



Helping people live their best lives

# Scottish Equitable plc

## Solvency and Financial Condition Report 2024

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## Scope of the Report

The Reporting Part of the PRA Rulebook requires firms to produce a **Solvency and Financial Condition Report (SFCR)** containing both qualitative and quantitative information, and to disclose this report publicly and to the Prudential Regulation Authority (PRA) on an annual basis.

This report is Scottish Equitable plc's ('SE plc') SFCR for the year ending December 31, 2024. This report informs SE plc's stakeholders about SE plc's:

- Business and performance (section A of the report);
- System of governance (section B of the report);
- Risk profile (section C of the report);
- Valuation for solvency purposes (section D of the report); and
- Capital management (section E of the report).

## Basis of Preparation

This report is prepared in accordance with the requirements of the Prudential Regulation Authority Rulebook (Reporting 3-6). The PRA's reform of Solvency II includes changes to Solvency II Pillar 3 reporting requirements as published in [PS15/24 – Review of Solvency II: Restatement of assimilated law | Bank of England](#). The changes came into effect from 31 December 2024, and as such the year end 2024 reporting aligns to these changes.

Since the introduction of Solvency II on 1 January 2016, the Company has used a Partial Internal Model (PIM) to calculate its solo solvency position and its contribution to group solvency.

Scottish Equitable plc is referred to in this document as 'SE plc' or 'the Company'. A set of acronyms and glossary of terms can be found in Appendices A and B of this document.

The figures reflecting monetary amounts in the document are presented in pounds sterling, and rounded to the nearest £0.1 million, unless otherwise stated. All ratios and variances are calculated using the underlying amount rather than the rounded amount.

In cases where International Financial Reporting Standards (IFRS) figures are disclosed, the figures are prepared in accordance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The 2024 SFCR of SE plc has been prepared and disclosed under the responsibility of the Aegon UK Group Board in respect of SE plc. The Company is required to ensure that it is subject to approval by its governing body and that the governing body takes responsibility for ensuring that the SFCR has been properly prepared in all material respects in accordance with the PRA Rulebook.

## Summary

### Introduction

SE plc, which primarily operates under the brand Aegon, is one of the UK's leading insurance and pension providers. Founded in Edinburgh, the Company has been serving the UK for over 180 years. During that time we have evolved our brand, while staying steadfastly committed to helping people take responsibility for their financial future in order to live their best lives.

The Company is a subsidiary of Aegon UK plc and is a core business of the Aegon Group, one of the world's leading providers of life insurance and pensions operations. Aegon Group is also active in savings and asset management operations, accident and health insurance and general insurance. Aegon Group focuses on two core markets (the United States and the United Kingdom), three growth markets (Spain & Portugal, China, and Brazil) and one global asset manager.

The Aegon Group headquarters is located in The Hague, the Netherlands. During 2025 it will transfer to the World Trade Center, Schiphol, hosting all staff from Aegon's headquarters and employees of the Dutch part of Aegon Asset Management. Aegon operates in a fast-changing environment, in which we face new challenges and opportunities. Aegon aims to play a key role in shaping a thriving and sustainable society by delivering on our purpose of helping people live their best lives. Aegon strives to have a positive impact on society at large, whilst strengthening our operational and financial performance, including managing our direct operations and our investment activities as sustainably and responsibly as possible.

### A. Business and Performance

#### *Company overview*

SE plc's principal activity is the provision of corporate and individual pensions, and savings products in the UK. The Company is primarily a long-term savings business, supporting customers who are retired or saving for their retirement. Products are sold through its online platform, which enable advisors, employers, and individuals to buy and manage investments online, and to also have a single view of investments.

#### *Strategic overview*

On 1 July 2024, the company's Individual Protection book was Part VII transferred to Royal London. The transaction did not have a material financial impact on the capital position, nor the risk profile, of the Company.

The Company continues to monitor the uncertain economic landscape and global developments. After several years of economic volatility, inflation reduced to a level closer to the Bank of England's target rate and they began cutting interest rates. However, many of our customers still face challenges, such as the ongoing impact of increases in the cost of living, still made it difficult for many people to save for retirement. The products offered by the Company support our customers in building the financial foundations they need to live their best lives before and during retirement.

As an insurance provider, SE plc is exposed to a variety of risks. Some of the Company's largest exposures are to changes in financial markets (e.g. interest rate, and equity market risks) that affect the value of the investments held (either directly or indirectly through fees on policyholder funds), and the liabilities from products that the Company sells. Other risks include insurance-related (underwriting) risks, such as changes in persistency rates and mortality as well as the operating expenses for the business.

The Directors consider that the Company has the plans and resources to manage its business risks successfully through its plans for focussing on investing in growing the customer base, improving customer retention, and growing margins.

A key element of the Company's strategy is to maintain capital at an appropriate level as protection for policyholders. The key performance indicator for Solvency II is the Solvency II surplus ratio which at 31 December 2024 is 186% (2023: 187%), which is above our target Operating Level. The ratio decreased slightly compared to 2023 driven by dividends paid and new business strain, partially offset by ongoing capital generation and impacts from market movements.

Full details on SE plc's business and performance are described in Chapter A. Business and Performance.

## **B. System of Governance**

### *Corporate governance*

The Company is a fully regulated entity within Aegon Group (see A.1.4 Ownership Structure). Our corporate governance structure is in place to ensure the safe and efficient management of the Company, its operations, and to protect the interests of its customers.

The Aegon UK Group Board (AUKGB) is the statutory board of SE plc. The AUKGB is entrusted with the task of supervising and advising the Aegon UK Group Board Executive Committee on the management of the Aegon UK Group, as well as overseeing the strategy of the Aegon UK Group and the general course of its business which includes monitoring and overseeing the matters and responsibilities it has delegated to various boards and committees as set out in its Terms of Reference:

- AUKG Executive Committee
- AUKG Audit Committee
- AUKG Investment Committee
- AUKG Board Risk and Capital Committee
- AUKG Remuneration Committee ("REMCO")
- AUKG Nomination Committee
- With-Profits Forum (WPF)

In addition, the Aegon UK Group Board has input and challenge from two governance forums, Scottish Equitable Policyholders' Trust (SEPT) in relation to with-profits and the Independent Governance Committee (ICG) in relation to the value for money of workplace pensions. The Aegon Master Trust Board may also escalate issues to the Aegon UK Group Board in relation to its purpose of performing the functions given to the Trustees of the Aegon Master Trust.

### *Risk management*

SE plc's Enterprise Risk Management (ERM) framework is aligned to the Aegon Group ERM framework. This framework is designed to identify and manage potential events and risks that may affect the Company. It involves:

- Understanding which risks the Company is facing
- Establishing risk tolerances for the level of exposure to a particular risk
- Utilising risk policies to set minimum standards to be met
- Monitoring risk exposure and actively maintaining oversight over the Company's overall risk and solvency positions.

### Control environment

In addition to risk management, SE plc's Solvency II control environment consists of an internal control system, which includes the compliance function, the actuarial function and the internal audit function. The internal control system serves to facilitate compliance with applicable laws, regulation, and administrative processes and it provides for an adequate control environment including appropriate control activities for key processes. The actuarial function has end-to-end accountability for the adequacy and reliability of reported technical provisions, including policy setting and monitoring of compliance regarding actuarial risk tolerances. SE plc's internal audit function is independent and objective in performing its duties in evaluating the effectiveness of SE plc's internal control system.

Full details on SE plc's system of governance are described in Chapter B. System of Governance.

## C. Risk Profile

### Key risks

As an insurance provider, SE plc is exposed to a variety of risks. Some of the Company's largest exposures are to changes in financial markets (e.g. interest rate, and equity market risks) that affect the value of the investments held (either directly or indirectly through fees on policyholder funds), and the liabilities from products that the Company sells. Other risks include insurance related (underwriting) risks, such as changes in persistency rates and the operating expenses for the business.

The key risks as reflected in the Company's Partial Internal Model (PIM) Solvency Capital Requirement (SCR) are:

#### Solvency Capital Requirement for SE plc (unaudited)

Amounts in GBP Millions		2024	2023	%
C.2 Market risk	Market Risk (SF)	47.2	35.2	34%
	Market Risk (IM)	988.3	1,053.8	(6%)
C.3 Credit risk*	Counterparty default risk (SF)	63.7	65.7	(3%)
C.1 Underwriting risk	Life underwriting risk (SF)	16.7	16.7	(0%)
	Life underwriting risk (IM)	1,430.8	1,274.0	12%
	Health underwriting risk (SF)	-	0.7	(100%)
C.5 Operational risk	Operational risk (IM)	295.4	305.7	(3%)
	LAC-TP **	(103.6)	(88.1)	(18%)
C.6 Other material risk	LAC-DT	(388.8)	(391.9)	1%
<b>Total undiversified components</b>		<b>2,349.8</b>	<b>2,272.0</b>	3%
Diversification ***		(1,162.5)	(1,082.0)	(7%)
<b>PIM SCR*</b>		<b>1,187.3</b>	<b>1,190.0</b>	(0%)

\* In this summary presentation, the credit risk values represent counterparty exposure only, with other credit risk relating to financial investments (spread risk, migration risk and default risk) included within Market Risk IM.

\*\* Loss absorbing capacity of technical provisions (LAC-TP) refers to the management actions available to the With-Profits Sub Fund (WPSF) to reduce the impact of stressed scenarios. These are a combination of regular management actions such as change of investment strategy and other management actions that may be implemented in more extreme conditions to maintain the solvency of the WPSF.

\*\*\* Diversification reflects diversification between Standard Formula and Internal Model components and between risk modules / components.

"SF" Standard Formula, "IM" Partial Internal Model

### *Market Risk*

The market risks (excluding Credit risk, which is considered separately) that are most material to SE plc are Equity and Interest Rate risks. Equity falls result in a reduction in Own Funds, as the value of future profits falls. The cash balances on SE plc Platform business earn interest at a corporate rate, reflecting our global corporate banking partnership with HSBC. The company is exposed to changes in interest rates as it retains some of the interest earned on these cash balances. Interest rate falls result in a reduction in Own Funds, driven by the negative impact of lower interest on cash balances.

SE plc continues to run an active unit-matching programme as a means of hedging the equity market risk exposure that arises through the value of future fee income. We continue to supplement this hedging with equity put options.

SE plc also continues to hold a portfolio of centrally cleared swaps to hedge interest rates and inflation.

### *Credit Risk*

There were no significant changes in the composition of credit risk during the year. Following the removal of the Company's exposure to counterparty risk in Protection business, our main exposures remain through our External Fund Links (EFLs).

### *Underwriting Risk*

SE plc writes primarily unit-linked retirement savings contracts. The Company's principal underwriting risk exposures therefore arise from risks that could adversely affect the value of future charge income in excess of costs relating to those contracts, namely persistency risk and expense risk. With an update to our year-end best estimate expense and persistency assumptions as well as market movements over the year, we have seen an increase in internal model persistency risk and a decrease in expense risk in 2024. The Standard Formula underwriting risk remains at a similar level to 2023.

The Company no longer writes new annuity business, with an arrangement in place under which annuities from vesting policies are placed with a third-party provider. However, it has some residual exposure to longevity risk through inward reinsurance of a closed book of annuity business in addition to the longevity risk associated with the DB Pension Scheme exposure.

Some policies in With-Profits Sub-Fund provide Guaranteed Minimum Pensions and Guaranteed Annuity Options which results in exposure to longevity risk and changes in Guaranteed Annuity Option take-up rates within the fund.

### *Operational Risk*

The operational risk capital requirement decreased over 2024, primarily reflecting a reduction in the impact of a substantial regulatory regime change and in the assumed severity and likelihood in a number of modelling scenarios as a result of changes to processes and controls.

### *Risk Management*

The Company manages risk based on risk appetite and policies established across the Aegon Group with appropriate local application. Aegon's integrated approach to risk management involves common measurement of risk and scope of risk coverage to allow for aggregation of the overall Aegon Group's risk position.



Risk mitigation techniques are employed within the business. Techniques are adopted to reduce risk exposures within risk appetite, for example derivative hedging programmes.

Sensitivity and scenario analysis is utilised to test the overall financial strength of the business and the exposure to specified risk exposures. Sensitivities and scenario analysis is a core part of the risk framework in allowing the business to measure, monitor and manage risk exposures at any time.

#### *Climate change risk*

The Company can support the transition to a climate resilient economy and a net zero world using both sides of its balance sheet. We finance the upside through our responsible investment framework, while mitigating the downside through integrating Environmental, Social and Governance standards (ESG) into our risk management processes, and the savings solutions we provide. The influence, both positive and negative, we can have as an investor is significant, and we have committed to positioning our general account investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050.

Aegon UK continues to support the Mansion House Compact agreement. The Compact is a voluntary, industry-led expression of intent to take meaningful action to secure better outcomes for UK pension savers through increased investment in unlisted equities.

The Company does not operate energy or resource intensive processes as part of its direct business operations and is not aware of any incidents relating to these activities impacting the natural environment. Aegon's UK business operations have been carbon-neutral since 2016, which has been achieved by substituting its energy consumption with renewable sources and offsetting its remaining carbon emissions. We have selected carbon offset projects in close consultation with our customers, and to align the socio-economic benefits they bring in connection with our purpose.

The Company supports the increased regulatory oversight of financial risks of climate change in the UK and the recommendations set out by the Taskforce for Climate-Related Financial Disclosures (TCFD), and Aegon UK publishes its climate-related financial disclosure reports on its website.

Aegon UK continues to be a signatory to the Financial Reporting Council's (FRC) UK Stewardship Code. The code is recognised globally as a best-practice benchmark in responsible investment and sets the highest standards for those investing money on behalf of UK savers and pensioners. The re-appointment for a second year reflects the continued progress Aegon UK is making in our commitment to responsible investment and is another significant step forward in the journey to becoming one of the top 25% responsible businesses in the UK.

Full details of SE plc's risk profile are described in Chapter C. Risk Profile.

## **D. Valuation for Solvency Purposes**

### *Valuation*

The valuation of assets and technical provisions for Solvency II purposes are derived predominantly from the same data and models as used in preparation of the Statutory Accounts, and a key internal process control is to reconcile from the audited Statutory Accounts to the valuation of assets and technical provisions for Solvency II reporting. Full details of the reconciliation between SE plc's International Accounting Standards in conformity with the requirements of the Companies Act 2006 balance sheet and its Solvency II balance sheet are described in Chapter D. Valuation for Solvency Purposes.

