Scottish Friendly Assurance Society Limited

Proposed transfer of long term insurance business from FIL Life Insurance Limited to Scottish Friendly Assurance Society Limited

Supplementary Report of the Chief Actuary of Scottish Friendly Assurance Society

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Peer Review:	Alan Rankine FFA, Chief Financial Officer
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Contents

Version Control

Version	Date	Comments
0.1	12 June 2026	Initial draft
0.2	15 June 2026	Update following Chief Actuary review
0.3	23 June 2026	Update following Board Subgroup Review
0.4	26 June 2026	Update following external review
0.5	01 July 2026	Update following Peer Review
0.6	08 July 2026	Update following external review
0.7	24 July 2026	Update following PRA and FCA review
0.8	27 July 2026	Wealth Management update
0.9	7 August 2026	Update following PRA and FCA second review
1.0	18 August 2026	Update following PRA and FCA third review
1.1	24 August 2026	Final Draft

1 Introduction

Purpose and Scope

1.1. Scottish Friendly Assurance Society Limited (“Scottish Friendly”) has agreed to acquire a book of closed-to-new-business Section 32 unit-linked pensions policies and in-payment annuity policies (the “Transferring Business”) from FIL Life Insurance Limited (“FIL”).

1.2. The proposed transfer to Scottish Friendly will be achieved by a Scheme of Transfer (“the Scheme”) under Part VII of the Financial Services and Markets Act 2000 (“FSMA”). The proposed date of the transfer is 30 September 2026 (the “Effective Date”), subject to the transfer being sanctioned by the High Court. This transfer is hereafter referred to as the Transfer.

1.3. The purpose of this report (the “Supplementary Report”) is to provide an update to my initial report (the “Main Report”) dated 16 March 2026. In particular, this report considers whether the conclusions set out in my Main Report remain appropriate in light of the developments which have occurred since that date. Such developments are discussed further in this report, and include:

- Updated financial and risk position;
- My analysis of policyholder responses to the Scheme; and
- Updates on other material matters which have arisen since the Directions Hearing.

1.4. As with the Main Report, this Supplementary Report has been written for the Board of Scottish Friendly in my capacity as Chief Actuary of Scottish Friendly. As well as the Board, it will also be provided to the High Court, the Independent Expert (“IE”), the Prudential Regulation Authority (“PRA”), and the Financial Conduct Authority (“FCA”) in forming their own judgements about the Scheme.

1.5. While this Supplementary Report is intended to be able to be read as a standalone document, I have not repeated certain elements of background information from my Main Report. Therefore, readers of this report should read it in conjunction with my Main Report, and with the main and supplementary reports of the Independent Expert, the With-Profits Actuary of Scottish Friendly, the Chief Actuary of FIL, and the Scheme document itself.

Disclosures and conflicts of interest

1.6. I am a Fellow of the Institute and Faculty of Actuaries, having qualified in 2011, and hold a Chief Actuary (Life) Practicing Certificate issued by the Institute and Faculty of Actuaries. I have been an employee of Scottish Friendly since 2019 and was approved to act as Chief Actuary (SMF20) of Scottish Friendly with effect from January 2023.

1.7. I confirm that I am not a policyholder in FIL and do not hold shares or have any other financial interest in FIL or any of the companies in the same group. I also confirm that I am not a policyholder of Scottish Friendly.

1.8. As I previously noted in my Main Report, my two children continue to hold Junior ISAs invested with Scottish Friendly, which I currently control, and are within the cohort of Existing Policies which I consider in this report. The amounts they have invested are entirely trivial in the context of the wider fund (less than £20k in aggregate) and I am satisfied that this does not give rise to a conflict of interest that would either prevent me from forming conclusions in relation to the Scheme or influence those conclusions.

