

Chair's Annual Report

Scottish Friendly Assurance Society Limited
Workplace Personal Pension Plans

Year ended 31 December 2025

The ZEDRA Governance
Advisory Arrangement (GAA)

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Executive Summary

This report on Scottish Friendly Assurance Society Limited, covers the workplace personal pension plans and stakeholder arrangements provided by Scottish Friendly Assurance Society ("the Firm"): The Investment Solutions Group Personal Pension Plan ("ISGPP"), The Investment Solutions Stakeholder Pension Plan ("ISSPP"), Ex-Canada Life Workplace Pension Plan, and Scottish Friendly Staff Pension Scheme. This report has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ("the GAA").

It sets out our independent assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D, respectively. The GAA works under an agreed Terms of Reference, the latest version of which is dated 18th August 2022 and is publicly available (see Appendix D).

As Chair of the GAA for this Firm, I am pleased to deliver this value assessment of the ISGPP & ISSPP funds (including default funds), Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. The GAA has conducted a rigorous assessment of the Value for Money ("VfM") delivered to policyholders over the period 1 January 2025 to 31 December 2025. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to policyholders against what they pay for those services and investment performance. Further details are set out on page 7.

A colour coded summary of the GAA assessment

	Weighting toward VfM assessment*	ISGPP & ISSPP (without default ("no default"))	ISGPP & ISSPP (with default)	Ex-Canada Life Workplace Pension Plan	Scottish Friendly Staff Pension Scheme
1. Product strategy design and investment objectives	13%	●	●	●	●
2. Investment performance and risk	10%	●	●	●	●
3. Communication	17%	●	●	●	●
4. Firm governance	7%	●	●	●	●
5. Security of policy holder benefits	7%	●	●	●	●
6. Administration and operations	13%	●	●	●	●
7. Cost and charge levels	33%	●	●	●	●
Overall Value for Money assessment	100%	●	●	●	●

* May not add to 100% due to rounding

Quality of Service and investment features

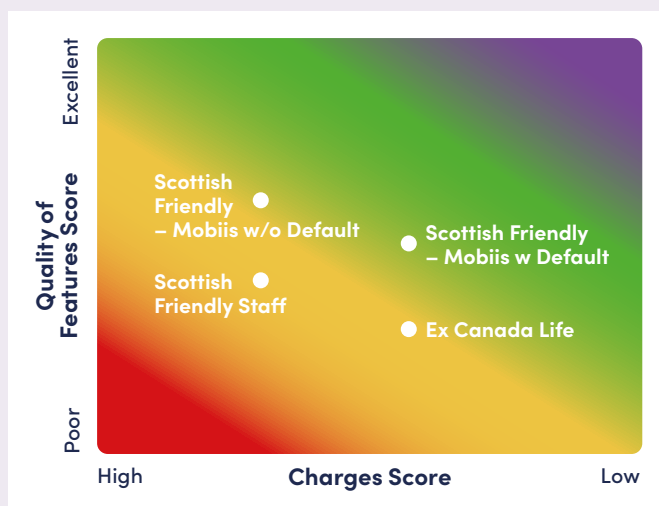
● Excellent ● Good ● Satisfactory ● Poor

Cost and charge levels

● Low ● Moderately Low ● Moderately High ● High

Value for Money scoring

The overall Value for Money score is visually represented by this heatmap.



Our conclusion is that the ISGPP & ISSPP (without default) (“no default”) and the ISGPP & ISSPP (with default) provide good value for money, and the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme provide satisfactory value for money.

Concerns and Challenges

The GAA has raised a concern with the Firm regarding the need to:

- Complete and implement the strategic review of the ISGPP and ISSPP default investment options to assess their ongoing suitability for policyholders.

The GAA has requested a response from the Firm by 31 December 2026 and will provide an update in next year’s report, or sooner if appropriate.

In our previous report we challenged the Firm to make improvements in the areas set out below and we are pleased to be able to report that the Firm has made progress.

- Provide governance oversight to the ISGPP and ISSPP default options. The GAA notes the Firm’s plans to amend the Unit Linked Funds Committee Terms of Reference to cover the default option.
- Improve administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme. The Firm has acknowledged the issue and implemented significant change which had resulted in much improved administration performance against SLAs by the year end.
- To provide more detail on administration performance against the Service Level Agreement for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme such that [core financial transactions](#) can be individually identified and reported on.

This has been largely addressed.

The FCA requires a comparison of your pension product with other similar options available in the market. If an alternative scheme appears to offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification this year.

Our view on each feature that we must make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group is set out in Appendix C.

We also concluded that the Firm’s policies in relation to [Environmental, Social and Governance](#) (ESG) risks, non-financial considerations and stewardship were adequate and well implemented.

If we use technical pensions terms or jargon in this report, we explain them in the glossary in Appendix F.

Details of the numbers of policyholders and their funds were supplied to ZEDRA for the assessment and are summarised in Appendix G.

Future Developments

The Financial Conduct Authority (FCA) issued a consultation in August 2024 on the framework for assessing Value for Money. This followed their 2023 joint consultation with the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR). A further joint consultation was issued in January 2026. These consultations set out a framework of metrics and standards to assess value for money across Defined Contribution (DC) pension arrangements, including the workplace pensions reviewed by the GAA. The regulators’ overall aim is to improve the value savers get from their DC pension by increasing comparability, transparency and competition across DC pension schemes, whether regulated by the FCA or TPR. The consultation does not affect this year’s review, but it is likely to result in changes to how Value for Money is assessed within the next few years. We continue to monitor these developments and will amend our assessment approach when necessary.

I hope you find this value assessment interesting, informative and constructive.