## E. Capital Management

### Overview of 2024 and key results

For SE plc, the Own Funds is the excess of assets over liabilities of the Company valued on a UK Solvency II basis, subject to adjustment for non-available assets. The Company holds capital to protect the interests of its policyholders, investors and other stakeholders. Under UK Solvency II, the Solvency Capital Requirement ('SCR') represents the amount of capital that the Company must hold, in addition to the assets backing the technical provisions, in order to ensure that it will still be in a position, with a probability of at least 99.5%, to meet its obligations to policyholders and beneficiaries over the following 12 months. The minimum level and composition of an insurer's Own Funds is then determined by reference to its SCR. For SE plc, a Partial Internal Model has been approved by the Regulator for the measurement of the SCR.

### Solvency II key figures

Amounts in GBP millions	2024	2023	%
<b>Solvency Capital Requirement (SCR)</b>			
Eligible own funds to meet the SCR *	2,205.6	2,219.9	(1%)
SCR**	1,187.3	1,190.0	(0%)
<b>Solvency II ratio</b>	<b>186%</b>	<b>187%</b>	
<b>Minimum Capital Requirement (MCR)</b>			
Eligible own funds to meet the MCR *	2,205.6	2,219.9	(1%)
MCR	534.5	535.5	(0%)

\*Own Funds are unrestricted Tier 1 capital, with the exception of a £1.7m Tier 3 deferred tax asset

\*\*unaudited

The year-end Solvency II ratio is 186% (2023: 187%) for the Company representing the Own Funds as a ratio of the SCR. The ratio decreased slightly compared to 2023 driven by dividends paid and new business strain, partially offset by ongoing capital generation and impacts from market movements.

The Solvency II ratio (Own Funds/SCR) is a key performance indicator for the business.

This is a strong capital position evidencing the company's ability to meet policyholder obligations when they fall due, even under stressed conditions. Furthermore, this level of capital is above the target Operating Level per the Capital Management Policy and the Company is projected to maintain a healthy capital position. This allows the business to make further investment in the business and provide dividend payments to its shareholder, whilst ensuring a strong level of protection to its policyholders. There have not been any instances during 2024 where the estimated SE plc Solvency II ratio was below the SCR, nor the MCR level.

In accordance with the Solvency II rules, the Regulator allows companies to apply certain adjustments to calculation of their Own Funds and capital requirements. The Company applies adjustments under these rules. The impact of these adjustments on the Company's Solvency II ratio is set out below.

### Solvency II ratio - impact of adjustments

	2024	2023
Actual Solvency II ratio	186%	187%
Solvency II ratio without volatility adjustment	186%	187%
Solvency II ratio without volatility and matching adjustments	180%	182%

#### *Use of transitional measures*

The PRA Rulebook also allows for companies to use transitional measures to phase in the effect of changes arising from the implementation of Solvency II. SE plc does not currently use these transitional measures.

Full details on SE plc's Own Funds and SCR are provided in Chapter E. Capital Management.

## A. Business and Performance

### A.1 Business

#### A.1.1 Overview

SE plc is a public limited company domiciled and incorporated in Scotland and operates under the laws of Scotland and the laws of England and Wales. The Company is not directly listed but, as a UK-based subsidiary of a listed company based in Bermuda, its governance aims to adhere to the principles of the UK Corporate Governance Code and the Bermuda Monetary Authority's Corporate Governance Policy. The subsidiaries to SE plc are outlined in Section A.1.5.

The results of the Company are consolidated in the financial statements of Aegon Ltd., the ultimate parent company incorporated in Bermuda. The group financial statements of Aegon Ltd. are available from the Company Secretary, Aegon UK plc, Edinburgh Park, Edinburgh, EH12 9SE.

The Company's principal activity is the provision of corporate and individual pensions and savings products in the UK. SE plc is predominantly a long-term savings business, supporting customers who are retired or saving for their retirement.

#### A.1.2 Regulators and auditor

The authorities responsible for regulatory supervision of SE plc are:

- Prudential Regulation Authority (or PRA)  
Address : 20 Moorgate, London, EC2R 6DA  
Telephone : +44 (0)20 7601 4444
- Financial Conduct Authority (or FCA)  
Address : 12 Endeavour Square, London, E20 1JN  
Telephone : +44 (0)20 7066 1000

The authority responsible for group supervision of Aegon Ltd. is:

- Bermuda Monetary Authority  
Address : BMA House, 43 Victoria Street, Hamilton, Bermuda  
Telephone : +1 441 295 5278

Ernst & Young (EY) is the external auditor of SE plc who can be contacted as follows:

- Ernst & Young LLP  
Address : 25 Churchill Place, London, E14 5EY  
Telephone : +44 (0) 20 7951 2000

#### A.1.3 Solvency II key figures

For SE plc, the Own Funds is the excess of assets over liabilities of the Company valued on a Solvency II basis, subject to adjustment for non-available assets. The Company holds capital to protect the interests of its policyholders, investors and other stakeholders. Under Solvency II, the Solvency Capital Requirement ('SCR') represents the amount of capital that the Company must hold, in addition to the assets backing the technical provisions, in order to ensure that it will still be in a position, with a probability of at least 99.5%, to meet its obligations to policyholders and beneficiaries over the following 12 months. The minimum level and composition of an insurer's Own Funds is then determined by reference to its SCR. For SE plc, a Partial Internal Model has been approved by the Regulator for the measurement of the SCR.

In the following table the Solvency II key figures for SE plc are presented:

### Solvency II key figures

Amounts in GBP millions	2024	2023	%
Own Funds	2,205.6	2,219.9	(1%)
SCR*	1,187.3	1,190.0	(0%)
<b>Solvency II ratio</b>	<b>186%</b>	<b>187%</b>	

\*unaudited

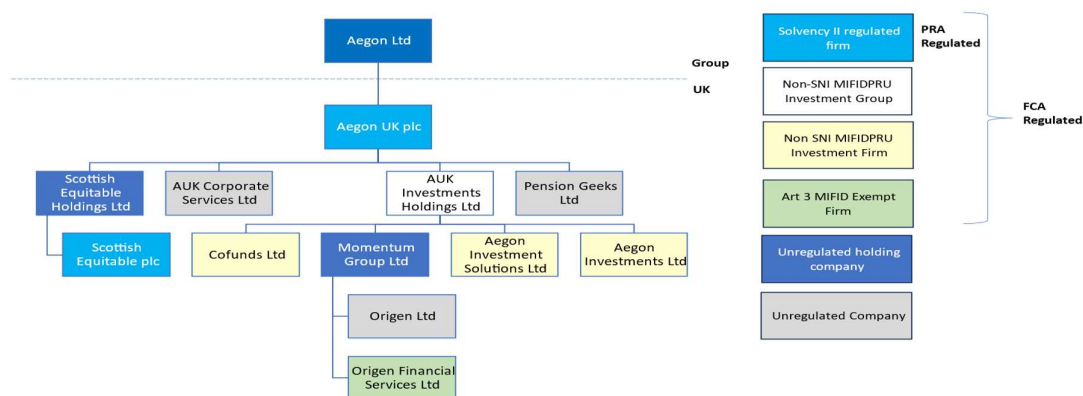
The 2024 Solvency II ratio is 186% (2023: 187%), which is above our target Operating Level. The ratio decreased slightly compared to 2023 driven by dividends paid and new business strain, partially offset by ongoing capital generation and impacts from market movements. The composition of the Company's Own Funds is discussed in more detail in Section E.1 of this report.

The Solvency II ratio (Own Funds/SCR) is a key performance indicator for the business. A higher Solvency II ratio provides a strong indication of the level of excess assets in the Company and hence the ability to utilise those assets to invest further in the business or to make dividend payments to the Aegon shareholder.

Capital generation is an indicator of the Company's ability to generate a surplus of assets over liabilities as well as releasing risk capital over time. In combination with the SII ratio we can derive and forecast the ability to generate future surpluses. Later in Section A, the underwriting and investment performance for the Company are set out which act as drivers of the overall business performance.

### A.1.4 Ownership Structure

The following structure chart illustrates the Company within the wider Aegon UK and Aegon Group structure (simplified):



Aegon UK plc is the top-level UK holding company comprising SE plc, AUK Investment Group, Pension Geeks, and AUK Corporate Services Limited. The PRA exercise group supervision at the level of AUK Group. AUK plc is not formally regulated by the PRA.

There were no changes to the Group structure during 2024.

#### *A.1.4.1 Immediate parent undertaking*

Except for one share held in the name of Aegon UK plc, all the issued share capital of SE plc is held by SE plc Holdings Limited, which is registered in Scotland.

Except for one special share (see below), all the share capital of Scottish Equitable Holdings Limited is held by Aegon UK plc.

The special share in Scottish Equitable Holdings Ltd is held by SEPT, a limited company established for the protection of the members of the Scottish Equitable Life Assurance Society at 31 December 1993 and future with-profits policyholders of the Insurer. SEPT is contracted by the Company to undertake the role of the independent With-Profits Committee of the Company as defined in the rules of the Financial Conduct Authority (FCA). As holder of the special share, SEPT is entitled to receive notice of and attend meetings of members of Scottish Equitable Holdings Ltd and to vote on a show of hands. On a poll, however, the voting rights attaching to the special share have now reduced to nil, a direct consequence, under the Constitution, of policyholders' interests in the non-participating business falling to zero.

#### *A.1.4.2 Ultimate parent undertaking*

The results of the Company are consolidated in the financial statements of Aegon Ltd., the ultimate parent company incorporated in Bermuda. The group financial statements of Aegon Ltd. are available from the Company Secretary, Aegon UK plc, Edinburgh Park, Edinburgh, EH12 9SE, or from its website [www.aegon.com](http://www.aegon.com).

### **A.1.5 List of principal subsidiaries, joint ventures and investments in associates**

SE plc has the following wholly owned subsidiary registered in Scotland:

- Scottish Equitable (Managed Funds) Ltd

The company is dormant.

### **A.1.6 Material lines of business and material geographical areas.**

The Company is a company incorporated in Scotland based in Edinburgh, selling to UK residents.

The Company's material lines of business are:

- Unit-Linked Savings ("Unit-Linked")
- With-Profits ("Insurance with-profit participation/Other Life")
- Annuities ("Other Life")

(Note: Solvency II classifications of business shown in brackets for consistency with SFCR and Quantitative Reporting Templates (QRTs)).

The Unit-Linked savings portfolio includes c. £87bn (2023 c. £78bn) of policyholder savings which are invested in a range of funds offered to our customers. The portfolio includes unit-linked savings on both traditional systems as well as our digital systems.

With-Profits is a pooled investment arrangement whereby all profits and losses of the With-Profits Sub-Fund (WPSF) are shared fairly amongst the participating investors. Typically these investments offer a minimum guaranteed return plus some stability in pay-outs through smoothing out the effects caused by short-term movements in investment markets. The WPSF is also liable to meet certain guarantee costs relating to unit-linked business.

The Company has historically offered three types of with-profits investment, which are now closed to new business:

- Traditional With-Profits (TWP) - offers a level of guaranteed benefit in return for the payment of a premium or a series of premiums.
- Unitised With-Profits (UWP) - offers a level of guaranteed benefit linked to the payment of each individual premium, expressed in terms of a unit value.
- New Generation With-Profits (NGWP) – here there is no concept of guaranteed benefits, with benefits being determined by reference to a smoothed unit price that normally changes on a daily basis.

Until April 2023, the Company offered a range of protection products including life insurance, critical illness, and income protection. In April 2023 it closed the portfolio to new business and announced an agreement to sell its UK individual protection portfolio to Royal London. On 1 July 2024, the legal ownership of the individual protection book was Part VII transferred to Royal London.

## A.2 Underwriting performance

This section provides an overview of the underwriting performance of the Company. All premium income arises in the United Kingdom.

Since the Company prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis. The table below shows the Company's underwriting performance as included in the statutory accounts:

### A.2.1 Underwriting performance

Amounts in GBP millions	2024	2023	%
<b>Insurance service result</b>	<b>193.8</b>	179.1	<b>8%</b>
<b>Insurance net investment result</b>	<b>(25.9)</b>	(24.7)	<b>(5%)</b>
<b>Other net investment result</b>	<b>(19.7)</b>	(0.6)	<b>(3284%)</b>
<b>Other result</b>	<b>(78.5)</b>	(117.9)	<b>33%</b>
<b>Income tax (expense)/credit</b>	<b>(12.2)</b>	(25.2)	<b>(52%)</b>
<b>Result after tax</b>	<b>57.5</b>	<b>10.7</b>	<b>435%</b>

As shown above, performance can be split into 4 distinct categories and income tax.

#### A.2.1.1 Insurance service result

The insurance service result combining insurance business revenue with insurance service expenses and net expenses on reinsurance held.

Amounts in GBP millions	2024	2023	%
Insurance revenue	<b>465.8</b>	584.0	<b>(20%)</b>
Insurance service expenses	<b>(248.3)</b>	(352.9)	<b>30%</b>
Net expenses on reinsurance held	<b>(23.7)</b>	(52.0)	<b>54%</b>
<b>Insurance service result</b>	<b>193.8</b>	<b>179.1</b>	<b>8%</b>

The total insurance revenue recognised over the duration of a group of contracts is equal to the amount of premiums received, adjusted for a financing effect and excluding any non-distinct investment components. For contracts with discretionary participation features (DPF), it includes the variable fees that SE plc expects to receive.

Insurance service expenses arise as the Company provides coverage and other services under issued insurance contracts and investment contracts with DPF.

Net expenses on reinsurance held whereby the Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

#### A.2.1.2 Insurance net investment result

The insurance net investment result combining insurance business related investment returns with net insurance finance on reinsurance held.

Amounts in GBP millions	2024	2023	%
Interest revenue on financial instruments calculated using the effective interest method	28.4	21.8	30%
Interest revenue on financial instruments measured at FVTPL	300.9	344.2	(13%)
Other investment income	1,132.4	1,107.3	2%
Results from financial transactions	3,555.3	3,495.1	2%
Insurance finance income/(expenses)	(5,023.8)	(4,998.7)	(1%)
Net insurance finance income/(expenses) on reinsurance held	(19.1)	5.6	(441%)
<b>Insurance net investment result</b>	<b>(25.9)</b>	<b>(24.7)</b>	<b>(5%)</b>

The table above shows interest, dividend and return on investments in relation to assets held to cover insurance liabilities. The insurance finance income relates to the change in insurance liabilities and the net insurance finance income on reinsurance held relates to the change in insurance related reinsurance assets.

