 to 11.15 of my Main Report I cover the issue of contagion risk in detail and I state that I am satisfied that the contagion risk post-Scheme is not materially greater than pre-Scheme within the Companies. This risk will continue to be mitigated through the holding of capital in line with the Solvency II requirements and the Phoenix capital policy going forwards. I note that this policyholder has also raised queries in relation to structure charts and intra-group transactions. A structure chart is contained within paragraph 4.14 of my Main Report. I have considered intra-group transactions as necessary in my work and I have had access to all relevant group and intra-group information. I am satisfied that all relevant intra-group transactions are described and considered in my Main Report (e.g. paragraph 7.85) and in my Supplementary Report (e.g. paragraph 4.6).

SLAL 163 Concerns covering:

a) the evidence for assuming a 50% correlation between risks;

b) whether the property growth assumption assumed in the calculation of the No Negative Equity Guarantee for Equity Release Mortgages within the Phoenix Group Annual Report is compatible with PRA consultation paper CP13/18.

(Note: The above covers submissions made under this case to close of business on 28 September 2023 and I am aware that further submissions have subsequently been made.)

a) In Appendix F of my Main Report I provided a hypothetical example of how an additional diversification benefit can arise when companies with differing risk profiles are combined. This example provided as an illustration as to the plausibility of the outcome in question, and was not intended to relate to the actual correlations within the internal models of the Companies.

b) The assumptions used within the financial statements in the Phoenix Group Annual Report would have been set in relation to the IFRS or accounting basis. I note that PRA consultation paper CP13/18 (now implemented) refers to the assumptions used on a UK Solvency II basis. As I am concerned solely with the financial position on a UK Solvency II basis, I have not needed to consider any differences between the assumptions used for UK Solvency II and those used for IFRS. Furthermore, CP13/18 is not applicable to IFRS or accounting measures.

PLAL 77 Concerns in relation to IFRS17 and shareholding in abrdn.

Various further concerns, including capital policy and capital events, operational matters and mailing errors, previous schemes and certificates in respect of changes to previous schemes, reasonable expectations in adverse conditions.

(This case is also listed in Table 6.2 in my Supplementary Report.)

In relation to the concern arising from being a PLAL policyholder and a shareholder in abrdn which owns part of PGH, any such shareholding is separate to the policies held and thus not of relevance to Scheme.

Paragraph 4.7 of my Supplementary Report explained that IFRS17 is of no relevance to my consideration of the Scheme.

All of the various other concerns raised have been covered in the relevant sections of my Main Report or my Supplementary Report.

25. As noted in the above table, the policyholder in case SLAL 97 has questioned whether I have sufficient expertise to consider and opine in relation to matters of cyber security. I have (via SLAL) acknowledged to this policyholder that I am not an expert in the area of cyber security, and noting my view that no Independent Expert appropriate to consider this complex Scheme can be expected to have detailed expertise in such a specialist area. Had it been necessary, then I would have taken my own advice in this area from a cyber security specialist. However, given the facts and explanations set out in the above table, I am satisfied that no change is actually taking place in relation to matters of cyber security, and hence there has been no need for me take any specialist advice.

26. In addition to the areas of objection and concern set out in Table 4 above and in Table 6.2 of my Supplementary Report, I note that a number of transferring policyholders have raised an objection or a concern on the basis that they do not wish to be transferred to Phoenix, and that for various reasons their desire or preference is to remain in their current company. I note that the purpose of the Part VII Transfer process (which includes consideration and scrutiny of a proposed Scheme by an Independent Expert, the regulators, and the Court) is to allow portfolios of insurance business to be transferred from one insurer to another without policyholder consent provided that the Court is content to sanction the Scheme having considered the reports of the Independent Expert and the

regulators. Hence, any objection based on a desire or preference not to be transferred cannot in my opinion be regarded as having any foundation. I note further that if, for the sake of argument, an opt-out was granted and a relatively small number of policyholders remained long term in any of PLAL, SLAL, or SLPF, the resulting residual company or companies would likely be difficult to properly manage from a number of different viewpoints, and this could be to the detriment of the policyholders opting to remain in that company or companies. It would be possible to fully reinsure these residual policies back to Phoenix (for example as with the Excluded Policies), but in this case the position would be in practice the same as if the policies had been transferred, thereby defeating the objective of granting an opt-out.

