RETIREMENT ACCOUNT

SHARE DEALING GUIDE

SCOTTISH WIDOWS
INTRODUCTION

Scottish Widows have teamed up with Stocktrade to provide a facility for Retirement Account customers to buy and sell listed securities within their pension policy. We call this facility the ‘Share Dealing account’.

This guide explains how the Share Dealing account works, including how to set up an account, and the range of investments from which you or your adviser can choose.

Neither Scottish Widows or Stocktrade will provide any advice on the purchase or sale of particular securities. Instead, you or your adviser will be responsible for determining the suitability of each investment selected.

ABOUT STOCKTRADE

Stocktrade is a trading name of Alliance Trust Savings (ATS). With over 30 years’ experience in investment administration, Alliance Trust Savings has over £16 billion of assets under administration, and an award winning suite of products.

Stocktrade has acquired an enviable reputation for reliability, friendliness and efficiency amongst its client base of individuals, companies and institutions.
WHAT CAN I INVEST IN?

Your Share Dealing account can invest in the following types of securities, provided Sterling prices are available:

- Company shares and bonds listed on an HM Revenue & Customs (HMRC) recognised Stock Exchange;
- Government, public and local authority bonds listed on an HMRC recognised Stock Exchange;
- Investment Trusts and Real Estate Investment Trusts (REITs) listed on an HMRC recognised Stock Exchange;
- Exchange Traded Products (ETPs) listed on the London Stock Exchange, or on the Official List of a competent authority in another European Economic Area (EEA) State.

For further details of what is meant by a HMRC recognised stock exchange, please visit www.hmrc.gov.uk/fid/rse.htm

Your Share Dealing account cannot invest in any other type of investment, including unlisted shares, Unit Trusts and Open Ended Investment Companies (OEICs).

Some further restrictions apply. Specifically, your Share Dealing account cannot invest in:

- Lloyds Banking Group shares;
- Securities linked directly to commodities or indices tracking commodities, for example Exchange Traded Commodities (ETCs);
- Certain listed securities determined by Scottish Widows from time to time.

If at any time your Share Dealing account holds an investment which is not permitted, we will correct the position by selling the investment at the applicable market price. This may be less than the price originally paid. The costs of correcting the position will be taken from your Share Dealing account.

If you are in any doubt regarding the investments your Share Dealing account can hold, please contact Scottish Widows before submitting an investment instruction.

RISKS

Before choosing to invest using a Share Dealing account, you should consider the risks that can apply, including:

- The value of shares and any income from them is not guaranteed and can go down as well as up. You may not get back the original amount you invested. Shares issued by smaller companies and organisations are likely to be higher risk.
- The value of government, company, public and local authority bonds can go down as well as up. You may not get back the original amount you invested. Their value will generally fall if interest rates rise or are expected to rise. This risk is greater for longer dated bonds. The value of a bond will also generally fall if the issuer receives a reduced credit rating. If the issuer defaults, some or all of the value of the bond could be lost. Higher yielding bonds carry an increased risk that the issuer will receive a reduced credit rating, or default.
- For investments denominated in a currency other than Sterling, exchange rates can affect investment returns.
- Economic, market, social and political change can influence investment returns. Investing overseas can be higher risk, particularly in less well regulated or emerging markets.
- Investing in a few specific securities means the value of your Share Dealing account will be dependent on the performance of only a limited number of underlying investments. This is generally much riskier than investing in pooled investments such as Unit Trusts and OEICs, where risk is spread (diversified) across a wider range of underlying assets.
- Certain investments can take longer to sell than others, including investments linked directly or indirectly to property, and Venture Capital Trusts (VCTs). This may affect investment returns, particularly if you need to sell quickly.
- Some investments, for example VCTs, can be tax-efficient when held by individuals. These tax efficiencies may not apply, or apply only to a lesser extent, when held by your Share Dealing account.
• Geared investments, such as certain investment trusts, borrow to help generate investment returns. Their value will normally fall if investment performance does not exceed the cost of borrowing. Higher borrowing normally results in greater volatility.

You should speak to your financial adviser before deciding to invest using a Share Dealing account. Your adviser can help you choose securities which are suitable for your needs and circumstances, and which reflect your attitude to risk. They can also advise on any tax implications, and inform you on how to effectively manage and diversify the risks of your Share Dealing account.

SET UP OF A SHARE DEALING ACCOUNT

To set up a Share Dealing account, you will need to complete a Share Dealing application form. This form is included in the Retirement Account application pack. Alternatively you or your adviser can request it from the Scottish Widows website or by contacting us.

The form will ask for personal information to set up a secure dealing link and will also request details of the cash amount(s) to be moved to your Share Dealing account. It should be completed and returned to Scottish Widows.