#### A.2.1.3 Other net investment result

The other net investment result combining investment business returns with change in investment contract liabilities without DPF.

Amounts in GBP millions	2024	2023	%
Interest revenue on financial instruments calculated using the effective interest method	10.2	8.7	17%
Interest revenue on financial instruments measured at FVTPL	90.9	78.2	16%
Other investment income	609.7	480.1	27%
Results from financial transactions	3,612.0	2,815.9	28%
Net change in investment contract liabilities without DPF	(4,341.0)	(3,381.4)	(28%)
Interest expense	(1.5)	(2.1)	28%
<b>Insurance net investment result</b>	<b>(19.7)</b>	<b>(0.6)</b>	<b>(3284%)</b>

The figures above show interest, dividend and return on investments in relation to assets held to cover non-insurance liabilities. The net change in investment contract liabilities without DPF relates to the change in non-insurance liabilities.



#### A.2.1.4 Other result

The other result which combines fee and commission income with other operating expenses.

Amounts in GBP millions	2024	2023	%
Fees and commission income	112.8	86.6	30%
Other operating expenses	(237.9)	(207.9)	(14%)
Other income/(charges)	46.6	3.4	1271%
<b>Other result</b>	<b>(78.5)</b>	<b>(117.9)</b>	<b>33%</b>

Fees and commission income relates to fee income on investment contract business, while other income principally relates to the derecognition of the assets and liabilities of the protection business, and the recognition of the deferred consideration, with a net impact of £42.2m, and sub-lease income of £4.4m. Other operating expenses are in respect of non-insurance related costs.

#### A.2.2 Underwriting performance Solvency II

Disclosure requirements differ between Statutory Accounts Income Statement and Solvency II Premiums, Claims and Expenses, whereby the Solvency II definition of an 'insurance contract' for Solvency II reporting purposes is based on the PRA Rulebook, rather than the distinction between investment and insurance contracts under IFRS 9 and IFRS17.

The table below shows the Company's premiums, claims, and expenses split by Solvency II lines of business. All business is written in the UK. Materially, there is no timing difference between premiums written and premiums earned.

#### Underwriting performance by material line of business (net of reinsurance)

2024			
Amounts in GBP millions	Premium written	Claims incurred	Expenses incurred
<b>Life</b>			
Health insurance	3.4	3.2	1.6
Insurance with profit participation	18.6	432.0	5.5
Index-linked and unit-linked insurance	11,443.5	10,230.4	341.0
Other life insurance	5.8	55.8	16.0
<b>Total</b>	<b>11,471.3</b>	<b>10,721.4</b>	<b>364.1</b>

2023			
Amounts in GBP millions	Premium written	Claims incurred	Expenses incurred
<b>Life</b>			
Health insurance	8.0	4.1	5.4
Insurance with profit participation	19.0	341.8	5.6
Index-linked and unit-linked insurance	10,557.6	10,323.9	309.4
Other life insurance	9.7	26.2	50.1
<b>Total</b>	<b>10,594.3</b>	<b>10,696.0</b>	<b>370.5</b>

The unit-linked insurance business volumes, which include unit-linked savings on both traditional systems as well as our digital systems, have increased over 2024. Health insurance and Other life insurance business levels reduced due to the sale of our Protection Business, and Insurance with profit participation business is closed to new business.

More analysis can be found in Quantitative Reporting Templates IR.05.02.01 Life income and expenditure and IR.05.03.02 Premiums, claims and expenses by country.

## A.3 Investment performance

### A.3.1 Insurance investment return

This section provides an overview of the investment performance included in the insurance net investment result. The investment performance is specified by income and charges, and by type. The income can relate to the shareholder (or 'general account') or the policyholder, according to who bears the financial risks.

Amounts in GBP millions	2024	2023	%
Interest revenue on financial statements calculated using the effective interest method	28.4	21.8	30%
Interest revenue on financial instruments measured at FVTPL	300.9	344.2	(13%)
Other investment income	1,132.4	1,107.3	2%
Results from financial transactions	3,555.3	3,495.1	2%
Impairment losses/(gains)	-	-	-
Interest expenses	-	-	-
<b>Total insurance investment return</b>	<b>5,017.0</b>	<b>4,968.4</b>	<b>1%</b>

#### A.3.1.1 Interest revenue on financial statements calculated using the effective interest method

Amounts in GBP millions	2024	2023	%
Debt securities and money market instruments	-	0.1	(100%)
Other	28.4	21.7	31%
<b>Total interest revenue on financial statements calculated using the effective interest method</b>	<b>28.4</b>	<b>21.8</b>	<b>30%</b>

#### A.3.1.2 Interest revenue on financial instruments measured at FVTPL

Amounts in GBP millions	2024	2023	%
Derivatives to which hedge accounting was not applied	(2.6)	-	(100%)
Non-derivative assets applying the fair value option	24.4	344.2	(93%)
Non-derivative assets - PH designated	279.1	-	100%
<b>Total interest revenue on financial instruments measured at FVTPL</b>	<b>300.9</b>	<b>344.2</b>	<b>(13%)</b>

#### A.3.1.3 Other investment income

##### Other investment income

Amounts in GBP millions	2024	2023	%
Dividend income	1,105.8	1,078.0	3%
Rental income	26.6	29.3	(9%)
<b>Total other investment income</b>	<b>1,132.4</b>	<b>1,107.3</b>	<b>2%</b>

### A.3.1.4 Results from other transactions

Amounts in GBP millions	2024	2023	%
<b>Net fair value change of financial investments at fair value through profit or loss, other than derivatives</b>			
Shares	1,316.1	1,046.9	26%
Debt securities and money market investments	(244.3)	98.8	(347%)
Unconsolidated investment funds	2,745.9	2,530.1	9%
Other	-	-	-
	<b>3,817.7</b>	<b>3,675.8</b>	<b>4%</b>
<b>Net fair value change of derivatives</b>			
Economic hedges where no hedge accounting is applied	(269.1)	(141.0)	(91%)
	<b>(269.1)</b>	<b>(141.0)</b>	<b>(91%)</b>
<b>Other</b>			
Gains/(losses) on investments in real estate	6.7	(39.7)	117%
	<b>6.7</b>	<b>(39.7)</b>	<b>117%</b>
<b>Total results from other transactions</b>	<b>3,555.3</b>	<b>3,495.1</b>	<b>2%</b>

The investment income relates to income on policyholder and shareholder held investments in the period such as bond coupons and dividends. The movement is described in A.3.2 below.

The results from financial transactions relate to investment performance on investments held by policyholder and shareholder. The movement is described in A.3.2 below.

### A.3.2 Other net investment result

This section provides an overview of the investment performance included in the other net investment result.

Amounts in GBP millions	2024	2023	%
Interest revenue on financial statements calculated using the effective interest method	10.2	8.7	17%
Interest revenue on financial instruments measured at FVTPL	90.9	78.2	16%
Other investment income	609.7	480.1	27%
Results from financial transactions	3,612.0	2,815.9	28%
Impairment losses/(gains)	-	-	-
Net change in investment contract liabilities without DPf	(4,341.0)	(3,381.4)	(28%)
Interest expenses	(1.5)	(2.1)	28%
<b>Total other net investment result</b>	<b>(19.7)</b>	<b>(0.6)</b>	<b>(3284%)</b>

#### A.3.2.1 Interest revenue on financial statements calculated using the effective interest method

Amounts in GBP millions	2024	2023	%
Debt securities and money market instruments	-	-	-
Other	10.2	8.7	17%
<b>Total interest revenue on financial statements calculated using the effective interest method</b>	<b>10.2</b>	<b>8.7</b>	<b>17%</b>

### A.3.2.2 Interest revenue on financial instruments measured at FVTPL

Amounts in GBP millions	2024	2023	%
Derivatives to which hedge accounting was not applied	-	-	-
Non-derivative assets applying the fair value option	90.9	78.2	16%
<b>Total interest revenue on financial instruments measured at FVTPL</b>	<b>90.9</b>	<b>78.2</b>	<b>16%</b>

### A.3.2.3 Other investment income

Amounts in GBP millions	2024	2023	%
Dividend income	604.9	476.6	27%
Rental income	4.8	3.5	37%
<b>Total other investment income</b>	<b>609.7</b>	<b>480.1</b>	<b>27%</b>

### A.3.2.4 Results from other transactions

Amounts in GBP millions	2024	2023	%
<b>Net fair value change of financial investments at fair</b>			
Shares	279.1	171.6	63%
Debt securities and money market	(49.5)	11.5	(530%)
Unconsolidated investment funds	3,413.8	2,659.0	28%
Other	-	-	-
	<b>3,643.4</b>	<b>2,842.1</b>	<b>28%</b>
<b>Net fair value change of derivatives</b>			
Economic hedges where no hedge	(32.6)	(21.0)	(55%)
	<b>(32.6)</b>	<b>(21.0)</b>	<b>(55%)</b>
<b>Other</b>			
Gains/(losses) on investments in real estate	1.2	(5.2)	123%
	<b>1.2</b>	<b>(5.2)</b>	<b>123%</b>
<b>Total results from other transactions</b>	<b>3,612.0</b>	<b>2,815.9</b>	<b>28%</b>

Equity markets increased substantially during 2024, the FTSE All-Share index rose +5.57% (2023 +3.85%), Euro Stoxx 50 +8.28% (2023 +19.19%) and S&P 500 +23.31% (2023 +24.23%). This has led to an increase in net fair value change on shares and separate accounts and unconsolidated investment funds.

### A.3.3 Collateralised securities

Investments include collateralised securities held in the SE plc general account as follows.

Amounts in GBP millions	2024	2023	%
Commercial mortgage backed securities (CMBS)	54.1	63.0	(14%)
Asset backed securities - other (ABS)	44.8	45.7	(2%)
<b>Total</b>	<b>98.9</b>	<b>108.7</b>	<b>(9%)</b>

SE plc's interests in these unconsolidated structured entities can be characterised as basic interests, the Company does not have loans, derivatives, or other interests related to these investments. Specifically for CMBs and ABSs the maximum exposure to loss is equal to the carrying amount. To manage credit risk the Company invests primarily in senior notes of CMBs, and ABSs. The composition of the RMBSs, CMBs and ABSs portfolios of the Company are widely dispersed looking at the individual amount per entity, therefore the Company only has non-controlling interests in individual unconsolidated structured entities.

The Company did not provide financial or other support to unconsolidated structured entities. Nor does the Company have intentions to provide financial or other support to unconsolidated structured entities in which the Company has an interest or previously had an interest. The Company did not recognise other interests in unconsolidated structured entities such as commitments, guarantees, provisions, derivative instruments, or other liabilities.

## A.4 Performance of other activities

### A.4.1 Other activities income and expenses

This section provides an overview of the performance of other activities (other than underwriting or investment).

Amounts in GBP millions	2024	2023	%
Fee and commission income	112.8	86.6	30%
<b>Total performance of other activities</b>	<b>112.8</b>	<b>86.6</b>	<b>30%</b>

#### Fee and commission income

Amounts in GBP millions	2024	2023	%
Fee income from investment contracts without DPF	107.5	82.7	30%
Other	5.3	3.9	36%
<b>Total fee and commission income</b>	<b>112.8</b>	<b>86.6</b>	<b>30%</b>

*Included in fees and commission income:*

Fees on trust and fiduciary activities	107.5	82.7	30%
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Fees and commissions from investment management services and mutual funds are recognised as revenue over the period in which the services are performed or for sales activities where services have been rendered.

Fee income from asset management principally relates to Fee income received for the platform assets under management.

#### A.4.2 Material leasing arrangements

As lessor, the Company has investments in real estate of c. £378m (2023: c. £375m). The investment properties are fully leased out under cancellable operating leases. This is split over a range of commercial properties.

Under accounting standard IFRS16 Leases, lessees are required to recognise all leases other than short term leases on the balance sheet which reflect the company's right to use an asset for a period of time and the associated liability for payments. The remaining contractual maturity of the lease liability is set out in the table below.

Amounts in GBP millions	2024			2023		
	Not later than 1 year	1-5 years	Later than 5 years	Not later than 1 year	1-5 years	Later than 5 years
Lease liabilities	8.3	35.4	77.8	8.1	34.4	87.0

#### A.5 Any other information

All material information regarding the Business and Performance of SE plc is covered earlier in this section.

## B. System of Governance

### B.1 General Information on the System of Governance

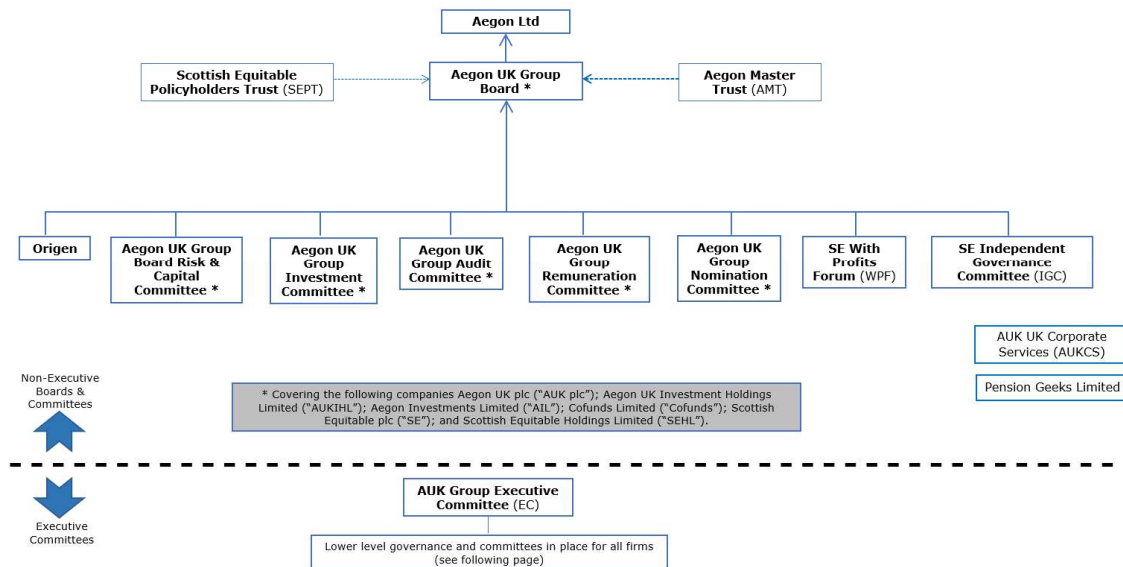
#### B.1.1 Corporate governance

The Company is a fully regulated entity within the Aegon Group. Our corporate governance structure is in place to ensure the safe and efficient management of the Company, its operations and to protect the interests of its customers.

