

# Scottish Equitable plc 2024 annual report to New Generation With-Profits investors

For customers who invested in the **With-Profits Growth** or **With-Profits Cautious** New Generation With-Profits funds after 30 September 2002

For the year to 31 December 2024

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# Scottish Equitable and With-Profits

In this report you can find details of how we managed our New Generation With-Profits business in 2024 and how we looked after our New Generation With-Profits investors' interests

## About this report

The Financial Conduct Authority requires us, Scottish Equitable plc, to produce a report each year for our With-Profits investors stating whether or not we believe we've complied with our stated **Principles and Practices of Financial Management of With-Profits Business (PPFM)**.

Regulations set by the Financial Conduct Authority require firms like Scottish Equitable that have a With-Profits fund to appoint a With-Profits Committee to advise the **Board** on matters impacting With-Profits policyholders. The independent **Scottish Equitable Policyholders Trust Ltd** acts as Scottish Equitable's With-Profits Committee and oversees the assessment of our compliance with the **PPFM**. **Scottish Equitable Policyholders Trust Ltd** has reviewed this report before its publication. (You can find more details on this in the section 'How we make sure we're compliant with the **PPFM**'.)

A glossary of terms used in this report which are highlighted in **bold font** can be found in Appendix 1.

## Our PPFM

Our **PPFM** sets out in detail our With-Profits management strategy and processes. You can view it on our website at [aegon.co.uk/with-profits](https://aegon.co.uk/with-profits) or write to us at Aegon and Scottish Equitable Pensions and Bonds, SUNDERLAND, SR43 4DS for a copy.

Our **PPFM** is split into two sections: principles and practices. The principles set out our general approach to the management of With-Profits business, and we don't expect these to change often. The practices cover the day-to-day

operation of our With-Profits business within the principles framework. Sections 5 and 6 of the PPFM describe the principles and practices respectively for the **New Generation With-Profits** business.

## Our With-Profits contracts and funds

Scottish Equitable plc used to be Scottish Equitable Life Assurance Society, which was a mutual company. On 31 December 1993 the business and assets of Scottish Equitable Life Assurance Society were transferred to Scottish Equitable plc as part of the demutualisation process as we became a public limited company. Scottish Equitable plc is owned by Aegon UK, which in turn is a subsidiary of the international insurance group Aegon Ltd.

We have at different points in time offered three broad types of With-Profits investment:

- **Traditional With-Profits;**
- **Unitised With-Profits;** and
- **New Generation With-Profits.**

This report is about our **New Generation With-Profits** funds, "**With-Profits Growth**" and "**With-Profits Cautious**". These are With-Profits funds which do not have any bonuses or guarantees. Customers were able to take out investments in these funds after 30 September 2002, up to 1 August 2013 when they were closed to new investments.

If you invested in a Scottish Equitable With-Profits fund on or before 30 September 2002 then you will be invested in one of our older types of With-Profits funds. A separate annual report for customers who invested in With-Profits

on or before 30 September 2022 is available on our web site at [aegon.co.uk/customer/investment-choices/with-profits/governance](https://aegon.co.uk/customer/investment-choices/with-profits/governance).

## Our New Generation With-Profits funds

Our **New Generation With-Profits** funds are a simplified form of With-Profits which have no investment guarantees or bonuses and each fund is ring-fenced, which means that all investment profits and losses stay within each **New Generation With-Profits** fund and are reflected in payouts to investors. These funds are therefore not affected by the cost of meeting the guarantees on our older With-Profits business written on or before 30 September 2002.

Our **New Generation With-Profits** funds don't have any investment guarantees. However, they do have a mechanism which smooths the daily unit price to dampen the immediate effect of peaks and troughs in the value of their investments.

In the first half of 2020 we wrote to all of our **New Generation With-Profits** customers to explain changes we were making to the principles and practices described in the **PPFM** to help facilitate the orderly closure of our **New Generation With-Profits** funds when the appropriate time comes to close each of them.

The **New Generation With-Profits** 'Stakeholder Cautious' fund was closed in 2021. The **New Generation With-Profits** 'Life Growth' and 'Life Cautious' funds were closed in 2024. In each case all remaining investments were switched into alternative funds with similar

asset mix but without the smoothing features of the **New Generation With-Profits** fund.