Following receipt of a fully completed application, a Share Dealing account will be set up with Stocktrade for each part of your Retirement Account policy. Policies started before 6th April 2012 can have up to four Share Dealing accounts. If you started your policy on or after that date, it can have up to two Share Dealing accounts. Each Share Dealing account has associated Deposit and Income Cash accounts. You or your adviser will receive confirmation once your Share Dealing account(s) have been set up.

Stocktrade will issue you with a copy of their terms and conditions of business which you should read and keep in a safe place. You should only activate your Share Dealing account if you agree to and accept these terms and conditions. Stocktrade will also issue you with a Username, Password and Passphrase to enable you to access the Share Dealing service. These details must not be disclosed to third parties. If you have nominated a financial adviser to trade on your behalf they will be given their own Username, Password and Passphrase.

Once your Share Dealing account(s) have been set up cash amount(s) can then be moved to your Deposit Cash account(s) and trading can begin.

Before we can move cash to your Share Dealing account(s) you must have sufficient funds available in the relevant Retirement Account Control Account(s).

To move cash to or from your Share Dealing account(s), you or your adviser must ask Scottish Widows who will arrange to move the relevant funds.
HOW TO BUY OR SELL INVESTMENTS

ONLINE SHARE DEALING

Features of the online Share Dealing service include real time dealing on quoted prices, real time prices, portfolio and personal “watchlists”, cash and stock history and automatic price improvement services.

You or your adviser can view your current portfolio or place buy or sell orders for UK listed securities at any time. Trading instructions can only be carried out between 8:00am and 4:30pm Monday to Friday excluding UK bank or public holidays.

Certain securities listed on an overseas exchange cannot be traded online. Instead these orders can be placed using the telephone Share Dealing service. This can also be used if the online service is unavailable, or if you prefer not to trade online.

The telephone Share Dealing service is available between 8:00am and 9:00pm Monday to Friday excluding UK bank or public holidays.

To use the telephone Share Dealing service, please contact Stocktrade on 0131 240 0400. You or your adviser will be asked to verify your identity and confirm your trade instructions. Calls may be monitored and recorded to help to improve service. Please note that orders placed using the telephone Share Dealing service will incur additional charges.

Stocktrade will provide a live indicative share price and you or your adviser will be asked if you wish to proceed with the transaction.

Remember, securities can only be purchased if there is sufficient cash in the appropriate Share Dealing account(s). If you wish to transfer monies held in a Retirement Account Control Account please contact Scottish Widows to instruct us to move the funds across prior to dealing.

CONTRACT NOTES

Stocktrade will issue you with a contract note confirming the execution of your order.

The contract note will contain all relevant details of the transaction and should be retained for future reference. Please check the details of the contract note carefully and contact Stocktrade immediately, using the contact details shown on page 8 of this guide, should they differ from your order.

Investments held in your Share Dealing account are beneficially owned by Scottish Widows Ltd.

DIVIDENDS AND DISTRIBUTIONS

Dividends and other income distributions are collected on your behalf and credited to your Share Dealing Income account.

Income is automatically transferred to your Share Dealing Deposit account on a quarterly basis, or more frequently on request.

CORPORATE ACTIONS

Stocktrade will contact you regarding Corporate Actions and request your instructions should this be necessary. Please be aware neither Scottish Widows or Stocktrade can provide any advice in relation to Corporate Actions.

INTEREST ON SHARE DEALING CASH ACCOUNTS

Gross interest is credited to your Share Dealing Deposit account at the end of April and October each year. Money held will normally earn interest at a rate below the Bank of England Base Rate (“base”), accrued on a daily basis. Details of the current rate of interest is available upon request from Stocktrade.
## CHARGES

Stocktrade will make the following charges and deductions from your Share Dealing account. These will reduce its value.

<table>
<thead>
<tr>
<th>Charge</th>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stocktrade</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>Charge per trade</td>
<td>0.3% of the trade value</td>
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<td></td>
<td>subject to:</td>
<td>minimum charge of £15</td>
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<tr>
<td></td>
<td></td>
<td>maximum charge of £75</td>
</tr>
<tr>
<td>Custodian charge*</td>
<td>Quarterly charge per Share Dealing account</td>
<td>£17.50 per quarter</td>
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<tr>
<td>Supplementary Account Fee*</td>
<td>Applies in the following circumstances -</td>
<td>£375 Annually</td>
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<td></td>
<td>- You are a non-UK tax resident or your</td>
<td></td>
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<tr>
<td></td>
<td>permanent address is not in the UK</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- You hold non-standard investments</td>
<td></td>
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<tr>
<td>Offline Trading</td>
<td>An additional charge will be applied</td>
<td>£30 per trade</td>
</tr>
<tr>
<td></td>
<td>where a trade is requested offline (phone, email, fax).</td>
<td></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>Applies to UK share purchases</td>
<td>0.5% of purchase value</td>
</tr>
<tr>
<td>Panel on Takeovers and Mergers (PTM) levy</td>
<td>Applies to UK share transactions over £10,000</td>
<td>£1</td>
</tr>
</tbody>
</table>

* This charge will be deducted from the cash deposit account. If an insufficient balance is available to pay the charge, the charge will accrue. Outstanding charges will be settled when further monies are added to the cash deposit account.