Specifically, as an insurance company with approval to use a Partial Internal Model (PIM), the Company is required to meet the governance requirements of Solvency II including those requirements applying to internal model firms. There is a 'System of Governance' in place including the oversight of the PIM as detailed within this section.

An overview of the corporate governance framework at the time of writing is noted here:

#### AUK Board Governance Structure



This section will describe the key systems of governance as they relate to the Company within this section of the report.

##### B.1.1.1 AUK Group Board

The Aegon UK Group Board (AUKGB) is the statutory board of SE plc. It has oversight of the Company and assumes overall management responsibilities for the Company. The Aegon UK Group Board has delegated responsibilities to committees of the Board, and the Board and its committees form the Administrative, Management, or Supervisory Body (AMSB).

The AUKGB is responsible for promoting the long-term sustainable success of each Company, generating value for the shareholder and contributing to wider society. Its role is to provide leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The AUKGB must take into account the interests of stakeholders – the shareholder, customers, employees, regulators and others.

The AUKGB's responsibilities include, without limitation:

- Strategy and Medium-Term Plan ("MTP") development and approval;
- Overseeing delivery of MTP including overall financials and performance as reported to Aegon Ltd.;
- Capital and liquidity management and management of risk profile (including for SE the internal model);
- Control environment;
- Each Company's capital and liquidity position;
- Overseeing Aegon UK's approach to sustainability and stewardship and in particular its responsible investment and stewardship commitments;
- Oversight of Aegon UK's approach to the FCA's Consumer Duty in relation to ensuring customer outcomes are central to the Companies' strategy, policies, and controls; and review and approve on behalf of each FCA regulated firm at least annually its assessment of whether customer outcomes are consistent with the FCA's Consumer Duty and agree any action required to address any identified risks or issues;
- Outsourcer and other third party management;
- Market positioning of Aegon UK's proposition;
- Aegon UK's overall customer proposition (including customer experience, treatment and outcomes);
- Oversight of Change;
- People, talent and culture;
- Strategic relationships with stakeholders;
- PRA and FCA regulatory compliance and relationship and interactions;
- Aegon Ltd. policy compliance and determining Aegon UK policies and overseeing Aegon UK policy compliance; and
- Overseeing Aegon UK's responsibilities as principal employer of the Aegon UK Defined Benefit Pension Scheme.

In respect of strategy and MTP development the AUKGB together with the Aegon UK Group Board Executive Committee will set the strategy for the Aegon UK Group. The delivery of this strategy will be managed by the Aegon UK Group Board Executive Committee under the oversight of the AUKGB.

Save for those matters (the "Reserved Matters") which require the prior written approval of the Executive Board and/or the Supervisory Board of Aegon Ltd. set out in the paper distributed by Aegon Ltd. entitled "Aegon Approval Requirements" (as updated from time to time), the AUKGB has the authority to approve all matters, regardless of whether such matter(s) has been delegated to a committee or sub-committee.

The AUKGB should make proposals/recommendations to Aegon Ltd. in relation to the Reserved Matters.

#### Delegated Authorities

- The matters set out in the Aegon UK Group Board Audit Committee terms of reference are delegated to the Aegon UK Group Audit Committee (the "GAC").
- The matters set out in the Aegon UK Group Board Remuneration Committee terms of reference are delegated to the Aegon UK Group Remuneration Committee (the "REMCO").
- The matters set out in the Aegon UK Group Board Nomination Committee terms of reference are delegated to the Aegon UK Group Nomination Committee (the "NOMCO").
- The matters set out in the Aegon UK Group Board Investment Committee terms of reference are delegated to the Aegon UK Group Investment Committee (the "IC").



- The matters set out in the Aegon UK Group Board Executive Committee terms of reference are delegated to the Aegon UK Group Executive Committee (the “EC”).
- In respect of SE, the matters set out in the With-Profits Forum (“WPF”) terms of reference are delegated by the SE Board to the WPF.

The AUKGB has established an Independent Governance Committee (IGC) with the purpose, in summary, of representing the interests of workplace pension scheme members.

The AUKGB also receives independent advice in relation to the management of its with-profits business from the Board of Directors of Scottish Equitable Policyholders Trust Limited (SEPT) to which it has given the responsibility of acting as SE’s With-Profits Committee.

#### *B.1.1.2 AUKGB Executive Committee (EC)*

The purpose of the EC is to provide executive management of each Company (as defined below) on behalf of the Aegon UK Group Board (“AUKGB”) and the Board of Directors of Aegon Investment Solutions Limited (“AISL”).

The AUKGB and Board of AISL is entrusted with the task of supervising and advising the EC on the management of the Aegon UK group, as well as overseeing the strategy of the Aegon UK group and the general course of its business.

The EC’s role includes making decisions to enable each Company to discharge its legal and regulatory obligations in accordance with the applicable legal and regulatory regime and promote the long-term sustainable success of each Company, generating value for the shareholder and contributing to wider society.

In addition, the EC will act on behalf of the relevant Trustees of the trust-based pension schemes of the Aegon UK group.

#### *B.1.1.3 AUKGB Audit Committee (Committee of the Board)*

The Aegon UK Group Board Audit Committee is a committee of the AUKGB from which it derived authority and to which it regularly reports. The Committee is concerned with the business of each of the companies within the remit of the AUKGB:

- Aegon UK plc (“AUK plc”)
- Aegon UK Investment Holdings Limited (“AUKIHL”)
- Aegon Investments Limited (“AIL”)
- Cofunds Limited (“Cofunds”)
- Scottish Equitable plc (“SE”)
- Scottish Equitable Holdings Limited (“SEHL”)

(together the “**Companies**” and each a “**Company**”).

The Committee has authority to investigate any matters within its responsibilities and to obtain such information and explanations as it may require from any director, officer, or employee of the companies. The Committee may call any employee to answer questions at a meeting of the Committee as and when required.

The responsibilities of the Committee include Internal Controls; Financial Reporting; External Audit; Internal Audit; Private Sessions, Litigation; Aegon Speak Up; Regulatory Risk; Reporting, Client Assets Sourcebook (CASS) and other matters. Aegon Speak Up arrangements in the firm are governed by the Audit Committee.

*B.1.1.4 AUK Group Board Risk and Capital Committee (Committee of the Board)*

The AUK Group Board Risk and Capital Committee is a committee of the AUKGB from which it derives its authority and to which it regularly reports. Its purpose is to provide oversight, approvals on behalf of, and make recommendations to, the AUKGB, in respect of risk and certain capital matters for the companies within the remit of the AUKGB.

The Committee has authority to investigate any matters within its responsibilities and to request the attendance and/or obtain such information as it may require from any director, officer or employee of Aegon UK Group, in order to perform its duties.

The primary responsibilities of the AUK Group Board Risk and Capital Committee are Risk Management and Capital and Liquidity Management.

In relation to With-Profits matters, the remit of the Committee is to consider risks in relation to such matters in the context of the impact they may have on the Non-Profit Sub-Fund (NPSF) and the shareholder.

*B.1.1.5 AUKGB Remuneration Committee (Committee of the Board)*

The Remuneration Committee ("REMCO") is appointed by the AUKGB. The purpose of REMCO is:

- to make recommendations on the remuneration philosophy of Aegon UK including the framework for the remuneration of the Aegon UK executives and to determine and review remuneration packages. In particular, REMCO will establish overarching principles and parameters for a remuneration policy on an Aegon UK wide basis to ensure REMCO has appropriate oversight and sufficient understanding of overall remuneration policy;
- to determine and regularly review specified remuneration packages, including incentive structures and awards, pension rights and any compensation payments, for each of the executive directors, the members of the Aegon UK Executive Committee and the Company Secretary; and
- to regularly review (but not determine) specified remuneration packages, including incentive structures and awards, pension rights and any compensation payments for Material Risk Taker (as defined in the Conflict of Interest Policy) and other senior executives whose remuneration is not subject to paragraph above (which are those employees who exercise a significant influence function or whose activities could have a significant impact on the risk profile of the entity).

*B.1.1.6 Nomination Committee (Committee of the Board)*

The Nomination Committee is appointed by the AUKGB. The purpose of the Nomination Committee is:

- to make recommendations in relation to the appointment of executive and non-executive directors and direct reports of the Aegon UK Chief Executive Officer; and
- to lead the process for appointments to the AUKGB, to review the composition of and succession to the AUKGB and recommend the appointment of executive and non-executive directors following a formal and rigorous review process. This involves an on-going assessment of the overall balance and performance of the AUKGB and its individual members, ensuring a strong and effective executive and non-executive team is in place.

*B.1.1.7 With-Profits Forum (Committee of the Board) & With-Profits Committee*

The purpose of the WPF is to act as the forum in which the responsibilities of AUKGB relating to the governance of With-Profits business can be discharged. This includes dealing with potential conflicts of interests and ensuring equity between with-profits policyholders and shareholders. The WPF reports directly to the AUKGB. Scottish Equitable Policyholders Trust Limited ("SEPT") has the right to be represented on the WPF.

Decisions made on matters within the remit of the WPF are reported to the AUKGB.

Responsibilities in relation to the following matters have been delegated to the WPF by the AUKGB:

- Annual Bonus Policy;
- Terminal bonus and Market Value Reduction (MVR) policy;
- Investment Policy and Strategy;
- Principles and Practices of Financial Management (PPFM) compliance;
- Scheme compliance;
- Estate distribution and guarantee charge;
- Maintenance of the PPFMs;
- Treating Customers Fairly;
- Annual Report to With-Profits policyholders;
- Solvency position;
- Management Actions;
- Identification of With-Profits Sub-Funds;
- Investment Decisions;
- Incident Resolution; and
- Discretionary Benefits.

In relation to Risk management, the WPF will undertake the following tasks/functions in relation to the with-profits funds of the Company:

- Review and recommend for approval, by the AUKGB, With-Profits specific risk appetite statements (including defining the preferred management actions allowed for in solvency testing), ensure there are effective mechanisms to monitor against stated appetites and approve change or waiver requests;
- Receive and review risks reports, the With Profits section of the ORSA and, where requested, risk-specific reports and analyses relevant to the WPSF, challenging the assessment, measurement and management actions in relation to these risks. In particular assess risk appetite and policy breaches and ensure appropriate action is being undertaken to address the issue;
- Review and approve the approach to and management of material risks to the WPSF. This includes the review of asset risk and insurance risk exposures and appropriate techniques to manage these exposures including, but not limited to, reinsurance arrangements and hedging transactions.

Additional matters may be delegated by the AUK Group Board to the WPF from time to time.

To ensure that the WPF is fully aware of the considerations taken into account by and conclusions of SEPT which also performs the role of with-profits committee for Scottish Equitable plc, the majority of each meeting may take place with SEPT members in attendance, and WPF members are encouraged to attend SEPT meetings when invited to do so.

#### *B.1.1.8 Executive Risk and Capital Committee (ERCC)*

The ERCC is a second line committee established to monitor, oversee and challenge the management of risk and capital issues, challenge and recommend risk policy, direct corrective action or escalate issues to the Aegon UK Group Executive Committee, the Aegon Group Board Risk and Capital Committee, the Aegon UK Group Audit Committee and the Aegon UK Corporate Services Limited Board as appropriate.

#### *B.1.1.9 Model Management Committee (MMCo)*

The MMCo is a sub-committee of ERCC with a remit to monitor and control the management of/or change to AUK models as stipulated in the Model Risk Management Framework, ensuring the ongoing appropriateness of the models, and escalating issues to the AUK Model Validation Committee ("UK MVC"), Executive Risk & Capital Committee ("ERCC"), the AUK Boards or the Board Risk and Capital Committee ("BRCC") or the ERM Framework Accounting and Actuarial Committee ("ERMAAC") as appropriate.

#### *B.1.1.10 Management Investment Committee (MIC)*

To consider, oversee and make recommendations to the Aegon UK Group Executive Committee (the "EC") on all matters relating to investments of Scottish Equitable plc ("SE"), all matters relating to the investments made available by Cofunds Ltd ("Cofunds"), all matters relating to the investments made available by Aegon Investment Solutions Limited ("AISL"), all matters relating to the investments managed by Aegon Investments Limited ("AIL") and all matters relating to investments of Aegon UK plc.

Investment governance within the responsibility of the MIC covers SE's general accounts assets, SE's with profits fund assets, SE's unit linked assets (including those not managed by Aegon Asset Management) and the management of Aegon OEIC fund assets by AIL. The MIC has authority to make decisions in relation to certain matters delegated to it. Matters which have not been resolved to the satisfaction of the MIC are to be escalated to the EC.

#### *B.1.1.11 Key functions*

Key functions are all held by Board members or direct reports of the CEO or another EC or Management Committee member. All key function holders participate in relevant governance committees giving access to the Board and key decision making. One exception to this is the independent Chair of the With-Profits Committee who is a director of SEPT and not SE plc.

SE plc has implemented the following four key control functions: risk management, compliance, internal audit and the actuarial function. These functions have been in place within Aegon for many years.

- *Risk management*  
The Company Chief Risk Officer (CRO) is the function holder for risk management.
- *Compliance*  
The Company CRO is also the key function holder for Solvency II Compliance. This is a 2<sup>nd</sup> line role given Solvency II independence requirements.
- *Internal Audit*  
The Chief Internal Auditor (UK) is the function holder for Internal Audit. In line with the requirements, Internal Audit is fully objective and independent from all other functions. The Chief Internal Auditor (UK) has an escalation path and primary reporting line to the Chair of the Aegon UK Group Audit Committee. In addition, the Chief Internal Auditor (UK) has a secondary reporting and escalation line to the Global Chief Internal Audit Executive and a reporting line to the UK Chief Executive Officer.
- *Actuarial function*  
The Chief Actuary is the Head of the Actuarial Function which sits in the 1<sup>st</sup> line.