1.9. Concurrent to completion of the Part VII Transfer from FIL, Scottish Friendly is also undertaking preparations for a merger with Family Assurance Friendly Society Limited (‘OneFamily’). This merger is expected to complete in Q1 2027, subject to regulatory and member approval. At the point the merger completes I will cease to be employed by Scottish Friendly and my employment will not transfer to OneFamily. Whilst I have applied, to the best of my abilities, an objective assessment of the facts and circumstances in relation to the merger, the users of this report should be aware of my potential conflicts of interest, particularly those which could exist due to unconscious biases arising from my own circumstances. I do not believe that this potential conflict has impacted my work on this report or my conclusions.

Reliances

1.10. In forming my opinions on the Scheme, I have considered the views of Mr Callum Stuart FFA, the With-Profits Actuary of Scottish Friendly, on the implications of the Scheme for the with-profits policyholders of Scottish Friendly. Mr Stuart has provided his opinions in a separate Supplementary Report to the Board of Scottish Friendly. I have reviewed an advanced draft version of that Report.

1.11. I have been provided with a copy of a near-final Supplementary Report from Mr John Jenkins FIA, the Chief Actuary of FIL, and have considered his report in forming my opinions on the impact of the Scheme. While I have not relied on the opinions presented in those reports, I have relied on the factual accuracy of the material presented therein.

1.12. Similarly, I have been provided with a copy of the near-final Supplementary Report of Mr Marc Loh FIA, who has been appointed as the Independent Expert in respect of the Scheme.

1.13. In preparing my report, I have relied on the accuracy of certain information provided by FIL in relation to the Transferring Business. This includes the information presented in the Main and Supplementary Report by FIL’s Chief Actuary and also the information provided by FIL as part of the transaction process. Elements of this information have been subject to review and scrutiny as part of the transaction process and, where relevant, I have requested clarification on specific matters to improve my understanding of the information presented.

Compliance with Technical Actuarial Standards (TAS)

1.14. This report, and the underlying preparation work that has been carried out, is, in my opinion, compliant with the relevant Technical Actuarial Standards issued by the

Financial Reporting Council ("FRC") for members of the Institute and Faculty of Actuaries ("IFoA") in all material respects. The relevant standards include:

- Technical Actuarial Standard 100: General Actuarial Standards v2.0
- Technical Actuarial Standard 200: Insurance

1.15. TAS 200 Provision 4. Insurance transformations specifically sets out the actuarial standards applicable to technical actuarial work related to insurance transformations, which includes providing an opinion on Part VII transfers.

1.16. I have also considered the relevant professional standards issued by the IFoA and believe that this work complies with these standards. In particular, this report has been peer reviewed by Alan Rankine, FFA and is considered to be compliant with APS X2.

1.17. The Actuarial Profession has published a series of risk alerts requiring all actuaries to consider, and communicate clearly, the impact of climate change and sustainability issues or risks within their actuarial work and demonstrate an understanding of the limitations and uncertainties when evaluating and communicating climate related financial risks. Climate change was explicitly considered within my Main Report as part of the consideration of the impact of the proposed Transfer on the risk profile of Scottish Friendly. No further update has been given in this report as the position is unchanged.

Structure of this report

1.18. The remainder of this report covers the following information:

- Section 2 provides an update on the Financial and Risk Position of Scottish Friendly;
- Section 3 provides an overview of Policyholder Communications and Objections;
- Section 4 assesses other relevant updates which have occurred since the Directions Hearing;
- Section 5 summarises my conclusions on the impact of the Scheme.

2 Update on Financial Position and Risk Profile

Summary of the Business of Scottish Friendly

2.1. As at 31 December 2025, Scottish Friendly had £4.4bn of assets under management, 1.3m policies in force, and £4.01bn of Technical Provisions ("TPs"), made up of £4.0bn Best Estimate Liabilities ("BEL") and a £13m risk margin.

2.2. The following tables summarise the in-force liabilities as at 31 December 2025. These are similar in nature and magnitude to the liabilities as at 30 June 2025.