Sam Burden

Chair of the ZEDRA Governance Advisory Arrangement
for Scottish Friendly Assurance Society Limited
September 2026

If you are a policyholder and have any questions, require any further information, or wish to make any representation to the GAA you should contact:

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Scottish Friendly Assurance Society Ltd
Galbraith House, 16 Blythswood Square, Glasgow G2 4HJ

Email: pensionifaservicing@scottishfriendly.co.uk

Website: www.scottishfriendly.co.uk/contact-us

Alternatively, you can contact the GAA directly at zgl.gaacontact@zedra.com

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1. Product Strategy Design and Investment Objectives

Value score:	Excellent	Good	Satisfactory	Poor
ISGPP & ISSPP (no default):				
ISGPP & ISSPP (with default):				
Ex-Canada Life Workplace Pension Plan:				
Scottish Friendly Staff Pension Scheme:				

What are we looking for?

We expect the product to be designed and managed with policyholders' needs and interests in mind. This should be supported by suitable range of risk rated funds and consider the age profile of the membership.

We want all investment options to have clear aims and objectives. In particular, we expect quantitative objectives (relative to a defined benchmark that can be independently tracked) to be in place. This helps ensure investment performance can be measured in an objective way. However, we recognise that in some cases only qualitative objectives (a description of what the fund is trying to achieve or an assessment relative to a peer group) may be available. Ideally, we also want to see that these objectives link back to what policyholders need.

We also look for a strong ongoing review process for all investment options, including the default fund. Where changes are needed, we expect the Firm to make them, so the investment options continue to be in policyholders' interests.

Although we cover policies on ESG financial considerations and non-financial matters separately in Section 8 of this report, we also expect to see evidence that these factors are considered when the investment strategy is designed and when investment decisions are made.

The Firm's approach

The Firm's workplace pension business represents c.£347m of a £4.4 billion portfolio as of 31 December 2025, the majority of which consists of savings and investment products.

ISGPP schemes and ISSPP schemes

The ISGPP and ISSPP comprise assets of c.£280m, provided through 44 different investment funds. The plans are closed to employers setting up new schemes, but existing employers can continue to add new members and make contributions to their existing arrangement.

Fund fact sheets for the ISGPP schemes and ISSPP schemes are available which include the stated objectives of each available fund. However, the objectives are communicated in a qualitative manner without specific quantitative investment return targets. Since our last report the Firm has updated and improved the fund fact sheets. This has included the introduction of comparators together with details of the fund composition and annualised performance.

No default option

The majority of policyholders are in schemes with no default option in place.

With default option

Nine ISGPP and ISSPP schemes have a default option, but no review process or monitoring is currently in place. Five of the schemes have contributing members and are being used as qualifying schemes for auto-enrolment.

Whilst a strategic review of the ISGPP and ISSPP default investment options was undertaken in 2024 to assess their ongoing suitability for policyholders, the review did not consider in any detail policyholders needs and to date has not been implemented. We would expect the Firm to be taking a proactive approach to reviewing legacy default options and considering policyholders needs as these do not appear to have not been reviewed in any depth or updated for at least 10 years.

Ex-Canada Life and Scottish Friendly Staff Pension Scheme

The Ex-Canada Life Workplace Pension Plan book has assets of c£47m invested through 42 different funds and is closed to new policyholders. None of the schemes in this book of business include a default option.

The Scottish Friendly Staff Pension Scheme has assets of c£6m and is no longer open to new members. The Scheme offers thirteen funds to members, is not used for auto enrolment and does not include a default option.

The Firm appointed Schroders to manage a £2.1 billion multi-asset and insurance mandate and the new investment options were made available to members in Q1 2025.

During 2025, no fund fact sheets were available to the Ex-Canada Life Workplace Pension Plan or Scottish Friendly Staff Pension Scheme policyholders and policyholders were directed to search for fund details on-line using Morningstar. Following the appointment of Schroders the GAA was advised that new fund fact sheets were planned to be made available to policyholders in 2025 but at the point of drafting this report these were not yet available.

Areas for improvement

GAA concern

The GAA has escalated to the Concern the prior year challenge, as follows:

- Complete and implement the strategic review of the ISGPP and ISSPP default investment options to assess their ongoing suitability for policyholders.



2. Investment Performance and Risk

Value score:	Excellent	Good	Satisfactory	Poor
ISGPP & ISSPP (no default):				
ISGPP & ISSPP (with default):				
Ex-Canada Life Workplace Pension Plan:				
Scottish Friendly Staff Pension Scheme:				

What are we looking for?

We expect the Firm to have strong governance in place to monitor investment performance regularly. Performance should be checked against the fund's objectives and against a clear benchmark. We expect performance to be assessed net of fees. We also expect the Firm to consider risk-adjusted returns (in other words, what return has been achieved for the level of risk taken).

If there are concerns about investment performance, we expect the Firm to take appropriate action. This could include challenging the investment manager and/or changing fund options.

The Firm's approach

The Unit Linked Fund Committee (ULFC), which reports to the Investment Committee, meets quarterly to review the performance of investment funds against their benchmarks using the Firm's Fund Monitoring Framework and covers metrics such as size of fund, benchmark performance, fees, liquidity, [ESG](#) rating and other factors.

Active and passive funds are RAG rated and include an ESG assessment. Funds are then added to a Green Light list, a Watch list, or an Action List. The Action list is intended to highlight funds where it is deemed necessary to take action on a fund. This may include:

- further investigation of the possible actions to take
- raising questions or concerns with the fund manager, and
- ratification of proposed action by the Unit Linked Fund Committee to close or merge with a similar fund.

The Watch list is intended to highlight funds for closer monitoring where no immediate action fund is required.

Quarterly reports and recommendations prepared by the ULFC are submitted to the Investment Committee for approval.