The holders of these roles have direct access to the Board or Board Committees. The Audit and Risk & Capital Committees review and assess the effectiveness of the Risk, Compliance, Actuarial and Internal Audit functions annually ensuring they have the necessary authority, resources and independence.

### **B.1.2 Remuneration policy**

#### *B.1.2.1 AUKG Remuneration Committee*

All Remuneration within AUKG (including employees acting on behalf of SE plc) is overseen by the REMCO. Decisions of the REMCO are taken by a quorum of independent Non-Executive Directors and Aegon Ltd. shareholder representatives.

#### *B.1.2.2 Aegon Group Global Remuneration Framework*

Aegon has developed the Aegon Group Global Remuneration Framework (AGGRF) to govern all remuneration in the Aegon Group, including within AUKG. The AGGRF is reviewed annually by Aegon Ltd.

The AGGRF sets out Aegon Group's remuneration philosophy, principles, and guidelines to be applied to all staff. It has been developed to comply with applicable remuneration regulation. In the UK, the requirements of the FCA Code and PRA Senior Insurance Managers Regime are taken into account in its application.

The AGGRF contains specific rules applicable to the remuneration of the Aegon Ltd. Executive Board, Material Risk Takers, and Control Function Staff. It is further supported by detailed methodologies to ensure risk alignment of remuneration policies and practices within the risk tolerances of the Aegon Group. The AGGRF supports Aegon Group HR strategy and local business objectives to:

- attract, retain, motivate and reward a highly qualified and diverse workforce
- align the interests of executives, managers and all other staff with the business strategy and risk tolerance, values and longer-term interests of Aegon Group as a whole, as well as those of the individual reporting units concerned
- provide a well-balanced and performance-related compensation package to all staff, taking into account shareholder and other stakeholder interests, relevant regulations, and Aegon Group corporate responsibilities.

The AGGRF has the following key pillars, and all remuneration in the Aegon Group must comply with these principles:

- Aegon remuneration is employee-oriented
- Aegon remuneration is performance-related
- Aegon remuneration is geared towards internal and external equity
- Aegon remuneration is risk-prudent

In setting remuneration packages for individual employees, AUKG adopts a job evaluation approach. All roles are evaluated according to recognised job evaluation methodology and are then benchmarked against industry data to ensure that total reward (fixed compensation, variable compensation, and contractual benefits) is appropriate to the particular role and local market conditions.

#### *B.1.2.3 Fixed and Variable Compensation*

Remuneration packages within AUKG are categorised into Fixed and Variable Compensation. Fixed Compensation includes: Basic Salary, Employer Pension Contributions and contractual benefits. Variable Compensation is any type of remuneration that is not fixed. It includes participation in a performance bonus scheme appropriate to the employee's role. Other forms of variable pay such as sign on bonuses, retention bonuses, and variable severance pay are only permitted in exceptional circumstances and are subject to strict governance. Variable Compensation is limited to a maximum % of Basic Salary for all employees.

Variable Compensation paid to AUKG employees is from a bonus pool determined by company performance. The funding of the pool is determined by performance against financial and non-financial indicators which are agreed by the REMCO at the start of each performance year, and which are aligned to AUKG and Aegon Group's Medium-Term Plan.

The allocation of individual awards to employees from the bonus pool is determined by personal performance against individual financial and non-financial objectives.

#### **B.1.3 Material transactions with shareholders**

Dividends amounting to £132.5m were paid by SE plc to its parent company during 2024 (2023: £172m).

## **B.2 Fit and proper requirements**

### **B.2.1 Requirements**

AUKG is committed to a policy of proactive compliance with the PRA and FCA rules. The PRA/FCA expect adherence to standards of behaviour and conduct. These standards are expected as a minimum, and represent good business, ethical, and HR practice.

Apart from ensuring that individuals are made aware of their responsibilities, there are two main areas where AUKG has implemented rigorous processes and procedures:

1. the vetting and verification of individuals, and
2. the maintenance of clear organisational accountabilities: for both individual and group decisions.

The Board should have at its disposal:

- an affinity with and knowledge of the insurance industry, the financial services' market and Aegon UK's businesses;
- a passion for and knowledge and experience in delivering services to meet customer needs through marketing, distribution channels and the application of information technology and, in particular in relation to their financial needs, through investment management;
- experience in the business world both nationally and internationally;
- an understanding of the characteristics of the form of government and regulation and the social aspects of, as well as developments in, each of the countries within the United Kingdom in so far as relevant to the Company's businesses;
- actuarial, financial, accounting and business economics' expertise and the ability to judge issues in the areas of risk management, solvency, currencies and investment and acquisition projects;
- knowledge of and experience in the management of with-profits business;
- experience with, and understanding of the administrative procedures and internal control systems in a large organisation;
- an understanding of employment relationships, human resources and social developments;

- an understanding of public policy, regulatory and legal matters, corporate governance and social, ethical and professional standards; and
- experience and knowledge in the area of executive remuneration.

#### *B.2.1.1 Vetting and verification of Approved Individuals*

Those about to be appointed into a Senior Manager Function role go through an AUKG vetting and verification process, prior to the application to the PRA/FCA. This applies whether the individual is an external or an internal appointment and whether the appointment arises as the result of restructure, succession planning, or redeployment.

To ensure that AUKG meets its regulatory obligations, it carries out 'due diligence' prior to the application being submitted to the PRA/FCA. In essence this requires AUKG to ensure that all the information provided is factually accurate.

Appointment to an approved role is conditional upon AUKG obtaining satisfactory information from the vetting and verification checks and PRA/FCA approval being granted. In assessing fitness and propriety, the PRA/FCA (and AUKG under the 'due diligence' process) consider both the relevance and the importance of any matter which comes to their attention which suggests that a person might not be 'fit and proper'.

#### *B.2.1.2 Criminal Record Checks*

Approved roles are subject to a check from the Criminal Records Bureau (CRB) and/or the Scottish Criminal Records Office. The information provided, includes details of cautions, reprimands or final warnings, as well as convictions. The check must be satisfactory to AUKG and the PRA/FCA for the appointment to be confirmed. Once the AUKG checks have been carried out satisfactorily, all required information is submitted to the PRA/FCA to go through its approval process.

#### *B.2.1.3 Maintenance of clear organisational accountabilities*

AUKG has processes in place to ensure the maintenance of clear organisational accountabilities for key decisions. These processes govern both collective and individual decision-making.

The collective element is covered by AUKG high level committee structures, which deal with the corporate governance frameworks of the organisation. Each committee has its own terms of reference which covers its remit, membership, and operating/reporting requirements. In addition to this, Senior Management Functions (SMFs) are required to agree and maintain up to date documentation outlining the main responsibilities of the role. This reflects both the PRA/FCA Controlled Function(s) that apply and details of any high-level Boards and Committees that the individual sits on, either as Chairperson or member. The significance of this is that the individual's responsibilities for both collective and individual decisions are reflected.

Name	SMF position held	Role
Mike Holliday-Williams	SMF1/SMF3	Chief Executive /Executive Director
Jim Ewing	SMF2/SMF3	Chief Finance Officer/ Executive Director
Alison Morris	SMF4	Chief Risk Officer
Mohit Dhingra	SMF5	Head of Internal Audit
Michele Bareggi (subject to regulatory approval)	SMF7	Group Entity Senior Manager
Christina McComb	SMF9/SMF13	Chair of the governing body/Chair of the Nomination Committee

Mike Davies	SMF10	Chair of the Risk & Capital Committee
Helen Heslop	SMF11/SMF14	Chair of the Audit Committee/Senior Independent Director
Theresa Froehlich	SMF12	Chair of the Remuneration Committee
Brian Duffin	SMF15	Chair of the With-Profits Committee
Sharon Thomas	SMF16/SMF17	Compliance Oversight/Money Laundering Reporting Officer
Dougie Kennedy	SMF 24	Chief Operations Function (IT element only)
Dougy Grant	SMF18	Other Overall Responsibility
Ronnie Taylor	SMF18	Other Overall Responsibility
Andrew Manson	SMF18	Other Overall Responsibility
Brian Christie	SMF18	Other Overall Responsibility
Sarah Barry	SMF18	Other Overall Responsibility
James Mackenzie*	SMF18	Other Overall Responsibility
Leigh-Ann Plenderleith	SMF20	Chief Actuary
Alan McBride	SMF20a	With-Profits Actuary

\*SMF 18 for Company Secretary role only. James Mackenzie left Aegon in December 2024 and the new General Counsel and Company Secretary is due to start in May 2025.

## B.2.2 Process for assessment

The FCA and PRA Senior Manager and Certification Regime (SMCR) (for insurers) seeks to ensure that the senior persons who are running insurance firms, or who have responsibility for key functions at those firms, behave with integrity, honesty, and skill.

One of the regulators' key themes is senior management responsibility and accountability. Both regulators continue to stress that it is the individual and collective responsibility of senior management to ensure that firms comply with its regulatory obligations.

The objective of the SMCR (for insurers) is to enhance the governance structures of Solvency II insurance firms. The regime reaffirms standards of fitness, propriety, and conduct for individuals that fall within scope and reflects the regulators' increased focus on greater personal responsibility and accountability.

The scope of the SMCR covers senior managers function holders who are subject to pre-approval by the regulators and/or FCA for a controlled function who are effectively running the insurance firm.

The Company ensures it has appropriate persons identified and approved in line with the SMCR regime.

## B.3 Risk management system including the Own Risk and Solvency Assessment

### B.3.1 Risk management system

#### B.3.1.1 SE plc's Enterprise Risk Management Framework

This section includes a description of the Company's Enterprise Risk Management (ERM) framework including risk appetite, risk tolerance, risk identification, risk assessment, risk response, risk reporting and monitoring, and risk control.

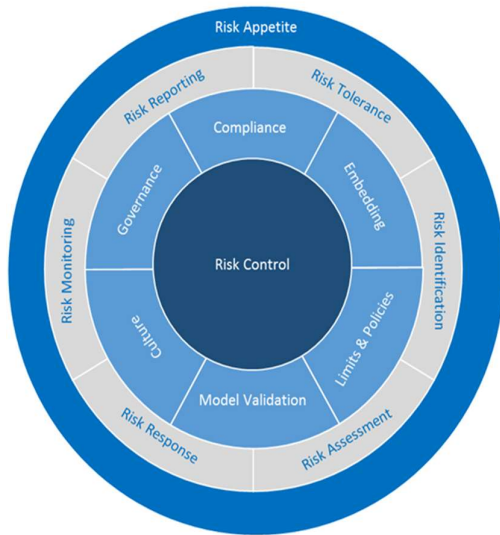


For Aegon, enterprise risk management involves:

- Understanding risks the Company faces.
- Maintaining a company-wide framework through which risk return trade-offs can be assessed.
- Maintaining risk tolerances, risk indicators and supporting policies, for the level of exposure to a particular risk or combination of risks.
- Monitoring risk exposure and actively maintaining oversight over the Company's overall risk and solvency positions.

The ERM framework is represented by the diagram shown:

The ERM framework can be split into various components. The principles and requirements in the context of ERM concern both financial and operational risks.



**Risk Appetite and Risk Tolerance:** The Company sets a risk appetite for the business which articulates its risk objectives and attached limits for the key risks. This is articulated in the form of a risk appetite (the directional and core strategic view of risk) and the risk tolerance (setting out clear limits which are monitored against solvency, liquidity, continuity, balanced exposures, business performance, sustainability, controlling effectively, with profits and protection reinsurance counterparty exposure). Risk tolerance places reliance on the ability to enter into run-off safely. Risk appetite and tolerance is reviewed on an annual basis.

**Risk Identification:** The Company aligns to the Aegon Group Risk Universe which captures all material risk that the Company is exposed to. An emerging risk process is in place to ensure the appropriateness of the risk universe and the risk management framework.

**Risk Assessment:** The capital model quantifies the risks to which the business is exposed, and capital is held to meet those risks.

**Risk Reporting, Monitoring, and Response:** Risks are monitored and formally reported through the governance structure. This takes various forms including, but not limited to, Risk Appetite monitoring, Risk Policy Attestation (compliance), Risk Event reporting and Compliance Reporting. Mitigating actions are documented as required.

**Risk Control:** The ERM framework is supported and embedded by a strong risk culture throughout the Company. This is vital to ensuring that adherence to and use of the ERM is active on a day-to-day basis.

#### *B.3.1.2 Aegon's risk governance framework*

The risk governance framework is aligned to the corporate governance structure outlined earlier in this section.

#### *B.3.1.2.1 Risk Management Function*

The AUKG Risk function is led by the AUK Chief Risk Officer who has reporting lines to the Group CRO and the AUK CEO. The AUKG Risk department and the Risk and Capital Committee form the second line of defence of the company.

The main roles and responsibilities of the Risk function include:

- Development and maintenance of the ERM framework, which facilitates the identification, measurement, and management of risk, provides integrity of models and cash flows in the Company and protects the Company's reputation.
- Sharing of good practices and working together on relevant case studies/external standards in order to develop, adopt and maintain relevant standards of practice throughout Aegon.
- Support implementation of the ERM framework, risk methodology and standards of practice where needed.
- Provide subject matter expertise to businesses through review of key initiatives, assumptions, and results across all important reporting metrics. Monitor risk exposures and compliance with aspects of risk policies, in particular risk tolerance and risk policy limits.
- Ensure appropriate risk management information is prepared for use by the Management Committees, EC, and the Aegon UK Group Board Risk and Capital Committee.
- Oversight for material risk, balance sheet, and commercial decisions taken throughout the Company.
- Own and oversee the implementation of the SE plc Partial Internal Model (PIM).

The UK CRO leads the UK Risk function, is a member of the EC and attends the Aegon UK Group Board Risk and Capital Committee and Audit Committee.

The main objectives of the UK CRO are to:

- Maintain an organisation-wide and aggregated view on the risk profile of the Company.
- Oversee compliance with the ERM framework.
- Advise management on risk related matters, including risk tolerance, risk governance, and risk policies.
- Promote a strong embedded risk management culture across the business.
- Engage with regulators and legislators to understand, influence, and support the business response to proposed Government policy and regulations.
- Document the design of the PIM.
- Ensure that risk models are properly tested and validated.
- Oversee the model change framework and the validation framework.
- Analyse the performance of and suggest improvements to the PIM.

The CRO delivers this accountability with support from Group Risk Methodology, the UK Chief Actuary, the UK CFO, the UK Finance function and the UK Risk function.