Scottish Friendly Main Fund	Policy Count	Gross BEL (£m)	Net of Reinsurance BEL (£m)
CWP	61,849	79.5	79.5
UWP	72,356	191.4	191.4
Unit-linked life	108,467	609.0	609.0
Unit-linked pensions	62,248	1,760.7	1,480.1
Whole of Life	429,905	333.6	82.5
Term Assurance	394,694	135.6	-36.1
Other	8,630	119.2	78.8
Total	**1,138,150**	**3,228.9**	**2,485.2**

Sub-fund	Policy Count	Gross BEL (£m)	Net of Reinsurance BEL (£m)
Scottish Legal	113,734	56.2	56.2
M&GM	23,185	635.8	528.4
Manulife	6,850	77.6	77.6
Total	**143,769**	**769.6**	**662.2**

Expected Impact of the Scheme: Pillar 1

2.3. The conclusions in my Main Report were based on financial information as at 30 June 2025. The table below shows the updated financial position as at 31 December 2025.

<u>30 June 2025 – As shown in my Main Report</u>

Pillar 1 position as at 30 June 2025	Pre-Transfer (£m)	Post-Transfer (£m)
Own funds	141.7	156.9
SCR	62.7	87.6
Solvency ratio	**226%**	**179%**

<u>31 December 2025 – Latest reported position</u>

Pillar 1 position as at 31 December 2025	Pre-Transfer (£m)	Post-Transfer (£m)
Own funds	126.6	145.7
SCR	64.4	90.2
Solvency ratio	**197%**	**162%**

2.4. Based on the position as at 31 December 2025, the impact of the transfer is to reduce the Pillar 1 capital coverage ratio from 197% to 162%.

2.5. I acknowledge that the post-Transfer position is somewhat lower than shown in my Main Report (162% v 179%). This is due to the pre-Transfer position being around 30 percentage points lower in December 2025 than was the case in June 2025. The main driver of the movements are:

- Own funds: decrease of £15.1m arising from a number of factors, including distribution of ProfitShare, a change to terms of a commercial agreement, a one-off reduction in an accounting receivable, and project and marketing costs which are expected to be value generative in the long-term but which, due to restrictions arising from Solvency UK regulations, create a short-term strain on the solvency position;

- SCR: increase of £1.7m, arising partly due to second order impacts arising from one-off changes to actuarial assumptions.

2.6. The impact of the Transfer on the solvency ratio is lower as at 31 December 2025 than at 30 June 2025 (a reduction of 35 and 47 percentage points, respectively). This is due to the higher level of incurred project costs as at 31 December 2025, which reduces the pre-Transfer own funds and therefore decreases the overall impact of the Transfer.

2.7. Although the post-Transfer position is lower than in my Main Report, it remains comfortably in excess of Scottish Friendly's solvency appetite trigger level (150%), and, indeed, represents a very significant margin in excess of the amount needed to satisfy Solvency UK regulations. As such, I do not believe that this invalidates any of the conclusions which I reached in my Main Report.

2.8. More generally, I note that a reduction in solvency ratio is commonplace following most acquisitions. Although own funds increase materially as a result of the Transfer (demonstrating the value which is being added for members), there is also a material increase in the quantum of capital which Scottish Friendly is required to hold in accordance with Solvency UK regulations. Over time, if experience emerges in line with expectations, this capital requirement will be released, and the solvency ratio will increase.

Outlook for Solvency Position

2.9. Over the course of 2026 I note that the solvency coverage ratio is projected to reduce further, primarily as a result of incurring project and marketing costs which are expected to be value-additive in the long-term but which cannot be recognised as an immediate benefit on the solvency balance sheet.

2.10. I note that Scottish Friendly is currently in the process of implementing an asset and liability management technique referred to as "unit matching" for its existing unit-linked business. The introduction of unit matching will mean that the composition and form of assets held on Scottish Friendly's balance sheet will more closely match its underlying liabilities. For the avoidance of doubt the introduction of unit matching will have no impact on the amounts received by policyholders.

2.11. Implementation of unit matching is scheduled for Q4 2026, subject to sign-off from the Risk Function of the processes and controls involved.

2.12. In due course Scottish Friendly also intends to extend unit matching to the Transferring Business. I estimate that if unit matching had been introduced at 31 December 2025 it would improve the solvency position post-Transfer by up to 30 percentage points (by materially reducing the quantum of capital needed to support market risk, with no impact on own funds).