27. Since finalising my Supplementary Report, I have received one additional piece of correspondence directly from a policyholder, which was a follow-up to my previous response provided to that policyholder as described in paragraph 6.13 of my Supplementary Report. In my further response to this policyholder, I stated that the majority of the queries were best responded to by Phoenix to enable the responses to be properly joined up with this policyholder's previous enquiries, and to enable these enquires to be properly logged along with other similar enquiries. I have liaised with Phoenix in relation to its response to this policyholder. I did however respond directly to this policyholder on the query related to the peer review of my Main Report and my Supplementary Report. I noted that the peer review was carried out by a Principal of Milliman in the UK who is a highly experienced actuary who has experience of Part VII Transfers and the role of the Independent Expert. I also noted that it is normal practice not to name the peer reviewer in the report, and that the peer reviewer has provided with me with internal written confirmation that the peer review has been carried out, this again being normal process.
28. For the avoidance of doubt, I can confirm that my consideration of all the objections received and considered, both in my Supplementary Report and in this Addendum, together with my consideration of the responses from the Companies, would not have been any different or had any different outcome had the modelling error in respect of the Heritage WFP (as described above) been known of prior to the commencement of my work as Independent Expert.

UK SOLVENCY II REVIEW RESPONSE TO CONSULTATION

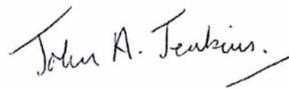
29. Paragraph 7.4 of my Supplementary Report noted that the PRA was due to issue a further consultation paper which was expected to focus on certain aspects related to the Matching Adjustment. This consultation paper (known as CP19/23) was published by the PRA on 28 September 2023, with a deadline for consultation responses of 5 January 2024. The areas covered by this consultation paper are broadly as expected and comprise:
- Widening the range of investments that firms may hold in Matching Adjustment portfolios.
 - Expanding the type of insurance business that may use the Matching Adjustment.
 - Removing a current technical limit on the amount of Matching Adjustment applicable to certain lower graded assets.
 - Establishing a streamlined Matching Adjustment application process for a range of suitable assets.
 - Making the regulatory treatment of breaches of Matching Adjustment conditions more proportionate.
 - Increasing the granularity of the fundamental spread (which is the measure of risk), where appropriate, to reflect differences in the credit quality of firm's assets by rating notch (i.e. using the rating sub-category as well as the main rating category).
 - Introducing an attestation process for the amount of Matching Adjustment benefit being claimed.
 - Clarifying expectations around the risk management of certain lower graded assets.
 - Formalising the data submitted to the PRA by firms on the assets and liabilities in their Matching Adjustment portfolios.
 - Converting expectations on internal credit assessments to requirements.
 - Introducing a Matching Adjustment eligibility condition for firms to be able to demonstrate compliance with

the Prudent Person Principle.

30. The consultation paper has only very recently been published, and is now in the process of being considered and digested by all UK life companies (including the Companies) and practitioners who have an interest in the Matching Adjustment, including the detail contained in each of the above areas. However, I note that the areas covered by this consultation paper are broadly as expected, and I note further that whatever changes to the Matching Adjustment regime which come into being in due course as a result of this consultation will be the same whether or not the Scheme proceeds. I am thus satisfied that there are no changes to any of the conclusions which I reached in my Main Report and my Supplementary Report as a result of the publication of this consultation.

CONCLUSIONS

31. In this Addendum to my Supplementary Report, I have considered various matters which have arisen since finalising my Supplementary Report.
32. I have also considered the further policyholder objections and the additions made to existing policyholder objections arising to date since finalising my Supplementary Report. I remain satisfied that no objections raised by policyholders to the Scheme relate to matters which I have not considered in my Main Report. I will continue to liaise with the Companies to consider any further objections arising up to the dates of the final Court hearings.
33. I am satisfied that the conclusions which I reached in my Main Report and my Supplementary Report remain unchanged.



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2 October 2023



MODELLING ERROR IN RELATION TO THE HERITAGE WPF

Further statement from the Independent Expert

3 October 2023

Further to the Addendum to my Supplementary Report dated 2 October 2023, I note by way of clarification that Phoenix/SLAL are in the process of updating the estimates of the effects of correcting the error, particularly in respect of the effects on the SCR of the Heritage WPF itself and the consequent technical effect on the SCR of the SLAL PBF (pre-Scheme) and the Phoenix NPF (post-Scheme). I have reviewed the 3 October 2023 joint update to the Supplementary Reports produced by the Chief Actuaries of the Companies, and by the With-Profits Actuary of the Heritage WPF. I am satisfied that the estimates already produced upon which I based my Addendum are in my view sufficient for my consideration of this matter, and that the conclusions which I reached in my Addendum are unaffected by this ongoing process to refine the estimates in question.