The activities allocated to the risk management function under Solvency II as set out in the PRA Rulebook straddle activities owned by the UK Risk Team, the Aegon Group Risk Team, and the UK Finance Team:

- (a) The overall internal model is a Group internal model and, as applied to the UK business, is owned by the UK CRO. This includes the underlying risk universe and wider ERM Framework. The UK Prudential Risk Director chairs the Model Management Committee (MMCo) which is responsible for monitoring and controlling the management of change to the internal model and escalating as appropriate.

The Group Risk Methodology team are responsible for the design of the market related and operational risk related methodologies of the Partial Internal Model (PIM). The UK Chief Actuary is responsible for the design of the non-market related methodologies of the PIM and ensuring that the methodologies developed by Group Risk are appropriate for the UK. Group Risk and the UK Chief Actuary are jointly responsible for the design of the aggregation methodology.

The UK CFO is responsible for implementing the PIM methodologies supported by the Actuarial Function.

- (b) The UK CRO is accountable for the testing and validation of the PIM which provides an independent validation of the PIM. The accountability for testing is delivered through oversight of testing undertaken by model owners and the accountability for validation is delivered through independent validation from teams comprising members from UK and Group risk. Independent validation is evidenced through component reports and the Overarching Validation Report.

Validation reports are approved by the UK CRO and the Group Head of Enterprise Risk Management in line with Group Model Validation policy. AUK Model Validation Committee (MVC) facilitates this approval process.

The model owners (Group Risk Methodology team or UK Chief Actuary) are responsible for maintaining the appropriate implementation of the PIM. The model owners are required to respond to and address validation points arising. This is evidenced through Group Model Validation Policy, Validation Reports, and the Overarching Validation Report.

- (c) The CRO is accountable for documenting the design of the PIM, the model change framework and the validation oversight to the framework. This is evidenced through Group Model Validation policy, Group Model Change Policy, AUK Model Change Log, and the MMCo terms of reference.

The Group Risk Methodology team and the UK Chief Actuary are responsible for documenting the implementation of the PIM methodology. The UK CFO is responsible for documenting the PIM reporting processes. Model owners are responsible for documenting model changes in line with the Group Model Change Policy.

- (d) The UK CFO is responsible for controls and testing around individual model runs. The UK CRO is accountable for analysing the performance of the PIM. The Risk function will independently assess the performance of the model by means of validation (and supporting assessments) and produce reports summarising the PIM performance at component and overall levels. This is embedded through the Overarching Validation Report and the ORSA report.

The UK CFO is responsible for carrying out a Profit & Loss (P&L) Attribution, stress & scenario testing, and other activity to assess the performance of the PIM and producing summary reports covering the outcome of these exercises. The Risk function may request a P&L Attribution or specify scenarios to support their assessment.

- (e) The CRO is accountable for reporting to the AMSB (Administrative Management and Supervisory Body) on the performance of the PIM. The CRO is accountable for communicating to the AMSB on the identified weaknesses in the model and progress of improvements. Formal reporting is delivered annually through the Overarching Validation Report and ongoing reporting is delivered through Validation Management Information.

The Group Risk Methodology team and the AUK Chief Actuary are responsible for implementing appropriate improvements. This is implemented and controlled through Group Validation Policy, Validation Reports, Overarching Validation Report, Model Change log, MMCo terms of reference, AUK Group Board Risk and Capital Committee terms of reference, and the ORSA report.

MMCo monitors and controls the management of/or change to the Company's models as stipulated in the Model Risk Management Framework, ensuring the ongoing appropriateness of the models, and escalating issues to the Executive Risk & Capital Committee (ERCC), or the AUK Group Executive Committee (EC) as appropriate. Internal Model applications and major changes are approved by the AUK Group Board following review and recommendation from MMCo, ERCC, EC and the AUK Group Board Risk & Capital Committee (BRCC).

### **B.3.2 Own Risk and Solvency Assessment**

The Own Risk and Solvency Assessment ('ORSA') is a key internal process for managing the business. It is a requirement under Solvency II, that firms produce an ORSA report on at least an annual basis. This section outlines the ORSA process and purposes.

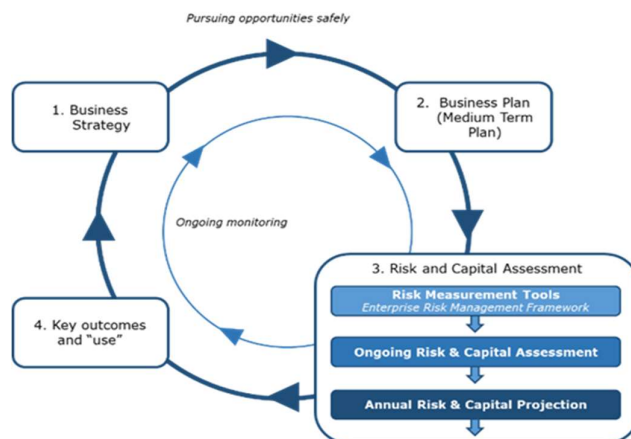
#### *B.3.2.1 ORSA process overview*

A graphical overview of the ORSA process is shown in the figure below. This process is based on the following key working assumptions:

- The process is iterative and subject to on-going monitoring to ensure the ORSA responds to changes impacting the business.
- The business strategy for SE plc is clearly set.
- The financial strategy for SE plc must be clearly set to support the business strategy.
- The business plan combines the business and financial strategy to calculate key results.
- The Risk and Capital Assessment must include the identification, measurement, management and monitoring of risk. The capital needs of the business must be considered taking account of the proposed strategy and the acceptable level of the associated risks in pursuit of that strategy. The assessment must take into account both the present and the future.
- The internal model is a key tool used in the measurement and quantification of risk.
- The output from the business strategy, financial strategy, business plan and the risk and capital assessments is used to inform business decisions.
- "Use" applies across a spectrum of areas including Asset and Liability Modelling, product development and pricing, business strategy, risk management, and performance management.

All of the above must be evidenced.

### SE plc's ORSA process overview:



#### B.3.2.2 ORSA Governance

The ORSA governance is embedded within the corporate governance structure of SE plc and has been structured as follows:

##### **Executive Committee**

The Executive Committee is responsible for: (i) the direction of the MTP and ORSA process, (ii) integration of business strategy into the MTP and ORSA process, (iii) the key decision making in respect to MTP and ORSA processes, and (iv) escalation to the AUKGB.

##### **Aegon UK Group Board**

In the context of the ORSA, the Aegon UK Group Board is responsible for the SE plc elements of: (i) Challenge and approval of the MTP results, (ii) final sign-off of the ORSA report, (iii) discuss and approve quarterly risk reporting and capital reporting results, (iv) approval of the Capital Management and Dividend Policy, including approval of the Extreme Event scenarios, (v) approval of Risk Appetite, and (vi) approval of ORSA policy; and (vii) approval of Quarterly Risk and Capital reporting results.

#### B.3.2.3 Chronological execution of the ORSA

The ORSA report is presented and reviewed, at least annually. Key sections are updated as required throughout the year following changes in risk profile.

#### B.3.2.4 Capital Management

Solvency II is the primary metric adopted within the ORSA. Solvency II is a risk-based capital regime which has policyholder protection central to its aims. The approved PIM has been used to determine solvency needs. Additional capital in the form of a capital buffer is set as part of the ORSA process and represents the level of target capital which enables the business to withstand plausible events whilst still being able to meet regulatory capital requirements.

An economic capital model is used for internal purposes of capital and risk management. For SE plc, there is strong alignment to Solvency II requirements with few notable differences of an economic view versus a regulated view. The concept of contract boundaries for instance is removed to give an economic view.

The Company also uses financial forecasts to cover the medium-term financial outlook of the business, including forecasts of solvency positions and key performance indicators under a variety of management decisions. This is a key element of the MTP and ORSA.

Monitoring and managing the level of risk within SE plc against the Risk Tolerance Statements is a key risk management tool. The Risk Tolerance Statements, and the effective management against those, increase the likelihood of SE plc achieving its business objectives and are key to meeting the Solvency II requirements and the Capital Management Policy.

## **B.4 Internal Control system**

### **B.4.1 Internal Control system**

To ensure there are appropriate controls around financial reports including SE plc's PIM, Balance Sheet, and Own Funds, SE plc has a range of tools and validation procedures. This section provides an overview of the Enterprise Risk Management (ERM) Framework and the tools and procedures which enable a robust internal control system and regulatory compliance. This section is split into three as follows:

1. Enterprise Risk Management Framework (B.4.1.1)
2. Implementation within SE plc (B.4.1.2)
3. Compliance Function (B.4.2)

#### *B.4.1.1 Enterprise Risk Management Framework*

SE plc complies with the Aegon Group ERM Framework. This sets out the framework against which business areas assess risks, including the capturing and assessment of control activities. SE plc adopts Group policies and frameworks with some tailoring to local requirements.

#### *B.4.1.2 Implementation within SE plc*

The SE plc Risk Framework operates through a three lines of defence model with clear reporting and escalation lines defined. This model also extends to the operation of the PIM.

#### **1<sup>st</sup> Line of Defence Internal Control Activities**

A number of activities across the 1<sup>st</sup> line of defence comprise the Internal Control Framework:

- Financial Control Standards outline the required process, high-level controls and governance relating to processes undertaken within Finance. The standards have been written to ensure a core understanding of the core principles for ensuring robust processes are in place with a suitable controls framework.
- A Sarbanes Oxley (SOx) compliance programme is managed by the Finance Function, in accordance with regulatory requirements and the Group SOx methodology.
- A Quality Model is in place within the administration functions to ensure accurate and appropriate processing of customer data.
- A suite of policies which are regularly reviewed and refreshed through governance are adopted to manage the risks that arise in the running of the business in a consistent manner within SE plc's risk appetite. All employees are required to operate within the policy guidelines.
- A non-financial controls testing programme is in place with annual reporting through governance.
- Risk and assurance actions are recorded, tracked and monitored through the risk system and are subject to oversight from the structure of governance committees and Boards which regularly review and challenge risk MI as well as monitoring compliance with the ERM framework.
- A formal review of risk and control activities (including administrative and accounting procedures) is undertaken by accountable executive and control function holders on a semi-annual basis, culminating in the completion of an Internal Control Certificate which supports the signing of the Governing Body Certification in the SFCR that Scottish Equitable plc has complied in all material respects with the PRA rules.
- Information Security Compliance checks are performed in compliance with the Aegon Group Information Security Policy and minimum standards which is monitored through the use of the Enterprise Information Risk Management Application.
- Business continuity testing is in place and regularly tested in accordance with the Business Continuity Policy and the IT Risk Management Policy.
- All staff are required to complete mandatory computer-based training / eLearning modules on a regular basis to ensure they have an understanding of all key requirements including legislative, regulatory, and the Aegon Group Code of Conduct.
- AUK undertakes an annual employee engagement survey. Risk Culture is an important element of the survey and appropriate actions are put in place to ensure that a strong risk culture is maintained.

#### **2<sup>nd</sup> Line of Defence Internal Control Activities**

The activities undertaken by management within the 1<sup>st</sup> line of defence are subject to review, challenge, and oversight by the Risk Function. This includes co-ordinating risk reviews and monitoring compliance with the risk framework.

Reporting on the internal control framework activities as detailed above is covered in quarterly risk management information which is provided to the AUK Group Board Risk and Capital Committee.

Additional assurance activities are performed over internal controls by the Risk Function as follows:

- Independent assurance over the robustness and appropriateness of the PIM through Independent Model Validation.
- Review and challenge of Solvency II results reporting.
- Specific and thematic reviews are undertaken on a regular basis under a Regulatory Risk Monitoring programme within SE plc.

### **3<sup>rd</sup> Line of Defence Internal Control Activities**

The Internal Audit function is independent of senior management, which has responsibility for the first and second lines of defence and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management, and governance. The Internal Audit function provides independent assurance over the internal controls by undertaking specific and thematic reviews in line with the Global Internal Audit Standards published by the Institute of Internal Auditors (IIA).

## **B.4.2 Compliance**

### *B.4.2.1 Objective of the function*

The objectives of the Risk Team cover both Solvency II Compliance and broader aspects through the Regulatory Compliance function. The objective is to support the Aegon UK Group Board, Audit and Risk & Capital Committees in ensuring that SE plc acts in line with relevant legal, regulatory requirements and group risk tolerance. In this role, the function promotes a strong risk culture focusing on achieving good outcomes for customers with balancing the needs of Aegon UK to mitigate regulatory risk.

### *B.4.2.2 Compliance Risk*

‘Compliance risk’ at SE plc is covered through Legal, Regulatory, Conduct and Compliance Risk which is defined as: The risk that losses occur resulting from non-voluntary legal liabilities, inadequate legal documentation; or products, services, people and actions failing to deliver the reasonable expectations of its customers and other stakeholders; or failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant and potential legal and regulatory developments.

### *B.4.2.3 Compliance Risk Appetite*

SE plc aims to be compliant with all applicable laws and regulations, internal company rules and policies governing its operations, and established good business practices. SE plc takes steps to ensure that this requirement is embedded in the culture of its business operations.

### *B.4.2.4 Tolerance*

Where a situation requires a deviation from Risk Appetite, a formal Risk Acceptance is logged and subject to regular review. Where the application of a rule or guidance is open to interpretation, SE plc may make a judgement if it can evidence a reasonable argument for its actions and the interpretation does not result in SE plc taking any unacceptable risks.

In judging the application of a rule or guidance that is open for interpretation, SE plc considers the following to be unacceptable:

- Customer financial loss or loss of rights due to non-compliance with applicable regulatory requirements;
- Implementation of any product, service, process or system that does not meet regulatory requirements;



- Implementation of any product, service, process or system that is likely to result in loss of customer or intermediary confidence in the Company's ability to conduct business compliantly; and
- Business practices that do not display integrity and may damage SE plc's reputation.

#### *B.4.2.5 Role of the Compliance Function*

The Compliance Function for SE plc is a sub-component of the Risk Function. Where reference is made below to the 'Compliance Function', this is delivered by the Risk function. The Compliance Function:

- Advises the Board, Audit and Risk & Capital Committees on the assessment and definition of the Compliance Risk Appetite and the risk tolerance levels;
- Advises on the acceptance of specific risk events based upon impact analysis;
- Raises awareness of Compliance Risk Appetite and established good business practices;
- Supports Management by identifying, assessing and overseeing the mitigation of Compliance Risks; and
- Reports on compliance matters that warrant the attention of the Board. Such reports must include as a minimum exceeded compliance risk tolerance levels and unacceptable business practices.