2.13. Once unit matching has been implemented, the projected solvency position as at YE26 is expected to be broadly consistent with that reported for YE25.

Expected Impact of the Scheme: Pillar 2

2.14. The results on a Pillar 2 basis are not publicly available. The absolute solvency ratio on a Pillar 2 basis is higher than the equivalent Pillar 1 result pre-Scheme and that is expected to remain the case post-Scheme. The impact of the Scheme on the financial position is consistent with that shown for Pillar 1, with the solvency position reducing as a result of the Transfer for the same reasons as set out above.

2.15. Based on the position as at 31st December 2025, the post-Transfer solvency ratio on a Pillar 2 basis is expected to be in excess of the solvency appetite trigger level approved by the Board (160%).

Update on Risk Profile of the Business

2.16. The following table shows an update on the exposure to market, counterparty, life, health and operational risks at 31 December 2025 for Scottish Friendly pre-Transfer, and the expected position post-Transfer. These risks are similar in magnitude as at 30 June 2025.

2.17. These are measured by the Pillar 1 SCR undiversified capital requirements:

Risk Category	Scottish Friendly Pre-Transfer		Scottish Friendly incl. Proposed Scheme	
	£m	%	£m	%
Market	42.1	31%	60.4	36%
Counterparty	10.1	7%	10.3	6%
Life	69.6	51%	84.7	50%
Health	1.1	1%	1.1	1%
Operational	13.1	10%	13.1	8%

2.18. The following table shows an update of the breakdown of risk exposure for the Main Fund only at 31 December 2025. This is also measured by the Pillar 1 SCR undiversified capital requirements.

Risk Category	SF Main Fund Only Pre-Transfer		SF Main Fund Only incl. Proposed Scheme	
	£m	%	£m	%
Market	37.1	32%	55.4	37%
Counterparty	9.4	8%	9.7	6%
Life	59.5	51%	74.6	50%
Health	1.1	1%	1.1	1%
Operational	9.9	8%	9.9	7%

2.19. I note that I have not yet had access to detailed look-through data on the composition of assets held by the underlying OEICs / ACSs that form the building blocks for the

FutureWise fund range. As such, I have not been able to establish the extent to which the investment strategy for these funds is currency hedged.

2.20. My latest understanding is that the investment strategy may be only partly currency hedged, which would mean that the present value of future charge income for Scottish Friendly would be exposed to currency movements.

2.21. My analysis above does not include any allowance for a currency risk capital requirement. If the investment strategy adopted by the FutureWise range is not fully currency hedged it could reduce the post-Transfer solvency position by up to four percentage points in isolation. However I do note that any currency exposure would be largely hedged post-Transfer through the implementation of unit matching.

3 Policyholder Communications and Objections

Policyholder Communications

Waivers

3.1. As set out in my Main Report, I was supportive of an application being made to the Court for a waiver from mailing all existing policyholders of Scottish Friendly about the Transfer. This waiver was granted at the Directions Hearing on 27 March 2026.

Delegate approval

3.2. On 29 April 2026, a Special General Meeting ("SGM") was held to seek approval from the Delegates of Scottish Friendly to support the Transfer.

3.3. In advance of the SGM, Delegates were sent an information pack which included the Summary IE report, a Q&A about the Transfer, and an update on operational readiness. Delegates were directed to the Scottish Friendly and FIL websites for further information if required.

3.4. I reviewed the information provided to the Delegates and I am satisfied that it was comprehensive, and designed with their needs in mind, such that they were able to make an informed decision at the SGM. I also attended the SGM in person to give the Delegates an opportunity to ask me questions on my report directly.

3.5. The Delegates voted unanimously to approve the Transfer.

Communications to Transferring Policyholders

3.6. Mailing to the Transferring Policyholders about the Transfer commenced on the 21st April 2026. These communications were subject to a thorough review process, which included review by me, to ensure that they were comprehensive, clear, and understandable to policyholders. I am comfortable that the communications issued to the Transferring Policyholders met this objective.