We expect to follow a similar process, at the appropriate time, for other **New Generation With-Profits** fund closures.

If you'd like further detail on our **New Generation With-Profits** funds, take a look at our **PPFM** and other With-Profits information on our website at [aegon.co.uk/with-profits](https://aegon.co.uk/with-profits)

## How we make sure we're compliant with the PPFM

We take advice from the **With-Profits Actuary** on all aspects of the operation of our With-Profits business. The **With-Profits Actuary** advises us on whether any changes we make are consistent with our **PPFM** and produces routine reports for us. One of these is a report explicitly covering compliance with the **PPFM** during the previous calendar year.

Also, the **Scottish Equitable Policyholders Trust Ltd** provides independent oversight and advice to Scottish Equitable plc on the way it manages the With-Profits fund. Its directors (who are independent of Scottish Equitable plc) meet regularly throughout the year and take advice from an independent actuarial adviser (who is also a director of **Scottish Equitable Policyholders Trust Ltd**). The **With-Profits Actuary** is present at these regular meetings, as well as certain directors and management of Scottish Equitable plc. All reports from the **With-Profits Actuary** to Scottish Equitable plc's directors are also given to **Scottish Equitable Policyholders Trust Ltd**.

# Our With-Profits decisions

## Areas of discretion

Within our New Generation With-Profits business, we have discretion (in other words we make all the decisions as to what to do) in the following key areas:

- How much should be invested in different types of assets.
- The setting of **expected growth rates** (which is what we assume the long-term return on the investments for each fund to be, and which feeds into our smoothing formula).
- The setting of any smoothing adjustments that may be required. (These are adjustments, upwards or downwards, that may apply to your payout when you leave the fund.)
- The relative weightings between the **expected growth rate** and the actual investment return achieved, as used in our smoothing formula.
- The details of the smoothing formula we use to smooth investment returns to get to the smooth unit price.
- With each fund in run-off, decisions as to the ongoing operation of smoothing and the timing and nature of the closure of each fund.

You can find details of the charges that apply to your new generation With-Profits investment in your illustration and policy conditions booklet.

## Investment policy

You can find the target investment ranges for our **New Generation With-Profits** business in the **PPFM** (and listed later in this report). In addition, the actual asset allocations are updated quarterly on our fund factsheets, which are available on our public website. The target ranges specify how much of each fund is to be invested in a combination of equities (company

shares), fixed interest securities (bonds issued by governments and companies) and cash.

## Target investment mix

The target investment mix for the new generation With-Profits funds during 2024 was as follows:

### Life Growth\*, Pensions Growth and Pensions Stakeholder Growth sub-funds

UK and overseas equities	80-90%
UK and overseas fixed interest	10-20%
Cash and others	0-5%

### Life Cautious\* and Pensions Cautious sub-funds

UK and overseas equities	35-45%
UK and overseas fixed interest	55-65%
Cash and others	0-5%

\* The Life Growth and Life Cautious sub-funds were closed on 3 October 2024.

## Responsible Investment

Aegon’s responsible investment framework sets out how our With-Profits fund assets should be managed, consistent with our objectives, relevant laws and market and consumer expectations. Responsible investment is commonly defined as the incorporation of environmental, social and governance (ESG) factors in investment decisions and stewardship. Prospective fund managers are screened based on their ability to meet our minimum expectations across five areas of responsible investment and to report back to us on activities across these themes and risks.

We expect our fund managers to support our climate ambition and net zero commitment and to sign up to the United Nations Principles for

Responsible Investment and to be signatories to the UK Stewardship Code 2020 and apply its definition of stewardship, which is the “responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”. As at May 2025, our With-Profits asset managers (Aegon Asset Management and Columbia Threadneedle Investments) comply with these expectations. This demonstrates a commitment by asset managers to champion clients’ interests and to use their influence to promote sustainable value creation through activities such as voting at shareholder meetings and proactively engaging with companies to ensure they are being managed for the long-term benefit of clients.

Our climate-related disclosures, based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, show how we are identifying risks and opportunities related to climate change, and acting on them. The **Board** supervises our efforts to address climate change related risks, and oversees our approach to sustainability, including, our responsible investment and stewardship commitments. This includes Aegon UK’s net zero commitments, our climate road map and long-term resilience of the business to climate change.