#### *B.4.2.6 Group and local Compliance Functions*

The SE plc Compliance Function is also supported by the Group Compliance Function. The Group Compliance Function supports the Executive Board and Management Board (of Aegon Ltd.) by informing them about relevant compliance subjects. The Group Compliance Function is, on behalf of the Management Board, responsible for ensuring that the entire Aegon organisation operates within a clearly defined global compliance framework. The Group Compliance Function proactively advises the Management Board on acting in a compliant manner, both from a strategic and an operational perspective.

## **B.5 Internal Audit function**

### **B.5.1 Internal Audit function**

Aegon's Internal Audit function assists the Senior Management Team and the Aegon UK Group Audit Committee ("GAC" or "Audit Committee") in protecting Aegon's assets, reputation, and sustainability by independently and objectively evaluating the design, implementation and effectiveness of internal controls, risk management and governance processes. The Internal Audit function is the third line of defence.

To ensure the appropriate influence, authority, independent position and direct access to the appropriate parts of the organisation, the Chief Internal Auditor (UK) has an escalation path and primary reporting line to the Chair of the GAC and a secondary reporting and escalation line to the Global Chief Internal Audit Executive and a reporting line to the UK Chief Executive Officer.

Internal Audit's main tasks and responsibilities are to:

- Prepare and execute a risk-based audit plan which is approved by the Executive Committee and the GAC.
- Execute audits on the functioning of the first and second lines of defence.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented properly and within a reasonable period of time. Ensure that these are brought to the attention of the Audit Committee, as appropriate.
- Provide a global perspective on thematic topics across Group and Business Unit level by performing end-to-end audits.

- Assist in the investigation of significant suspected fraudulent activities within Aegon or conduct special reviews or consulting which may not usually be included in the scope of Internal Audit and notify the Audit Committee of the results of these activities.
- Issue periodic reports to respective management and the Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.
- Provide periodic reporting on issue and action tracking based on consistent Management Information.
- Ensure the Audit Committee is kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and internal compliance and risk management teams, as appropriate, for the purpose of providing optimal internal audit coverage to the organisation at a reasonable overall cost.
- Coordinate and work together with other control and monitoring functions (e.g. Risk Management, Compliance, and external auditors).
- Assemble and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Audit Charter.
- Promptly report any major problem or incident which could significantly impact the risk profile or financial position of Aegon to the Board of Directors and the Audit Committee.
- Administer the AUK Speak Up policy and independently investigate Speak Up disclosures and reportable concerns as they arise. Report annually outcomes of Speak Up investigations to the Audit Committee.

#### **B.5.2 Independence and Objectivity of the Internal Audit function**

The Internal Audit function is independent of senior management, which has responsibility for the first and second lines of defence and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management, and governance.

Internal Audit executes its duties freely and objectively in accordance with the Global Internal Audit Standards published by the Institute of Internal Auditors (IIA), as well as with Aegon policies and procedures. Internal Audit's policies also align with local professional auditing standards, including the Chartered Institute of Internal Auditor's Code of Practice.

Internal Audit avoids any conflicts of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions. Skills, competencies, and independence of the Internal Audit team are assessed on an annual basis. If new joiners or external resources are engaged, their skills and conflicts of interest are assessed prior to being involved in the duties of Internal Audit. These resources are appropriately assigned to audit teams or to otherwise assist the internal auditors and comply with the principles of the Audit Charter.

Internal Audit do not perform any operational roles in areas where they are required to provide assurance. Internal Audit personnel do not perform reviews of business areas or functions in which they have had management or operational responsibility in the last 12 months or are otherwise conflicted. In respect of the Speak Up policy, Internal Audit administer this on behalf of the Board, to provide staff with independent channels of communication to raise concerns and to investigate those raised. Separate arrangements are made by the Board for periodic assurance over Speak Up procedures.

## B.6 Actuarial Function

The Actuarial Function is fulfilled by a number of teams within the business and overall accountability for the function rests with the AUKG Chief Actuary. The AUKG Chief Actuary is responsible for providing information and assurance as required for the Board and the Group Chief Actuary to place reliance on the work of the AUKG Actuarial Function.

The AUK Actuarial Function performs the following tasks in respect of SE plc which are required by the PRA Rulebook:

- Coordinate the calculation of Technical Provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of Technical Provisions;
- Assess the sufficiency and quality of the data used in the calculation of Technical Provisions;
- Assess whether the information technology systems used in the calculation of Technical Provisions sufficiently support the actuarial and statistical procedures;
- Compare best estimates against experience;
- Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of Technical Provisions;
- Oversee the calculation of Technical Provisions in cases where there is insufficient data of appropriate quality to apply a reliable actuarial method and appropriate approximations are used for the calculation of the best estimate;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements;
- Contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and to the Own Risk and Solvency Assessment;
- Produce a written report to be submitted to the AUK Group Board at least annually documenting all tasks that have been undertaken by the actuarial function and their results, and clearly identifying any deficiencies and giving recommendations as to how such deficiencies should be remedied.

## B.7 Outsourcing

### B.7.1 External outsourcing arrangements

External outsourcing arrangements are arrangements of any form between an organisation and a supplier, by which the supplier performs a function or an activity, whether directly or by sub-outsourcing, which could otherwise be performed by the organisation itself.

Outsourcing risk is considered material when “a function or activity is a critical or important function or activity on the basis of whether this function or activity is essential to the operation of the undertaking as it would be unable to deliver its services to policyholders without the function or activity.”

Examples of significant and material processes that, if performed by another entity, would be classified as material outsourced arrangements include:

- Provision of customer administration or back-office support services;
- Risk management and internal control related functions including compliance, internal audit, actuarial services and financial accounting;
- Product development and pricing;
- Asset and portfolio management;
- Underwriting and claims handling;

- Supplier Hosted Data Storage & Application Services (e.g. Cloud Computing);
- IT maintenance and support.

Outsourcing arrangements and material suppliers impact operational risk as a result of potential material changes to and reduced control over the related people, processes, and systems. To manage outsourcing arrangements all entities and business units of AUKG follow the Sourcing and Outsourcing and Supplier Management Policies. The aim of these policies is to ensure that arrangements entered into by AUKG which can result in material risk (i.e. risk classification severe and significant) are subject to appropriate due diligence approval and on-going monitoring and governance. All material risks arising from these activities should be appropriately managed to ensure that AUKG is able to meet both its financial and service obligations.

The Company's main external critical supplier arrangements are UK operations supporting our Traditional Products operations, mail/print services, investment fund processing and Platform technology development support.

### **B.7.2 Intra-group outsourcing arrangements**

The Company has material intra-group outsourcing agreements. The Sourcing and Outsourcing and Supplier Management Policies (taken together) is the written outsourcing policy and the risk assessment process applied under it to classify outsourcing arrangements ensures that critical or important operational functions get appropriate consideration. By following the outsourcing policy for Intra group outsourcing the Company ensures that the performance of these functions is not impaired by such arrangements.

The Company's intra-group arrangements are as follows:

- Aegon Asset Management – based in the Netherlands, provides both investment management and administration services.
- Global Technology Services – based in United States of America, provides management of infrastructure for Mainframe, Distributed, email, Internet and Security Services

### **B.8 Any other information**

All material information regarding the Systems of Governance for SE plc is covered earlier in this section. The Systems of Governance described are fully embedded in the business. To ensure the Systems of Governance are operating effectively, a regular cycle of Board effectiveness and Terms of Reference compliance is undertaken. The 2024 reviews concluded that there are no material concerns regarding the overall design of the System of Governance.

## C. Risk Profile

### General

#### *Risk exposure*

As an insurance provider, SE plc is exposed to a variety of risks. Some of the Company's largest exposures are to changes in financial markets (e.g. interest rate and equity market risks) that affect the value of the investments held, and the liabilities from products that the Company sells. Other risks include insurance related risks, such as changes in persistency rates and the operating expenses for the business.

The Company manages risk based on risk appetite and policies established across the Aegon Group with appropriate local application and consideration. These are key elements on the Aegon Risk Management Framework applicable to the Company. More generally, Aegon's integrated approach to risk management involves common measurement of risk and scope of risk coverage to allow for aggregation of the overall Aegon Group's risk position.

The risk appetite and policies set limits for the Company's exposure to major risks. The limits in these policies in aggregate remain within the Company's overall tolerance for risk and the financial resources available within the Company. Operating within this risk appetite framework, the Company employs risk management programmes including asset liability management (ALM) processes and models and hedging programmes (which are largely conducted via the use of derivatives and unit-matching).

The Company operates a Derivative Use Policy to govern its usage of derivatives. These policies establish the control, authorisation, execution, and monitoring requirements of the usage of such instruments. Risk policies and risk appetite are subject to an annual refresh. In relation to unit-matching, the Company holds a liquidity requirement to ensure sufficient cash is held to cover the costs of the repurchase of units matched in a severe stress scenario.

In this section we make a distinction between the **Non-Profit Sub-Fund (NPSF)**, wholly owned by the shareholder, and the **With-Profits Sub-Fund (WPSF)** where the profits arising in the fund, but also the risk exposures, reside with the with-profits policyholders (unless otherwise stated).

#### *Risk concentration*

Concentration risk for financial risks is measured and managed at the following levels:

- Concentration per risk type: Risk exposures are measured per risk type as part of SE plc's internal model. A risk tolerance framework is in place which sets risk limits per risk type, and which promotes diversification across risk types;
- Concentration per counterparty: Risk exposure is measured, and risk limits are in place per counterparty as part of the Credit Name Limit Policy; and
- Concentration per sector, geography, and asset class: SE plc's investment strategy is translated in investment mandates for its internal and external asset managers. Through these investment mandates limits on sector, geography, and asset class are set.

Moreover, concentration of financial risks is measured in the SE plc business planning cycle. As part of business planning, the resilience of SE plc's business strategy is tested in adverse scenarios:

- Plausible Adverse Scenario, reflecting a significant downturn in financial markets, combined with some non-financial stresses.
- Extreme Adverse Scenario, reflecting a severe downturn in financial markets combined with some non-financial stresses.

### ***Risk mitigation***

Risk mitigation techniques are employed within the business. Techniques are adopted to reduce risk exposures within risk appetite. Examples include reinsurance, unit-matching and derivative hedging programmes.

Following the completion of the Part VII transfer of the Individual Protection business to Royal London, only limited reinsurance exposure remains for:

- Reinsured Fund Links – these give our customers access to the unit-linked funds of a limited range of other insurers established by fund management houses to provide this type of service (e.g. BlackRock and L&G). This reinsurance allows the Company to fully participate in the Workplace unit-linked market. Although technically reinsurance, SE plc is not benefiting from risk transfer as per other forms of reinsurance.
- A low materiality programme in respect of the legacy Unit-Linked Guarantees (Variable Annuity) closed book.
- Some mortality and morbidity reinsurance on a very small book of Traditional Products business covering waiver of premium benefits and old term assurance benefits.

Derivatives and unit-matching are both used as part of our ALM strategy to mitigate our exposures to market movements. A Derivatives Use Policy is in place to set limits for derivative use and the processes and controls required to be in place. This and the ongoing management of the unit-matching programme are both subject to regular review and oversight.

### ***Risk sensitivities***

Sensitivity and scenario analysis is utilised to test the overall financial strength of the business and the exposure to specified risk exposures. Sensitivities and scenario analysis is a core part of the risk framework in allowing the business to measure, monitor and manage risk exposures at any time. The methods and assumptions used primarily rely on the PIM whereby the probability and impact of risk events, either individually or combined can be determined. The models, scenarios, and assumptions used are reviewed regularly and updated as necessary.

Results of SE plc's sensitivity analyses, as at 31 December 2024, are presented throughout this section to show the estimated sensitivity of the Solvency II financial strength to various potential risk events. Management action is taken into account to the extent that it is part of Aegon's regular policies and procedures, such as established hedging programmes. The sensitivities are updated on a quarterly basis and form a key component of the ORSA.

This section discusses each risk category, per the PRA Rulebook, in turn as follows:

- Underwriting risk (C1)
- Market risk (C2)
- Credit risk (C3)
- Liquidity risk (C4)
- Operational risk (C5)
- Other material risk (C6)

The table below shows the breakdown of the PIM SCR components by risk module. The total net SCR after diversification (unaudited) is £1.19bn (2023: £1.19bn).

### Solvency Capital Requirement for SE plc (unaudited)

Amounts in GBP Millions		2024	2023	%
C.2 Market risk	Market Risk (SF)	47.2	35.2	34%
	Market Risk (IM)	988.3	1,053.8	(6%)
C.3 Credit risk*	Counterparty default risk (SF)	63.7	65.7	(3%)
C.1 Underwriting risk	Life underwriting risk (SF)	16.7	16.7	(0%)
	Life underwriting risk (IM)	1,430.8	1,274.0	12%
	Health underwriting risk (SF)	-	0.7	(100%)
C.5 Operational risk	Operational risk (IM)	295.4	305.7	(3%)
	LAC-TP **	(103.6)	(88.1)	(18%)
C.6 Other material risk	LAC-DT	(388.8)	(391.9)	1%
<b>Total undiversified components</b>		<b>2,349.8</b>	<b>2,272.0</b>	3%
Diversification ***		(1,162.5)	(1,082.0)	(7%)
<b>PIM SCR*</b>		<b>1,187.3</b>	<b>1,190.0</b>	(0%)

\* In this summary presentation, the credit risk values represent counterparty exposure only, with other credit risk relating to financial investments (spread risk, migration risk and default risk) included within Market Risk IM.

\*\* Loss absorbing capacity of technical provisions (LAC-TP) refers to the management actions available to the With-Profits Sub-Fund (WPSF) to reduce the impact of stressed scenarios. These are a combination of regular management actions, such as change of investment strategy, and other management actions that may be implemented in more extreme conditions to maintain the solvency of the fund.

\*\*\* Diversification reflects diversification between Standard Formula and Internal Model components and between risk modules / components.

"SF" Standard Formula, "IM" Partial Internal Model

### Significant risk exposure change in the period

In 2024, as part of the equity hedging strategy, SE plc continued with the active unit-matching programme, rebalancing quarterly to re-align with risk appetite.