3.7. I further understand that FIL has issued a reminder letter to policyholders in early July, to remind them of key dates related to the Transfer such as the suspension of instructions for fund switches. I have personally reviewed these to ensure technical consistency with my expectations, as stated in this report.

Policyholder Objections

Objections from existing Scottish Friendly policyholders

3.8. While existing policyholders of Scottish Friendly were not written to directly, notices of the Transfer were placed in the national press, alongside an extensive suite of related documents and information on both the FIL and Scottish Friendly websites.

3.9. Scottish Friendly has since received 3 general queries from policyholders by telephone, and no Scottish Friendly policyholders have objected to the Scheme.

Objections from Transferring Policyholders

3.10. As of the date of this report, 81 objections have been received, all from Section 32 Transferring Policyholders, in relation to the Scheme.

3.11. I have reviewed each of these objections in detail, in order to form my own view on whether the points raised by these policyholders could indicate the Scheme would have a "material adverse effect" on that policyholder.

3.12. In doing so, I considered a recent judgement by the Court of Appeal[1] which clarified that an adverse effect will only be material to the Court's consideration if it is: (i) a possibility that cannot sensibly be ignored having regard to the nature and gravity of the feared harm in the particular case, (ii) a consequence of the scheme, and (iii) material in the sense that there is the prospect of real or significant, as opposed to fanciful or insignificant, risk to the position of the stakeholder concerned.

3.13. I have considered the details of all the objections raised. I am satisfied that - with the exception of one item noted below - in my opinion none of the objections raise any issues that could be considered a material adverse effect to the policyholder under the interpretation laid out by the Court of Appeal.

3.14. Indeed, in most instances it appears that the objection arose from a misunderstanding around the consequence of the Scheme (for example, several objections commented around increases in charges or loss of options in relation to drawdown - neither of which is correct). Further, several of the objections noted no specific reason for objecting or simply indicated a general preference to remain with FIL.

3.15. I understand that FIL has responded to each of these objections in writing and has provided tailored responses which contain more details to those policyholders where the objection arose from a misunderstanding around the post-Transfer arrangements. As a result, I have been advised that 2 objections have subsequently been withdrawn.

3.16. I do note that three policyholders objected on grounds that the Transfer would impact their access to a Wealth Management service provided by FIL. FIL's Chief Actuary has explained the background to these objections in greater detail in his supplementary report.

3.17. I have been advised that FIL have undertaken an investigation to determine whether there are other policyholders who are also affected by this issue, and that alternative arrangements are being put in place for all policyholders to whom this is relevant. I am satisfied therefore, that there will not be a material adverse effect on these policyholders.

3.18. The Independent Expert considers objections in further detail in his report.

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[1] In relation to the transfer of a portfolio of annuities from The Prudential Assurance Company Limited to Rothesay Life plc

4 Other Relevant Updates

Updates to Scheme

4.1. There have been a small number of minor updates to the Scheme since the Directions Hearing. I have reviewed these in detail and, in my view, these are not material and do not impact any of my conclusions stated in the Main Report.

4.2. The most substantive of these updates is that previously it had been envisaged FIL would split their existing reinsurance agreements with BlackRock Life Limited and Legal & General (Pension Management) Limited, such that the Section 32 book would have a different (but identical) reinsurance agreement from the book which will remain with FIL. The Section 32 reinsurance agreement would then transfer to Scottish Friendly under terms of the Scheme.

4.3. As part of onboarding, it has been identified that it is operationally preferable for Scottish Friendly to enter into new agreements with these reinsurers directly, and for the economic interest to be transferred from FIL to Scottish Friendly by way of a tri-party agreement. The Scheme has been updated to reflect this change. In my view this update is largely procedural in nature and will have the same effect post-Transfer, meaning there will be no impact to the Transferring Policies.

Operational Readiness

Investment Management

4.4. For each of the FutureWise and self-select funds available to the Section 32 book, Scottish Friendly has created a new wrapped fund, in order to replicate the fund range currently offered by FIL.