You can find out more about responsible investing by visiting [aegon.co.uk/customer/investment-choices/responsible-investing](https://aegon.co.uk/customer/investment-choices/responsible-investing)

In addition, our most recent Task Force on Climate-Related Financial Disclosures (TCFD) report may be obtained by visiting [aegon.co.uk/corporate-sustainability/governance-matters](https://aegon.co.uk/corporate-sustainability/governance-matters)

Investment returns

**New Generation With-Profits** sub-funds use a smoothed unit price to share out their profits and losses to investors. The change in smoothed unit price for the **New Generation With-Profits** sub-funds (1% annual management charge version) over the last two years is shown below.

The unit price changes in the **New Generation With-Profits** funds during 2024 broadly reflect the average of the underlying asset returns and the **expected growth rates**, which are detailed later in this report.

Fund	2024 unit price change	2023 unit price change
Life Growth fund	+9.8%	+6.2%
Life Cautious fund	+4.8%	+5.4%
Pensions Growth fund	+7.3%	+6.4%
Pensions Cautious fund	+4.5%	+5.7%
Pensions <b>Stakeholder</b> Growth fund	+7.3%	+6.4%

The Life Growth and Life Cautious information reflects unit prices on 3 October 2024 when the funds closed and includes enhancements of +3.95% (Growth) and +0.57% (Cautious) made to fully distribute the assets of each fund prior to closure.

### Competing interests of different stakeholders

The main stakeholders of the With-Profits fund are the With-Profits investors (policyholders) and the **shareholder** of Scottish Equitable plc. As the **shareholder** isn't entitled to receive a share of the profits generated within the fund (other than contractual policy charges), there is limited scope for conflicts of interest to arise between the With-Profits investors and the **shareholder**. The **shareholder's** main aims are that the With-Profits fund maintains enough capital to withstand adverse circumstances and that investors are treated fairly.

### Expected growth rates

We reviewed the yearly **Expected Growth Rates** for the **New Generation With-Profits** funds during 2024 against our expected future rates of return on equities and fixed interest securities. As a result, the yearly **Expected Growth Rates** applying during 2024 were:

Fund	From 31/03/24 to 31/12/24	From 01/01/24 to 31/04/24
Life Growth	4.25%*	4.75%
Life Cautious	3.75%*	4.25%
Pensions Growth (inc <b>Stakeholder</b> )	4.75%	5.25%
Pensions Cautious	4.50%	5.00%

\*Closed on 3 October 2024

These **Expected Growth Rates** are before any annual management charge deduction. The **Expected Growth Rates** for the Life funds were slightly lower than for Pensions funds as Life funds must allow for the expected effect of taxation.

### Smoothing adjustments

We currently don't apply smoothing adjustments to payouts to investors leaving the **New Generation With-Profits** funds as long as the ratio of the smoothed fund value to the actual value of the underlying investments is in the range 80% to 130%. During 2024 we applied no downwards smoothing adjustments and there were 37 cases where we applied upwards smoothing adjustments, with an aggregate impact of £53.

### Changes to the PPFM during 2024

There were no changes made to the principles of the **PPFM** during 2024 and no changes to the practices that were relevant to **New Generation With-Profits** funds.

## Our directors' opinion on our With-Profits management in 2024

We can confirm that, throughout 2024, we've met the requirements of the **PPFM** and we've exercised our judgement fairly, taking into account the interests of With-Profits investors in a fair and reasonable manner. This is based on the evidence and explanations we've provided in this report, and a review undertaken by the With Profits Actuary. **Scottish Equitable Policyholders Trust Ltd**, acting as the Scottish Equitable With-Profits Committee, has reviewed this annual report to policyholders and the **With-Profits Actuary's** statement.

The directors of Scottish Equitable plc  
June 2025

We're not allowed to give you advice, but if you'd like any further information on our With-Profits contracts or funds and how we run them, please contact us:

Aegon and Scottish Equitable Pensions and  
Bonds  
SUNDERLAND  
SR43 4DS

03456 10 00 10  
+44(0)131 378 3000 from abroad

Call charges will vary

## Statement by the With-Profits Actuary

I can confirm that, in my opinion, Scottish Equitable plc's 2024 annual report to With-Profits investors and the discretion exercised by its directors during 2024 have taken the interests of With-Profits investors into account in a reasonable and proportionate manner. In reaching this conclusion, I have taken account of the information and explanations provided to me by Scottish Equitable plc, as well as the relevant rules and guidance of the Financial Conduct Authority.