In addition, Stocktrade will normally retain part of the interest earned on cash deposits. Details of the current rate of interest is available on request from Stocktrade.

For transactions in overseas investments, additional charges can apply. You will be advised of these at the point of dealing.

If you choose to invest in collective investments, such as Investment Trusts and Exchange Traded Funds, other expenses may apply – these will vary per investment.

Stocktrade may, on giving a minimum of one month’s notice in writing, increase any of their charges detailed opposite. This would be to a level which Stocktrade would consider in good faith will result in their charges and fees being reasonable for the services provided.

Valid reasons for Stocktrade deciding to increase their charges are:

i) any change in law or taxation that affects the service, or

ii) unforeseen circumstances resulting in either

1. their staff or overhead costs being significantly more than was anticipated, or

2. their income from charges being significantly less than they anticipated, relative to their costs.

In deciding upon any changes, Stocktrade will take into account the general level of such charges and fees in the market for services of similar types, and any previous increase in the scale.
ILLUSTRATIONS

To help to quantify the charges and expenses that can apply to a Share Dealing account, we have constructed the following example portfolio, based on a £70,000 investment. This has been produced for illustrative purposes only.

<table>
<thead>
<tr>
<th>Portfolio Value</th>
<th>£70,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td></td>
</tr>
<tr>
<td>Stocks and shares (direct holdings)</td>
<td>65%</td>
</tr>
<tr>
<td>Cash</td>
<td>18%</td>
</tr>
<tr>
<td>Investment Trusts</td>
<td>9%</td>
</tr>
<tr>
<td>Exchange Traded Funds</td>
<td>8%</td>
</tr>
<tr>
<td>Trading frequency</td>
<td></td>
</tr>
<tr>
<td>Average number of trades per year</td>
<td>3.7</td>
</tr>
<tr>
<td>Average Amount of deal</td>
<td>£12,000</td>
</tr>
</tbody>
</table>

We have calculated that a total annual equivalent charge of 0.774% would apply to the above example portfolio, based on the investments held and trading frequency.

We use the above sample charge in personalised illustrations which accompany the Key Features document. We do this to help illustrate the possible effects that charges and expenses could have on the value of a Retirement Account, if Share Dealing is chosen.

The actual charges and expenses incurred for your Share Dealing account will depend on the investments you select and how often you trade. The charges could be higher or lower than the sample charge shown above.

TAXATION ON YOUR SHARE DEALING ACCOUNT

As your Share Dealing account is held within a pension scheme, you will not be liable for any tax on income or gains generated by the underlying investments.

The pension scheme is generally free from UK income and capital gains tax, although it may not be possible to reclaim tax deducted on overseas investments.

Tax rules can change.

ACCESS TO SHAREDEALING

To access the Sharedealing platform, you need to log onto the Scottish Widows website using your secure login, and click the link for Sharedealing. This is available to customers and financial advisers who have applied for either dealing or view only access.
DISINVESTING FROM THE SHARE DEALING ACCOUNT

In the event that you wish to disinvest part or all of the value of your Share Dealing account, you must instruct Stocktrade to sell the relevant securities. This can be done online, or via the telephone dealing option.

Once the sale proceeds (less charges) are received into your Share Dealing Deposit Cash account(s), you must instruct Scottish Widows to move the relevant value back to the appropriate Control Account(s).

If you are disinvesting in order to take benefits or to transfer to another pension scheme, you should disinvest assets from the Share Dealing account in good time before the date you intend to take benefits or transfer.

ACCOUNT CLOSURE

If you disinvest all of the value of a share dealing account you must tell Scottish Widows whether you want to suspend or close the account. This will ensure that Stocktrade stop deducting the custodian charge. If you expect to invest further amounts in the share dealing account in the future you should ask us to suspend the account.

If you decide to close an account it cannot be reopened in the future. If you fail to ask us to suspend or close an account the custodian charge will continue to accrue. The outstanding charge may be deducted from the value of your policy.

IN SPECIE TRANSFERS

If you decide to transfer to another pension scheme, rather than disinvest the securities held in your Share Dealing account, you may be able to transfer these investments directly to your new provider.

This is commonly referred to as an ‘in specie’ transfer. Please refer to the ‘Retirement Account In specie Guide’(47940) or contact Scottish Widows for further details.
CONTACT DETAILS

If you have any questions relating to your Share Dealing account, please contact Stocktrade at:

0131 240 0400

Stocktrade, PO Box 164, 8 West Marketgait, Dundee, DD1 9YP

If your enquiry relates to the transfer of funds between your Retirement Account and your Share Dealing account, or is specific to your Retirement Account, please contact the Retirement Account team on 03457 166 733.

OTHER

Charges limits and terms may change.