4.5. Scottish Friendly's existing Investment Management Agreement ("IMA") with BlackRock has been amended to include access to FutureWise Authorised Contractual Schemes ("ACSs"), and Scottish Friendly will invest directly in the ACSs which correspond to the wrapped funds.

4.6. For those six self-select funds which are accessed by FIL via reinsurance agreements;

- The Fidelity Societe General S32 M&G Property Fund was wound up in April 2026. All Section 32 policyholders who were invested in this fund have had their redemption proceeds re-invested in an alternative self-select fund. Therefore, the transfer of the corresponding reinsurance agreement is no longer necessary.

- FIL has split their reinsurance agreement with Schroder Pension Management Limited such that a separate agreement now exists for the Section 32 book only. This new reinsurance agreement will be transferred to Scottish Friendly as part of the Scheme.

- As set out in para 4.3. for the reinsurance agreements with Legal & General Assurance (Pensions Management) Limited and Blackrock Life Limited, Scottish Friendly have entered into agreements with these providers directly, rather than FIL splitting out their agreement and transferring these via the Scheme as originally intended.

4.7. For the remaining self-select funds which are accessed by FIL via direct investment in the underlying Open-Ended Investment Companies ("OEICs") and ACSs, Scottish Friendly will put in place fund link agreements with the respective asset managers such that transactions in the units held in these OEICs / ACSs can be instructed by Scottish Friendly on equivalent commercial terms to those applicable to FIL on and following the Effective Date.

4.8. At the time of writing this report, work remains ongoing to finalise these fund link agreements. These agreements primarily set out the commercial terms which apply between the fund manager and Scottish Friendly, rather than relating to operational matters. It is Scottish Friendly's expectation that these fund link agreements will be agreed in the coming weeks, in advance of the Effective Date.

4.9. Nonetheless, I have discussed this matter with my investments colleagues and I am comfortable that the finalisation of these fund link agreements is not strictly required prior to the Effective Date to enable instructions in transactions in response to Transferring Policyholder requests. In particular, I note that:

4.9.1. re-registration of the transferring units in Scottish Friendly's name at the Effective Date can proceed without the fund link agreement being in place.

4.9.2. Scottish Friendly can instruct transactions in the relevant investments pursuant to policyholder (including Transferring Policyholder) requests without a fund link agreement being in place (and, indeed, has done so within business-as-usual operations as a matter of course); and

4.9.3. There would be no Transferring Policyholder impact, as any difference in costs arising from the commercial terms applied after the Effective Date (compared to FIL's pre-Transfer commercial terms) will be absorbed by Scottish Friendly, rather than passed on to the Transferring Policyholders.

Governance Advisory Arrangement

4.10. As noted in my Main Report, the Transferring Policies will be subject to oversight by Scottish Friendly's Governance Advisory Arrangement ("GAA") following the Effective Date.

4.11. Scottish Friendly's current GAA provider, Zedra, has now been formally contracted to provide an independent assessment of value for money for the Section 32 policyholders, undertaking an annual review of key areas including investment performance, charges, administration and governance.

4.12. Additionally, Zedra are currently undertaking a pre-launch assessment of the four investment pathway funds, with the aim of providing feedback and allowing Scottish Friendly to consider and address any concerns raised prior to launch.

Overall Migration and Testing Plan

4.13. As noted in my Main Report, a robust and detailed migration, test and implementation plan was developed to manage and mitigate the operational risks relating to the Transfer itself. I have received regular updates on the progress against this plan as part of my attendance at the Project Steering Committee.

4.14. All build work is now complete and Functional and User Acceptance Testing ("UAT") is also nearing completion. Two cycles of UAT have been completed successfully, and a further cycle commenced in late July.

4.15. Three successful dress rehearsals of the migration were undertaken in April, June, and July 2026.

Drawdown Functionality Development & Testing

4.16. As noted in my Main Report, the design and build of the drawdown functionality is complete and Functional and UAT is nearing completion.

Digital Servicing

4.17. As noted in my Main Report, Scottish Friendly have been developing enhanced digital servicing capability in order to materially replicate that which is currently offered by FIL. The testing of this capability is nearing completion.