Net Investment Performance over the 12 month* period to 31 December 2025

The [net investment performance](#) of the largest funds and, where available, the performance of the benchmarks against which those funds are measured are set out below.

ISGPP and ISSPP

There are 44 funds with total Assets Under Management (AUM) of £280m of which 8 funds constitute around 85% of the AUM. The net investment performance of these funds over the 12 month period to 31 December 2025 is listed below:

Fund Name	Net Investment Performance	Comparator (%)
Diversified Global Equity Fund	20.40%	14.40%
M&G PP Global Equity Fund	20.60%	14.40%
Passive 60/40 Global Equity Fund	22.60%	12.90%
Passive UK Equity Fund	23.20%	20.40%
Retirement Builder	14.90%	10.50%
Managed Fund	9.40%	10.50%
Passive Long-dated Fixed Interest Gilt Fund	3.70%	4.00%
Sterling Liquidity Fund	4.40%	3.80%

The net investment performance in the 12-month period to 31 December 2025 of the funds which compose the default options for the nine ISGPP and ISSPP with default arrangements are listed below:

Fund Name	Net Investment Performance	Comparator (%)
Diversified Global Equity Fund	20.40%	14.40%
Passive Long-dated Fixed Interest Gilt Fund	3.70%	4.00%
Sterling Liquidity Fund	4.40%	3.80%
Retirement Builder	14.90%	10.50%
Pre-Retirement Fund	7.60%	10.50%
Diversified Beta Fund	16.70%	10.50%

Ex-Canada Life Workplace Pension Plan

There are 42 funds with total AUM of £47m of which six funds constitute around 91% of the AUM. The net investment performance in the 9 month period to 31 December 2025 of these six funds is listed below:

Fund Name	Net Investment Performance	Comparator (%)
SF Mixed Asset: Moderately Adventurous Pension Fund P5	13.00%	13.20%
SF Mixed Asset: Moderately Adventurous Pension Fund P6	12.80%	13.20%
SF UK Equity Pension Fund P5	16.40%	15.50%
SF Money Market Pension Fund P5	2.40%	2.70%
SF European Equity Pension Fund P5	14.30%	15.30%
SF Global Equity Pension Fund P5	17.10%	18.60%

*The funds were launched in March 2025, and the Firm have provided 9 months of fund performance and benchmark data.

Scottish Friendly Staff Pension Scheme

There are five funds with total AUM of £6m. The net investment performance in the 9 month period to 31 December 2025 of these funds:

Fund Name	Net Investment Performance	Benchmark (%)
Pension With Profits Fund	11.50%	N/A
SF Mixed Asset: Moderately Adventurous Pension Fund P2	13.10%	13.20%
SF Money Market Pension Fund P2	2.40%	2.70%
SF UK Equity Pension Fund P2	16.50%	15.50%
SF UK Government Bond Pension Fund P2	4.50%	3.90%

*The funds were launched in March 2025, and the Firm have provided 9 months of fund performance and benchmark data.

Performance data is net of fees for all funds.

Comparator results

We have assessed how the net investment performance provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance relative to benchmark for the Firm's policyholders over 2025, weighted by the size of funds invested for ISGPP and ISSPP including default funds, was above average, i.e. relative to the comparator group for the underlying funds.

The one year net investment performance for the Firm's policyholders over 2025 for Ex-Canada Life Workplace Pension Plan was average relative to the comparator group for the underlying funds.

We have not assessed how the net investment performance provided to the Firm's policyholders over 2025 for the for Scottish Friendly Staff Pension Scheme as the funds only have 9 months performance history.

Areas for improvement

The GAA did not identify any specific areas for improvement.



3. Communication

Value score:	Excellent	Good	Satisfactory	Poor
ISGPP & ISSPP (no default):				
ISGPP & ISSPP (with default):				
Ex-Canada Life Workplace Pension Plan:				
Scottish Friendly Staff Pension Scheme:				

What are we looking for?

As a minimum, we expect communications to be suitable for their purpose. They should be clear, engaging and designed with policyholders' characteristics, needs and objectives in mind.

We expect a full set of key communications. This should include annual benefit statements, pre-retirement wake-up letters and retirement option packs.

Each year, information about administration charges and [transaction costs](#) should be available to policyholders on a publicly accessible website. This should include an illustration showing how administration charges and transaction costs can reduce outcomes over time (the compounding effect).

For a high-quality communication service, we expect a strong online offering. This should include helpful tools and support materials, such as calculators that allow members to model different options using their own details. We also expect telephone support to be available. The Firm should monitor calls and ensure staff are trained and supported to give accurate information.

We expect policyholders to be able to switch investment options online. We also expect support to be available to help policyholders make decisions. In particular, there should be clear risk warnings built into the process where appropriate.

Finally, we expect the provider to offer a range of retirement options. We also expect clear signposting so policyholders know where they can get guidance and advice about their retirement choices.

The Firm's approach

The ISGPP & ISSPP, administered by Aegon, and Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme, administered in-house by the Firm each have their own policyholder communication materials, member portals and on-line offerings. We have therefore evaluated these separately.

At retirement all policyholders can take an UFPLS or transfer out. There are no drawdown or [annuity](#) options available. No guidance is provided, and members are signposted to an IFA or PensionWise for support.

ISGPP & ISSPP

The communications for ISGPP and ISSPP policyholders are clear and easy to follow and benefit from the Firm's (through Aegon) wider communications expertise and functionality. These policyholders have on-line functionality and a member portal which includes Aegon's TargetPlan modeller. The on-line functionality is well developed.

A full suite of policyholder communication materials is provided, maintained by Aegon and reviewed by the Firm with key communications reviewed annually.

The investment fund fact sheets are provided by Mobius, who provide the platform used to administer the buying and selling of fund units and include performance comparison against a comparator but don't include risk or [ESG](#) ratings.