Alan McBride  
**With-Profits Actuary**  
Scottish Equitable plc

## Glossary of terms

This section explains the words and phrases highlighted in **bold** throughout the document.

Terminology	Description
<b>Board</b>	The <b>Board</b> of Directors of Scottish Equitable plc, or a committee of this body acting under its authority.
<b>Expected growth rate</b>	Our assumed long-term rate of investment return used within the smoothing mechanism for the <b>New Generation With-Profits funds</b> .
<b>New Generation With-Profits</b>	With-Profits funds under which there is no concept of <b>annual bonuses</b> or <b>final bonuses</b> , with benefits being determined by reference to a smoothed unit price that normally changes on a daily basis.
<b>Principles and Practices of Financial Management of With-Profits business (PPFM)</b>	A regulatory document that explains how we manage our With-Profits business, which is available from our public website <a href="http://aegon.co.uk/with-profits">aegon.co.uk/with-profits</a>
<b>Scheme of Demutualisation</b>	The legal document approved by the Court of Session that authorised and gave effect to the transfer of business from Scottish Equitable Life Assurance Society to Scottish Equitable plc with effect from 31 December 1993.
<b>Scottish Equitable Policyholders Trust Ltd</b>	An independent body which acts as Scottish Equitable's With-Profits Committee and, on behalf of With-Profits investors, oversees the way in which the <b>With-Profits fund</b> is managed.
<b>Shareholder</b>	Aegon Ltd, the ultimate parent company of Scottish Equitable plc.
<b>Stakeholder</b> pensions business	A pension scheme established in accordance with the Stakeholder Pension Schemes Regulations 2000.
<b>Traditional With-Profits</b>	A With-Profits policy that, in accordance with the policy conditions, offers a level of <b>guaranteed benefit</b> in return for the payment of a premium or an agreed series of premiums. Offers no facility to switch into a unit-linked contract. These contracts include both <b>Endowment</b> and <b>Whole of Life</b> policies.
<b>Unitised With-Profits</b>	A With-Profits policy that, in accordance with the policy conditions, offers a level of <b>guaranteed benefit</b> (with the exception of <b>New Generation With-Profits</b> ) linked to the payment of each individual premium. <b>Guaranteed benefits</b> (including <b>annual bonus</b> additions) are expressed in terms of a unit value. Generally, it offers the facility to switch into a unit-linked contract (but not always).
<b>With-Profits Actuary</b>	An actuary appointed under chapter 4.3.16 of the Supervision manual of the Financial Conduct Authority to advise the directors of Scottish Equitable plc on their exercise of discretion in the management of the <b>With-Profits fund</b> .



<b>With-Profits Cautious</b>	Along with ' <b>With-Profits Growth</b> ', this is the name of one of two <b>New Generation With-Profits</b> funds that were available for customers to invest in between 1 October 2002 and 1 August 2013. If you have an investment in either the <b>With-Profits Cautious</b> or <b>With-Profits Growth</b> funds (or the <b>Stakeholder</b> version of the <b>With-Profits Growth</b> fund) then this report is relevant to you.
<b>With-Profits fund</b>	The sub-fund of Scottish Equitable plc's long-term insurance fund into which all With-Profits business was written or transferred on the demutualisation of Scottish Equitable Life Assurance Society, and from which With-Profits investors are entitled to benefit in accordance with their individual policy conditions, the <b>Scheme of Demutualisation</b> , and the <b>PPFM</b> .
<b>With-Profits Growth</b>	Along with ' <b>With-Profits Cautious</b> ', this is the name of one of two <b>New Generation With-Profits</b> funds that were available for customers to invest in between 1 October 2002 and 1 August 2013. If you have an investment in either the <b>With-Profits Cautious</b> or <b>With-Profits Growth</b> funds (or the <b>Stakeholder</b> version of the <b>With-Profits Growth</b> fund) then this report is relevant to you.