Servicing Arrangements

Resourcing

4.18. As noted in my Main Report, Scottish Friendly's ability to deliver high quality servicing to both the Existing and Transferring policies post-Transfer is predicated on securing and training sufficient additional resource to support the enlarged business.

4.19. All recruitment is now completed within the core pensions team and contact centre, bringing total capacity in line with the resource requirement identified (11.7 FTE).

SLAs

4.20. In my Main Report, I noted that Scottish Friendly intended to establish SLAs for the Transferring Policies which are at least equivalent to those currently in place at FIL. These SLAs have now been agreed, and analysis has been undertaken to demonstrate equivalence with FIL SLAs, so far as is possible. I therefore remain satisfied that there should be no material adverse effect on service standards as a result of the Transfer.

Annuities Outsourcing Arrangement

4.21. As noted in my Main Report, the contract between Hannover Re and Equiniti for the administration outsourcing of the annuity book was due to be renewed, and Hannover Re intended to undertake a review of the outsourcing arrangement.

4.22. Hannover Re have since confirmed that they intend to transition administration services from Equiniti to Aptia. While this change has been approved by their Board, contractual agreements are still to be finalised. Aptia is currently expected to assume administration responsibilities from November 2026.

4.23. Hannover Re noted that Aptia's enhanced technology offering is expected to deliver improved operational efficiency and an enhanced customer experience versus Equiniti.

4.24. In order to manage the operational risks surrounding the transition, Scottish Friendly has established monthly meetings with Hannover Re to monitor progress. Once contractual arrangements are finalised, Hannover Re will provide further detail on Aptia's operational frameworks and related controls.

4.25. I note that this change in administration provider would proceed regardless of the Scheme. Therefore, although the transition introduces some operational risk, this is not a consequence of the Scheme and is being actively managed through ongoing oversight and governance arrangements, and has no bearing on my conclusions in relation to the Scheme.

Sanctioned Policyholders

4.26. As noted in my Main Report, there are no sanctioned policyholders within the Transferring Business. FIL have continued to monitor this position, and I have been advised as at the date of this Supplementary Report, this continues to be the case.

Tax Clearances

4.27. Clearance has been sought by both Scottish Friendly and FIL from HMRC under Section 133 of the Finance Act 2012 that neither party has an unallowable purpose (that is, the securing of a tax advantage or a purpose which is not a business or commercial purpose) as a main purpose of entering into the Transfer or the wider transactions between the parties, and accordingly that the anti-avoidance provisions of Section 132 of that Act will not apply.

4.28. Scottish Friendly has also sought and received confirmation from HMRC that the Transfer will not give rise to UK stamp taxes.

4.29. At the time of writing Scottish Friendly has received all clearances and confirmations sought. It is my expectation that FIL will also receive tax clearances in due course, consistent with past precedent for Part VII Transfers. An update will be provided to the High Court on this point at or before the Sanction Hearing.

FutureWise ACS

4.30. In paragraph 4.11 of my main report, I described the FutureWise TDF range as a range of wrapped funds created and managed by FIL. To access the investment components of these life wrappers, FIL invest directly in a number of ACS's managed by BlackRock. Scottish Friendly will replace FIL on a "like-for-like" basis in this arrangement.

4.31. I have been informed that Fidelity Group is in the initial stages of exploring the most appropriate approach to the ACSs in the FutureWise structure, in order to ensure continued maximum efficiency of operations for the benefit of customers. Possibilities being considered include the ACSs continuing to be managed by BlackRock, the ACSs being managed instead by Fidelity Group, or some other solution. This consideration only relates to the approach to the ACSs in the FutureWise structure, and not to the underlying investment strategy, the underlying investments, or who actually manages the underlying investments.

4.32. Given the nature of the changes being contemplated, I would not expect any such change to have any impact on the Transferring Policies. Any future change to the ACS arrangement as described above would be mirrored by Scottish Friendly, with such change monitored and reviewed by the appropriate governance structures within Scottish Friendly, to ensure compliance with regulatory requirements (including Consumer Duty) and the fair treatment of customers.