The online switch process has adequate risk warnings and member support is available.

Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme

The member communications for the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme have been reviewed and improved over the last couple of years although still remain limited. Core policyholder communications covering retirement, transfers and leavers are satisfactory, but there are no plans to provide member guides or develop online functionality.

Costs and charges are publicly available on the Firm's website although these are not included on member statements.

Policyholders can request a form to switch investments but there is no on-line option.

Improvements since last year

The GAA has previously observed that the ISGPP and ISSPP fact sheets provided by Mobius do not include performance comparison, risk or ESG ratings. The Firm has improved the fund fact sheets by including more detail around the composition of the funds and inclusion of a fund performance comparator.

Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment found that the communication materials provided to the Firm's policyholders over 2025 were average for ISGPP and ISSPP and below average for Ex-Canada Life and Scottish Friendly Staff Pension Scheme, i.e. relative to the comparator group.

Areas for improvement

GAA observation

Retirement options remain limited for all members unless they transfer their benefits away.



4. Firm Governance

Value score:	Excellent	Good	Satisfactory	Poor
ISGPP & ISSPP (no default):				
ISGPP & ISSPP (with default):				
Ex-Canada Life Workplace Pension Plan:				
Scottish Friendly Staff Pension Scheme:				

What are we looking for?

We expect the Firm to have a clear and effective governance structure. This should include key committees with Terms of Reference that set out what each committee is responsible for, and these should be reviewed regularly. We also expect to see evidence that the key committees met during the year. Meeting packs or minutes should show that the committee's responsibilities were properly covered.

We expect a strong oversight framework for the security of IT systems, data protection and cyber-security. Cyber-security should be treated as a key risk. The Firm should monitor this area, train staff appropriately, and carry out testing (for example, penetration testing).

We expect Firms to have a comprehensive business continuity plan. The Firm should be able to demonstrate that the plan works, for example through regular testing.

We also expect a governance process to review product innovation for the workplace pension, including considering policyholder feedback. Any major change projects that affect policyholders should be properly governed.

There should be a clear and documented process for selecting and monitoring service providers. The Firm should review them regularly and make changes when needed.

The Firm's approach

The overall governance for all the books of business is overseen by the Executive Committee through regular reporting. The Firm has shared its Governance framework with the GAA and provided terms of Reference for Committees.

The Firm's Information Security Policy establishes an Information Security Management System to create an effective operational security framework. Objectives are agreed on an annual basis and reported to the Information Security and Business Continuity Committee (ISBCC). There is an extensive set of operational policies covering information security and cyber threats.

The Business Continuity Policy (BCP) was reviewed in August 2025 and aims to ensure that, in the event of a disruption to its normal business, it can restore its critical activities with a minimum of disruption. Key components of the Business Continuity Management System are tested annually to ensure the Firm's BCP will work as anticipated. A Business Continuity Exercise was undertaken in September 2025 where learnings were identified and process changes recommended.

The Outsourcing Committee is responsible for reviewing all new outsourcing arrangements and material third party services and for ensuring that internal and regulatory requirements are being met for each arrangement reporting to the Executive Committees. The includes Aegon as third party administration service provider.

An Operational Resilience Tracker oversees Aegon's operational resilience, BCP and cyber security is reviewed at the Information Security and Business Continuity Committee and at the Outsourcing Committee.

The Executive Committee receives regular reports in respect of the internal servicing of the Firm's business book covering the Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme policyholders.

The Firm holds quarterly service review meetings with Aegon which includes the monitoring of Aegon's regular Service Level Agreement (SLA) and reports into the Executive Committee.

The Audit Committee reviews the Firm's internal controls and liaises with external auditors. The Audit Committee is responsible for reviewing the Firm's internal control systems and ensuring that these continue to be effective and advising the Risk Committee, as appropriate, of any concerns regarding the effectiveness of the current control framework.

Areas for improvement

GAA challenge

We have challenged the firm again over the lack of oversight of the default options under the ISGPP and ISSPP. Specifically in our report last year we raised the importance of providing governance oversight to the ISGPP and ISSPP default options. The GAA expects to see a governance structure and explicit reference in the Investment Committee Terms of Reference (ToR) to cover the default options. The Firm has confirmed that updates have been drafted for approval to the Unit Linked Fund Committee ToR to include this.

5. Security of Policyholder Benefits

Value score:	Excellent	Good	Satisfactory	Poor
ISGPP & ISSPP (no default):	☒	☐	☐	☐
ISGPP & ISSPP (with default):	☒	☐	☐	☐
Ex-Canada Life Workplace Pension Plan:	☒	☐	☐	☐
Scottish Friendly Staff Pension Scheme:	☒	☐	☐	☐

What are we looking for?

We expect the Firm to be financially sound, with enough capital to keep operating for the foreseeable future.

We also look for appropriate protections for policyholder assets, for example in case of fraud or bankruptcy (at both the Firm and investment manager level). These protections could come from the FSCS or other regulatory protections, ringfencing, or the structure of the underlying product.

We expect the Firm to have processes to protect policyholder assets from fraud and scams. We also expect the Firm to actively monitor for possible scam activity.

The Firm's approach

The Firm is one of the largest UK mutual life offices, is regulated by the PRA and, as of 31 December 2025, had assets under management of more than £4.4 billion and an estimated 854,000 members. Scottish Friendly as at March 2025 had an AKG financial strength rating of B Strong.

All funds offered by the Firm are unit-linked funds wrapped by a life insurance policy and so are covered in full by the Financial Services Compensation Scheme (FSCS). Policyholders would be able to claim compensation from the FSCS up to 100% of the value of their plan with no upper limit if the Firm was deemed to be in default.

The Firm has clear capital management objectives, which include:

- protecting the Firm's financial strength, providing security to policyholders;
- complying with the PRA's capital requirements;
- ensuring that the Firm's capital position is sufficient to enable it to invest in the development of the business in order to fulfil its stated core strategic objectives as determined by the Board Committees.

Both the Firm and Aegon as third-party administrator have extensive processes in place to protect policyholders from fraud and pension scams. Administration staff for all the books of business in scope of the GAA are provided with training to remain up to date on key investor protection measures.

Areas for improvement

The GAA did not identify any specific areas for improvement.

6. Administration and Operations

Value score:	Excellent	Good	Satisfactory	Poor
ISGPP & ISSPP (no default):				
ISGPP & ISSPP (with default):				
Ex-Canada Life Workplace Pension Plan:				
Scottish Friendly Staff Pension Scheme:				

What are we looking for?

We expect Firms to have strong administration processes, supported by appropriate service standards and regular monitoring and reporting against those standards. We are looking for evidence that [core financial transactions](#) are processed promptly and accurately. This includes processing contributions, transfers and death benefit payments.

We expect regular internal and external assurance audits of controls and administration processes.

We expect a low level of significant complaints. We also expect a clear process for handling and resolving policyholder complaints.

The Firm's approach

The Firm has two separate business books. The ISGPP and ISSPP are administered by Aegon. The Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme are administered by Scottish Friendly.

The Firm's administration via Aegon and Scottish Friendly have their own SLAs and reporting mechanisms. We have therefore considered these separately.

ISGPP and ISSPP

Administration performance averaged 94.6% which was just below the SLA target of 95% but a strong performance overall. Net promotor scores were also consistently above 60 suggesting high levels of policyholder satisfaction throughout the year.

There were 32 upheld complaints during the year which the GAA deemed to be reasonable given the size of the membership.

Ex-Canada Life Workplace Pension Plan and Scottish Friendly Staff Pension Scheme

Poor performance against Service Level Agreements has been raised as a recurring challenge by the GAA although we have been aware that Scottish Friendly has been making improvements in a bid to improve the position. During 2025 a new Mantle payment platform was introduced and also a new Customer Relationship Management (CRM) system. Whilst performance was generally poor throughout most of 2025, this investment resulted in a significant improvement in performance by November 2025. Whilst we have rated performance as poor overall, the marked changes suggest the measures taken will make a long-term difference.

In addition to the improvements the Firm improved the granularity of administration reporting meaning that core financial transactions can be identified more easily. We would note that pensions-related transactions are assessed using the same five-day SLA target or seven days for transfers. In addition, the 'green' SLA target has an 80% threshold which would more typically be at 95% across the industry. The GAA would like to see a strengthening of the SLAs, but we are otherwise encouraged by the progress that has been made.

There were 12 complaints upheld for the ex-Canada Life schemes and none for the Scottish Friendly schemes during the year, which the GAA deems reasonable and excellent given the respective size of the memberships.

Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firms policyholders compare to other sufficiently similar employer pension arrangements.

This assessment found that the administration services provided to the Firm's policyholders over 2025 were average for ISGPP and ISSPP and below average for Ex-Canada Life and Scottish Friendly Staff Pension Scheme, i.e. relative to the comparator group.

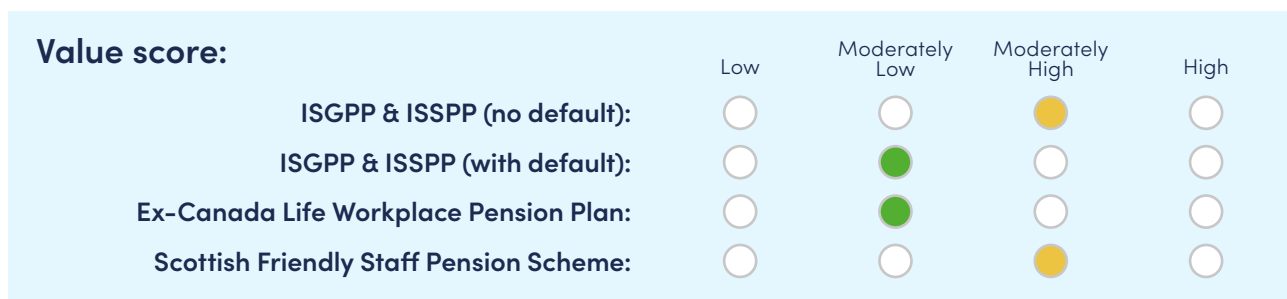
Areas for improvement

GAA observations

There is still work to do on the Administration side and we look forward to seeing the improvements made in 2025 bedded in during 2026.



7. Cost and Charge Levels



What are we looking for?

The GAA has reviewed the overall level of charges paid by policyholders over the year. This included assessing:

- the annual fund management and administration charges being borne by policyholders;
- the transactions costs incurred by the underlying investment funds which reduce the investment return experienced by policyholders
- any other charges being paid by policyholders to manage and administer their workplace pensions
- the Firm's process for collecting and monitoring overall member charges, including [transaction costs](#).

We expect fund management charges to be in line with charges for similar investments in the wider pensions market. In doing this, we consider whether the fund is actively or passively managed and the type of assets it invests in. We also consider where most [relevant policyholder](#) assets are invested.

When looking at transaction costs, we also consider market conditions. We recognise that transaction costs can increase when markets are highly volatile.

We assess whether the overall level of administration charges is reasonable, taking into account the services provided to policyholders.

Finally, for products used for auto-enrolment pensions, we consider the government charge cap.

As well as considering average total costs and

charges, we also note where there may be significant outliers (for example, higher charges for small pots).

You can find more information on the required disclosures about costs and charges paid by the Firm's policyholders in Appendix A.