Proposed Merger between Scottish Friendly and OneFamily

4.33. As noted in section 1.9, Scottish Friendly is currently completing a merger with OneFamily through a transfer of engagements which will be enacted in accordance with Part VIII of the Friendly Societies Act 1992.

4.34. The Part VIII transfer is currently expected to complete in Q1 2027 and will be subject to an entirely separate regulatory approval process, which will consider the impact of merger on its own merits. As such, further consideration of the merger is not within the scope of this report.

4.35. Notwithstanding this point, I provided a detailed update on the expected impact of the merger for the Existing and Transferring Policyholders within my Main Report. I confirm that nothing has arisen since the completion of my Main Report which has caused me to reconsider the conclusions stated in my Main Report. Indeed, the factual position set out within the Main Report is unchanged in all material regards.

4.36. More generally, I note that the merger is proceeding to the timeline stated in my Main Report and that a mailing in relation to the merger will be issued to all relevant Scottish Friendly policyholders, including the Transferring Policies, in the month after the Transfer has been completed. This will allow the Transferring Policyholders to participate in the Part VIII process in the same way as all other Scottish Friendly policyholders.

4.37. I note that the timing of the vote to approve the merger is currently planned for November 2026, which means that the Transferring Policyholders will not have the opportunity to stand for election as a Delegate prior to this taking place. As such, an existing Delegate has been specifically appointed to consider the interests of the Transferring Policyholders in this vote. FIL has been involved in the selection process for this Delegate, in order to ensure that FIL is comfortable the appointed Delegate has the skills and experience to appropriately represent its policyholder base.

5 Conclusions

5.1. I have considered the likely effect of the proposed transfer on the Existing Policies of Scottish Friendly. Based on the considerations set out in my Main Report, and in this Supplementary Report, it remains my view, as Chief Actuary of Scottish Friendly, that:

- The benefit security of the existing policyholders is not likely to be materially adversely affected as a result of the proposed Transfer.

- The reasonable benefit expectations of the existing policyholders are not likely to be materially adversely affected as a result of the proposed Transfer.

- Policy administration and therefore service standards of the existing policyholders are not likely to be materially adversely affected as a result of the proposed Transfer.

- The proposed Communications Plan and waivers sought by Scottish Friendly were appropriate and proportionate.

Signed electronically

Scott McNeill FFA

Chief Actuary - Scottish Friendly Assurance Society Limited
24 August 2026

Appendix 1: Glossary of Terms

ACS	Authorised Contractual Scheme
BEL	Best Estimate Liabilities
IE	Independent Expert
FCA	Financial Conduct Authority
FIL	FIL Life Insurance Limited
FRC	Financial Reporting Council
FSMA	Financial Services and Markets Act 2000
FTE	Full-time equivalent
FutureWise	The default investment strategy currently available to the Section 32 policies. This is comprised of a series of target date funds which invest in a mirror range of ACSs managed by BlackRock
GAA	Governance Advisory Arrangement
Hannover Re	Hannover Rück SE
HMRC	His Majesty's Revenue and Customs
IFoA	Institute and Faculty of Actuaries
IMA	Investment Management Agreement
M&GM	Marine & General Mutual Life Assurance Society
OEIC	Open-Ended Investment Company
ORSA or Pillar 2	Own Risk & Solvency Assessment
Own Funds	The capital resources, calculated in line with the principles of market consistency, available to meet losses that could arise in the future.
Pillar 1	The approach to assessing the capital position prescribed under the Solvency UK regulations
PRA	Prudential Regulation Authority

Scottish Legal	Scottish Legal Life Assurance Society Limited
Self-Select Funds	A selection of unit-linked funds which are available for selection by the Section 32 policyholders.
SFAS or SF	Scottish Friendly Assurance Society Limited
SLA	Service Level Agreement
Solvency UK	The current regulatory requirement for UK life insurers
SCR	Solvency Capital Requirement
SGM	Special General Meeting
Transfer	The proposed transfer of the long-term business of FIL to SF under Part VII of the FSMA
UAT	User Acceptance Testing
WPA	With-Profits Actuary