The Firm's approach

Below we describe the charges for the different books of business for the Firm which are in scope of our assessment during 2025.

ISGPP and ISSPP - ISGPP & ISSPP (no default)

The [annual management charges](#) borne by members within the 8 largest funds (representing 85% of the AUM) are set out below:

Diversified Global Equity	0.6% to 0.9%
PPL Global Equity Fund	0.65%
Passive Global Equity 60/40	0.6% to 0.65%
Passive UK Equity	0.3% to 0.8%
Retirement Builder	0.3% to 0.65%
Managed Fund	0.6% to 0.9%
Passive Long-dated Fixed Interest Gilt	0.3% to 0.8%
Sterling Liquidity	0.2% to 0.8%

The transaction costs for these funds range from 0.03% to 0.28% averaging 0.11%. There are no other charges.

ISGPP and ISSPP – ISGPP & ISSPP (with default)

The annual management charges borne by members within the default options are set out below:

Diversified Global Equity	0.7%
Passive Long-dated Gilt Fund	0.5%
Diversified Beta	0.5%
Retirement Builder	0.6%
Pre-Retirement Fund	0.6%
Sterling Liquidity	0.6%

Ex-Canada Life Workplace Pension Plan

The Ex-Canada Life policies have a complex charging structure which includes loyalty bonuses. The annual management charges borne by members in the six largest funds (representing 87% of the AUM) range between 1% and 1.27% although members also benefit from a 0.5% rebate bringing overall charges down to between 0.5% to 0.77% with further reductions if loyalty bonuses apply. Transaction charges range from 0% to 0.78% p.a. There are no other charges.

Scottish Friendly Staff Pension Scheme

The thirteen funds within the Scottish Friendly Staff Pension Scheme have an administration charge of 1% p.a.

Transaction charges ranged from 0.01% to 0.48% p.a. There are no other charges.

Comparator results

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2025 were for the ISGPP and ISSPP including default funds average i.e. relative to the comparator group, and for the Ex-Canada Life Workplace Pension Plan and the Scottish Friendly Staff Pension Scheme were average i.e. relative to the comparator group.

Areas for improvement

GAA observation

The GAA would like to see the complex charging structure simplified for the Ex-Canada Life members which is difficult for members to understand.



8. ESG Financial Considerations, Non-Financial Matters and Stewardship

What are we looking for?

Where the Firm's investment strategy or investment decisions could materially affect policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial matters and stewardship. We consider how these factors are integrated into the Firm's investment strategy and investment decision-making. We also form a view on the adequacy and quality of the Firm's stewardship policy.

We expect the Firm to have clear policies covering these considerations:

- (a) sufficiently characterises the relevant risks or opportunities;
- (b) looks to appropriately mitigate those risks and take advantage of those opportunities;
- (c) is appropriate in the context of the expected duration of the investment; and
- (d) is appropriate in the context of the main characteristics of the actual or expected [relevant policyholder](#).

We also expect the Firm's processes to be designed so they properly consider the relevant risks and opportunities.

Where ESG considerations are delegated to external investment managers, we expect the Firm to have appropriate oversight and stewardship arrangements in place.

Although this formal requirement sits outside the overall Value for Money assessment, the GAA's Value for Money framework does take it into account where relevant. For example, when scoring Product Strategy Design and Investment Objectives in Section 1 of this report, we consider how the Firm has integrated ESG financial considerations and

non-financial matters into its investment strategy and investment decision-making.

The Firm's approach

The GAA has received a copy of the Firm's ESG and Stewardship policy which was last updated in November 2025.

The Firm fundamentally believes that ESG is an important factor to consider in investment decisions and will incorporate ESG into the decision-making process. Scottish Friendly's main goal when considering ESG within investments is to be in line with standard market practices and market average ratings.

The Investment Committee has overall responsibility for monitoring and implementing the Firm's ESG Policy in respect of the underlying funds used for [unit-linked](#) fund offerings and reporting the outcome of monitoring and compliance.

ESG factors, and particularly climate change risk, are considered in the Firm's Own Risk and Solvency Assessment (ORSA).

The Firm's strengths

A comprehensive ESG strategy is embedded within the investment strategy. The review process is built into the Fund Monitoring Framework which requires the ESG rating to be monitored annually, and the Unit Linked Funds Committee considers ESG when assessing investment funds.

The Firm selects fund managers that are current signatories of the UN PRI principles or conform to a similar standard. Fund managers annually present the ESG performance and ratings to the Board and the Investment Committee.

The GAA considers the policies in relation to ESG risks, non-financial considerations, and stewardship to be adequate and of good quality.

Appendix A: Administration Charge and Transaction Cost Disclosures

The FCA requires administration charges and transactions costs for each Relevant Scheme to be published by 30 September each year, covering the previous calendar year. They must be available for free on a publicly accessible website. These disclosures must include the costs and charges for each default arrangement and each alternative fund choice that a member can select. They should also include an illustration of the compounding effect of the administration charges and transaction costs, on a prescribed basis, for a representative range of fund options that a policyholder can select.

The Firm has compiled these disclosures and compounding illustrations, which are provided on a publicly accessible website at:

<https://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement>

The Firm has provided the GAA with the following disclosures in respect of the period 1 January 2025 to 31 December 2025 in respect of the default funds.

Fund Name	Transaction cost % p.a.
Diversified Global Equity Fund	0.17
Retirement Builder	0.04
Passive Long-dated Fixed Interest Gilt Fund	0.05
Sterling Liquidity Fund	0.07
Pre-Retirement Fund (Sterling Fixed Interest)	0.13
Diversified Beta	0.04

Appendix B: Overview of the Value Assessment Approach

The GAA has assessed the Value for Money delivered by comparing what policyholders pay with what they receive in return (investment performance and service quality). More detail on our approach is set out below.

Our approach

The GAA believes that Value for Money is not the same for everyone. What people see as “good value” can change over time, depending on what matters most to them at that point.

Even so, it is always a balance between costs and what policyholders get in return (investment performance and service). Our approach is to compare the total costs paid by policyholders with the investment performance achieved and the quality of the services provided.

The key steps the GAA follows when conducting the Value for Money assessment are:

- We send the Firm a detailed data request, asking for information about service and quality features. We also ask for full details of [net investment performance](#) and all costs and charges, including [transaction costs](#).
- We hold formal meetings with the Firm to review the data and to question or challenge any areas of concern. We keep minutes of these meetings. We also keep a log of any challenges raised, whether informally or through formal escalation.
- Once we have received the information, the GAA meets to discuss and agree provisional Value for Money scores using the GAA’s framework. We also carry out the required comparisons against a suitable comparator group for certain Quality of Service and Investment Features and for Costs and Charges as required by the regulations.

- We then share and discuss the provisional Value for Money score (including the detailed breakdown) with the Firm before finalising our report.

The GAA’s framework rates the Firm against seven features. These cover Quality of Service and Investment Performance and Strategy (the “Quality of Service and Investment Features”), as well as the Costs and Charges paid by policyholders. We assess this against what the GAA considers to be good practice.

The Quality of Service and Investment Features are based on the FCA’s requirements for ongoing Value for Money assessments in [COBS 19.5.5](#). This includes communications with policyholders and the processing of [core financial transactions](#). The assessment also includes other areas the GAA considers important, based on our experience of Value for Money assessments over many years. For example, we consider the Firm’s governance, approach to engagement and innovation, security of IT systems and data protection, financial security for policyholders, and the quality of administration processes.

Each Quality of Service and Investment Feature is broken down into sub-features. We score each sub-feature using a numeric scale. For each sub-feature we use score descriptors to help apply scores consistently across different clients. We then combine the sub-feature scores to produce an overall score for each feature, which ranges from Poor to Excellent.

We also assess the value of the costs and charges that policyholders pay. This mainly focuses on ongoing charges for investment management, administration and any platform fees. We also consider the transaction costs within the underlying

funds, how these are controlled, and any additional costs policyholders must pay to manage their policies. We then rate costs and charges on a scale from Low to High, using our knowledge of typical costs and charges in the pensions market.

We combine the scores for each feature using the weightings shown in the Executive Summary to determine the Overall Value for Money rating. The weightings reflect the GAA's view of what matters most to policyholders. They are weighted more heavily towards the features highlighted in the regulations as most relevant to value. Where possible, we also consider the likely needs and expectations of this group of policyholders.

In each section of the report, we describe the Firm's approach for each feature. We also set out the rating the GAA has given, and any areas for improvement we have identified.

The report also includes a section where the GAA sets out its view on whether the Firm's policies on [ESG](#) financial considerations, non-financial considerations and stewardship are adequate and of good quality. This is mainly a qualitative assessment, and we compare the Firm's policies with policies we have seen elsewhere.

We also carry out a comparative assessment against a suitable comparator group. This includes net investment performance, the quality of communications, the quality and timeliness of administration (including processing of core financial transactions), and costs and charges. We include the results in the relevant sections of the report. We also consider whether, overall, another provider may offer better Value for Money and, if so, we will inform the Firm. Details of how comparator providers and products were determined are set out in Appendix C.

Appendix C:

Approach to Comparisons

The FCA requires a comparative assessment of certain sub-features of the Value for Money assessment. The GAA must compare the Firm's offering with a selected group of other similar product options available in the market, using publicly available information. If an alternative scheme (or schemes) would offer better value, we must inform the pension provider.

ZEDRA's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings to conduct the required comparisons this year. This is done on an anonymised basis.

How the comparators were selected

The GAA has selected several comparator products that we believe are sufficiently similar products to be comparable to those provided by the Firm for this purpose. The choice was based on the following broad criteria:

- Type of product i.e. whether accumulation or pathways, and within accumulation whether the product is a SIPP or workplace group personal pension.
- Products where Firms provide similar services, for example whether the provider has responsibility for setting and monitoring the investment strategy.

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of the products covered by this report.

Comparison of Net Investment Performance

We have assessed how the net of fees investment performance provided to the Firm's policyholders compares to other similar employer pension arrangements. This takes account the performance of the investments being offered. Where multiple

investment funds are made available, we have considered the amount invested by [relevant policyholder](#) in each fund.

Comparison of Communication provided to policyholders

We have assessed how the full range of communication materials, including any websites and modelling tools, provided to the relevant policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the type of pension product provided, and whether the communication materials are fit for purpose considering the age profile of the relevant policyholders.

Comparison of Administration Services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firms policyholders compares to other sufficiently similar employer pension arrangements.

Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- Annual Administration and Investment Fund Charges
- [Transaction Costs](#)
- Other Costs and Charges

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the type of product provided. The costs of services that are provided directly to the policyholder and paid for separately by the policyholder (for example financial or investment advice) are not included.

Appendix D: GAA Activity and Regulatory Matters

This section explains what the GAA has done over the year and covers other matters that we must include in our annual report.

GAA engagement and actions this year

In early 2026, we prepared and issued a data request covering all relevant workplace pension policies.

Members of the GAA met with representatives of the Firm to start the Value for Money assessment for the 2025 calendar year and to agree timescales.

We then met with representatives of the Firm to discuss the information provided in response to the data request. This allowed the GAA to meet key staff responsible for areas such as investment strategy (and how it has changed over time), the fund range (including default design), investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications, and risk management. In some cases, this meeting was virtual.

We discussed the GAA's provisional Value for Money scoring for the Firm's in-scope workplace pensions. We also discussed the Firm's approach to meeting the costs and charges disclosure requirements in [COBS 19.5.13](#).

As part of the Value for Money assessment, the Firm provided the GAA with the information we requested. This included supporting evidence such as minutes and other documents for discussion at the site visit.

Over the last year, the GAA reviewed our Value for Money assessment framework and scoring method to ensure it remains suitable and can be applied consistently. The framework is largely unchanged from last year, but we improved the data request and realigned some elements of our assessments to streamline our reporting and made the overall process more efficient.

We keep minutes of all formal meetings with the Firm. We also keep a log of any concerns raised by the GAA, whether informally or as formal escalations.

The key dates are:

Item	Date
Issue data request	16/02/2026
Kick off meeting	18/02/2026
Site visit	16/04/2026
GAA panel review meeting	22/05/2026
Discuss provisional scoring	26/06/2026

The arrangements put in place for policyholders' representation

The following arrangements are in place to ensure that policyholders' views can be represented directly to the GAA:

- The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement
- The Firm will receive and review policyholder communications, to make sure this channel is not used for individual complaints and queries. It is intended for more general representations that apply to more than one policyholder or group of policyholders. Where the Firm decides a communication is a representation to the GAA, it will pass it on in full, without editing or comment, for the GAA to consider.

In addition, the GAA has set up a dedicated inbox at zgl.gaacontact@zedra.com so that policyholders can make representations to the GAA directly. The Firm has included details of this email address on www.scottishfriendly.co.uk/help-support/investment-information/scottish-friendly-governance-advisory-arrangement-annual-reports

Appendix E: ZEDRA GAA Credentials

In February 2015, the Financial Conduct Authority (FCA) introduced new rules for providers of workplace personal pension plans (called [relevant schemes](#)). These rules took effect from 6 April 2015. From that date, providers had to set up an Independent Governance Committee or appoint a Governance Advisory Arrangement. The main role of either body is to:

- Act solely in the interests of the [relevant policyholder](#) of those pension plans, and to
- Assess the “value for money” delivered by the pension plans to those relevant policyholders.

These requirements were extended to firms providing investment pathways from 1 February 2021.

The FCA rules require the Chair of each Independent Governance Committee and each Governance Advisory Arrangement to produce an annual report covering a number of prescribed matters.

The ZEDRA Governance Advisory Arrangement (“the GAA”) was established on 6 April 2015. It has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA is a specialist provider of independent governance services, mainly to UK pension arrangements. We also act as an independent trustee on several hundred trust-based pension schemes, and we sit on several IGCs. More information on the ZEDRA GAA can be found at www.zedra.com/GAA/

The members of the ZEDRA GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that, individually and collectively, the members of the GAA have the expertise, experience and independence needed to act in the interests of relevant policyholders and [pathway investors](#).

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA. Most of ZEDRA Governance Ltd’s Client Directors represent ZEDRA Governance Ltd on the GAA.

The Board of ZEDRA Governance Ltd has also appointed Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA.

For each Firm, the Board of ZEDRA Governance Ltd appoints either a specific named Client Director of ZEDRA Governance Ltd or Dean Wetton of Dean Wetton Advisory Ltd to act as Chair of the GAA.

More information on each of ZEDRA’s Client Directors, their experience and qualifications can be found at www.zedra.com/people/

Information on Dean’s experience and qualifications can be found at <https://deanwettonadvisory.com>

The GAA has a conflicts of interest register and a conflicts of interest policy. The aim is to ensure any potential conflicts are identified and managed effectively, so they do not affect ZEDRA Governance Ltd’s or Dean Wetton Advisory Ltd’s ability to represent the interests of relevant policyholders or pathway investors.

The Terms of Reference for the GAA agreed with the Firm can be found at: www.scottishfriendly.co.uk/help-support/investment-information/scottish-friendly-governance-advisory-arrangement-annual-reports

Appendix F: Glossary

Active management

The investment of funds where the skill of the investment manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question.

Annual Management Charge or AMC

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

Annuity

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is "joint life", it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ("the annuitant").

COBS

The Conduct of Business Sourcebook prepared by the Financial Conduct Authority (FCA). When we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

- Investment of contributions.
- Implementation of re-direction of future contributions to a different fund.
- Investment switches for existing funds, including [life-styling](#) processes.
- Settlement of benefits – whether arising from transfer out, death or retirement.

Decumulation

The process of converting pension savings to retirement income.

Environmental, Social and Governance (ESG)

The three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company.

Flexible access

Accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

Life-styling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

Net Investment Performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any [transaction costs](#).

Pathway investor

A retail client investing in a Firm's pathway investment offering.

Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

Relevant policyholder

A member of a Relevant Scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that Relevant Scheme.

Relevant Scheme

A personal pension scheme or stakeholder pension scheme for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more employees of the same employer.

Transaction costs

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.

With profits

An insurance contract that takes part in the profits of an insurance company. The insurance company aims to distribute part of its profits to with-profits policy holders in the form of bonuses.

Unit-linked

A type of investment where the investments of numerous people are pooled together and divided into units of equal value. The value, or price, of each unit depends on the value of the assets of the unit linked fund. The unit price determines the number of units the policyholder receives when they invest money in the fund, and the sum they receive when they sell their units.

Appendix G: Data Table

Policyholder summary as at 31 December 2025.

Workplace Personal Pension and Stakeholder In-Scope arrangements	Number of Policyholders	Assets Under Management (£)
ISGPP & ISSPP without default employer schemes	7,909	209,843,062
ISGPP & ISSPP with default fund employer schemes	2,923	71,985,038
Ex-Canada Life Workplace Pension	1,728	46,718,927
Scottish Friendly Staff Pension Scheme	263	6,316,901



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