During Q3 2024, some of the interest and inflation rate swaps held within the Non-Profit Sub Fund were sold. This provided a liquidity benefit through a reduction in collateral requirements and led to a small increase in Solvency Capital Requirements due to an increase in exposure to interest rate and inflation risk.

### Prudent Person Principle

SE plc only invests in assets that we can properly identify, measure, manage, control, and report. Assets held to cover Technical Provisions are invested in a manner appropriate to the nature and duration of the corresponding insurance liabilities. The overall aim is aligned to the PRA Rulebook to only make investments for SE plc clients that a "prudent person" would make.

The assets backing unit-linked technical provisions are invested as closely as is possible to the corresponding unit-linked liabilities, other than where unit-matching is applied.

SE plc may hold small investments in each underlying unit-linked fund in excess of the amount required to cover the underlying technical provisions in order to facilitate the investment and disinvestment of assets in these funds. The vast majority of these investments in excess of technical provisions account for the value of future profits from customer investments in the funds. We may also consider it appropriate to pool liquidity across funds where it is in the interests of our customers to do so.

Assets covering other Technical Provisions are invested in line with our agreed risk tolerance and to ensure that our liabilities to customers can be met as they fall due. We also set our investment strategy to avoid concentration risk as set out above.

#### Matching Adjustment Attestation (unaudited)

The Chief Financial Officer has attested, in relation to the SE plc Matching Adjustment Portfolio, that “As at the effective date of the firm’s Solvency and Financial Condition Report (SFCR):

- The fundamental spread used by the firm in calculating the matching adjustment reflects compensation for all retained risks, in accordance with [PRA Rulebook Matching Adjustment Part] 4.6, and
- The matching adjustment can be earned with a high degree of confidence from the assets held in the relevant portfolio of assets.”

#### Off-balance positions and Special Purpose Vehicles

There are no significant off-balance sheet positions for SE plc. The Company does not currently utilise Special Purpose Vehicles.

### C.1 Underwriting risk

#### C.1.1 Underwriting risk description

Underwriting risk exposures arise as a result of changes in demographic experience such as mortality and persistency.

The following sources of underwriting risk are recognised under the Risk Management Framework:

Risk	Description
Longevity	The risk that improvements in life expectancy result in higher-than-expected benefit payments for annuity business
Mortality	The risk of higher numbers of deaths than expected resulting in lower profits and/or higher than expected claim payments on unit-linked business
Life Catastrophe	The risk that a one-off event could cause a large increase in claim payments over the next year e.g. a pandemic
Morbidity	The risk that higher levels of sickness or lower levels of recovery rates result in higher-than-expected claims for protection business (now an immaterial risk following the completion of the Part VII transfer of the Aegon Individual Protection business to Royal London on 1 July 2024)
Lapse / Policyholder Behaviour	The risk that lapse rates are higher or lower than expected resulting in lower profits and/or higher claim payments than expected. The risk that policyholder behaviour leads to higher or lower guarantee claims
Expenses	The risk that the value of future expenses is higher than expected resulting in lower profits



SE plc monitors and manages its underwriting risk by underwriting risk type. Attribution analysis is performed on earnings and reserve movements in order to understand the source of any material variation in actual results from what was expected. SE plc also performs experience studies for underwriting risk assumptions, comparing SE plc experience both to expected industry experience as well as combining SE plc's experience and industry experience based on the depth of the history of each source to Aegon's underwriting assumptions. SE plc may take action to reduce expense levels over time in order to mitigate any unfavourable expense variation.

### C.1.2 Underwriting risk assessment

SE plc is exposed to underwriting risk as follows:

Risk	Exposures
Longevity	<ul style="list-style-type: none"> <li>Value of NPSF inwardly reinsured annuities from Phoenix Group</li> <li>Value of Guaranteed Annuity Options and Guaranteed Minimum Pensions in the WPSF</li> <li>Value of liabilities of the staff defined benefit pension scheme</li> </ul>
Mortality	<ul style="list-style-type: none"> <li>Value of future fee income on NPSF unit-linked Traditional Products and Platform business</li> </ul>
Life Catastrophe	<ul style="list-style-type: none"> <li>Value of future fee income on NPSF unit-linked Traditional Products and Platform business</li> </ul>
Morbidity	<ul style="list-style-type: none"> <li>Value of individual protection liabilities (now an immaterial risk following the completion of the Part VII transfer of the Aegon Individual Protection business to Royal London on 1 July 2024)</li> </ul>
Lapse / Policyholder Behaviour	<ul style="list-style-type: none"> <li>Value of NPSF unit-linked Traditional Products and Platform business</li> <li>Value of net cost of guarantees in the WPSF</li> <li>Value of Guaranteed Annuity Options (GAOs) in the WPSF</li> </ul>
Expenses	<ul style="list-style-type: none"> <li>Value of future expenses in the NPSF</li> </ul>

Risk exposure is measured using the PIM for each risk type.

#### Risk profile change in period:

The Part VII transfer of the Aegon Individual Protection business to Royal London was approved by the High Court at a Sanction Hearing on 14 June 2024. The transfer completed, as planned, on 1 July 2024. The transaction did not have a material financial impact on the capital position, nor the risk profile, of the Company.

#### Assumption update

All material non-economic assumptions were reviewed in Q4 2024, with revisions effective from 31 December 2024. The most material changes following the review included:

- The unit-linked persistency assumptions were updated. The updated assumptions include methodology changes to allow for partial exits externally and to improve the modelling of drawdown, as well as updates to the experience data.
- The maintenance expense assumptions were reviewed to reflect an updated cost analysis and our best estimate view of the effects of a number of cost management initiatives. The updated assumptions remove areas of stretch in the Medium Term Plan to give our best estimate view, including, for example, adjustments to the level of inflation that can be absorbed by the business.
- The longevity assumptions were updated to be based on the latest CMI\_2023 model using core parameterisation.

For other underwriting risks, SE plc manages the risks by regularly reviewing the experience, holding capital to cover the extreme adverse events to ensure policyholder benefits are protected to a high degree, monitoring the risk exposures against risk limits (which are set in accordance to the Risk Appetite), and actively looking for risk mitigation opportunities where appropriate.

### **C.1.3 Risk concentration**

Risk limits are set for each underwriting risk type (mortality, longevity, policyholder behaviour, and expenses) as outlined in Sections B and C. SE plc uses reinsurance transactions with the external market to lower the concentration of certain risks, e.g. through excess of loss or quota share reinsurance contracts.

### **C.1.4 Risk mitigation**

#### *Mortality Risk*

Following the completion of the Part VII transfer of the Aegon Individual Protection business to Royal London on 1 July 2024, the Company is exposed to minimal mortality risk from higher numbers of deaths than expected resulting in lower profits on the unit-linked book and other life business.

#### *Expense Risk*

This is the risk that expenses increase by more than expected due to reduced efficiency and other factors. SE plc has in place expense management processes to mitigate this risk.

#### *Lapse Risk*

The Company is exposed to lapse risk under contracts where it takes a number of years for annual charges to recoup expenses incurred. The Company has a number of processes in place which are designed to improve the retention of in-force business.

#### *Longevity Risk*

The only annuity business remaining during 2024 was an inward reinsurance from Phoenix Group. No new annuity business is written in Scottish Equitable plc, with an arrangement in place under which Legal & General may provide annuities arising from vesting policies. This significantly reduces the Company's exposure to longevity risk.

### **C.1.5 Risk sensitivity**

SE plc undertakes a range of stress and sensitivity testing to determine both the potential losses that could arise as a result of changes in underwriting experience and also any additional impacts on solvency coverage levels that could arise, for example as a result of changes in Risk Margin or SCR.

Based on stress scenarios calibrated according to the SE plc PIM and allowing for the impact of risk mitigating strategies, the potential losses that may arise from key underwriting risks have been assessed as part of the ORSA and are set out below. The sensitivities represent an increase or decrease in lapse rates, a decrease in mortality rates over best estimate and an increase in expenses, resulting in an increase/decrease in solvency ratio. Delta shows the impact on solvency position at Q4 2024 applied to the pre-stress solvency ratio at Q4 2024 (186%).

## Risk Sensitivity

Amounts in GBP millions	Own Funds	SCR	Ratio	Delta
<b>Underwriting</b>				
20% increase in lapse rates	(279.1)	(98.5)	177%	(9%)
20% decrease in lapse rates	367.8	105.8	199%	13%
5% increase in longevity	(6.8)	(0.6)	185%	(0%)
<b>Expenses</b>				
5% increase in expenses	(55.3)	(10.5)	183%	(3%)

Own Funds are exposed to an increase in lapse rates as this reduces the future profits of the business which are recognised on the Solvency II balance sheet. The SCR would however reduce as the future profits lost in a further stress event would be lower. The SCR reduces to a lesser extent than Own Funds resulting in a decrease in the solvency ratio in this scenario. Conversely, a decrease in lapse rates increases future profits and SCR, resulting in an increase in solvency ratio.

Own Funds are exposed to improved longevity. In this case, the SCR increases as improved longevity increases exposure to further stresses. This scenario results in a decrease in solvency ratio. Similar but more significant impacts are observed in the expense sensitivity.

## C.2 Market risk

### C.2.1 Market risk description

Market risk exposures arise as a result of investments in assets which may fall in value, including equities, properties or other alternative asset classes. Such exposures may be indirect, for example where a fall in the value of investments held on behalf of customers results in a fall in expected future management fees.

The following sources of market risk are recognised under the Risk Management Framework:

Risk	Description
Equity Risk	The risk that the market value of equity-like investments fluctuates because of changes in the financial condition, reduced prospects, or a change in relative value of the issuing company.
Alternative Investment Risk	The risk that the market value of alternative asset classes (e.g. property) changes because of changes in the financial condition of the underlying entity, reduced prospects, or a change in other underlying risk drivers.
Equity Volatility Risk	The risk that the value of assets or liabilities decreases/increases because of a change in equity volatilities.
Interest Rate Risk	The risk that the value of assets and the value of liabilities have different sensitivities to a change in interest rates. It is the risk that the net value of the business decreases with an adverse change in the level of interest rates.
Inflation Risk	The risk that the value of assets and the value of liabilities have different sensitivities to a change in market implied future inflation rates. It is the risk that the net value of the business decreases with an adverse change in the level of expected future inflation.
Interest Rate Volatility Risk	The risk of unequal fluctuations in the value of assets and the value of liabilities given a change in interest rate volatility levels. It is the risk that the net value of the business decreases with an adverse change in interest rate volatility.

Risk	Description
Currency Risk	The risk of unequal fluctuations in the value of assets and the value of liabilities given a change in relative currency rates. It is the risk that the net value of the business decreases with changes in relative currency rates.

Market risks in this context exclude those arising from credit or counterparty exposures. These are considered separately under Section C.3. They also exclude the risk that investments cannot be readily realised in order to meet liability commitments, or the risk of short-term timing mismatches between asset and liability cash flows. These are considered separately under Section C.4.

### C.2.2 Market risk assessment

SE plc is exposed to market risk as follows:

Risk	Exposures
Equity Risk	<ul style="list-style-type: none"> <li>• The value of future fee income on NPSF unit-linked Traditional Products and Platform business to the extent that the underlying assets are invested in equities.</li> <li>• The cost of investment guarantees in the WPSF.</li> <li>• Equity holdings in the Staff Pension Scheme.</li> <li>• Shareholder equity holdings, e.g. seed investment in AIL funds.</li> </ul>
Alternative Investment Risk	<ul style="list-style-type: none"> <li>• The value of future fee income less expenses on NPSF unit-linked Traditional Products and Platform business to the extent that the underlying assets are invested in property and other alternative investments.</li> <li>• The cost of investment guarantees in the WPSF.</li> </ul>
Equity Volatility Risk	<ul style="list-style-type: none"> <li>• The value of investment guarantees in the WPSF.</li> <li>• The value of hedging instruments held to protect the value of fee income from the NPSF unit-linked Traditional Products and Platform business.</li> </ul>
Interest Rate Risk	<ul style="list-style-type: none"> <li>• The value of future fee income and expenses on NPSF unit-linked Traditional Products and Platform business.</li> <li>• The value of future interest on cash balances retained by SE plc on Platform business.</li> <li>• The cost of investment guarantees in the WPSF, including those related to Guaranteed Annuity Options and Guaranteed Minimum Pensions.</li> <li>• Mismatches between asset and liability cash flows in respect of annuity business and Staff Pension Scheme.</li> <li>• Change in value in other assets within Own Funds.</li> </ul>
Inflation Risk	<ul style="list-style-type: none"> <li>• The value of provisions held to cover the expected future cost of maintaining business already written may go up if we expect future inflation to be higher.</li> <li>• The value of benefit commitments made to policyholders which are linked to inflation may go up if we expect future inflation to be higher.</li> <li>• The value of obligations under the Staff Pension Scheme may increase if we expect future inflation to be higher.</li> </ul>

Risk exposure is measured using the PIM for each risk type.

#### Risk profile change in period:

In 2024, as part of the equity hedging strategy, SE plc continued with the active unit-matching programme, rebalancing quarterly to re-align with risk appetite.

During Q3 2024, a proportion of the interest and inflation rate swaps held within the Non-Profit Sub Fund were sold. This provided a liquidity benefit through a reduction in collateral requirements which led to a small increase in Solvency Capital Requirements due to the increase in exposure to interest rate and inflation risk although remaining comfortably within target levels.

Note: Under unit-matching, SE plc holds less than 100% of unit-linked assets to back its unit-linked liability. SE plc then undertakes to buy the remaining assets at a future date. This creates a negative market exposure which acts as a hedge against the market exposure on fee income from the underlying assets.

### **C.2.3 Risk concentration**

Risk limits are set for each market risk type in the same way as Underwriting risks, as outlined in Sections B and C. SE plc expects to remain within risk appetite and where limits are breached or in the warning zone, management will take actions to return the position within risk appetite.

### **C.2.4 Risk mitigation**

SE plc manages the investment of its own assets in order to ensure market risk exposure remains within an acceptable tolerance, in line with the Asset Liability Management strategy.

A core part of this strategy is to hold investments that match liabilities as closely as possible by timing, amount, and currency.

The Staff Pension Scheme currently hedges its interest rate and inflation exposure by reference to the trustee funding basis.

A portfolio of interest rate swaps and zero-coupon inflation swaps is currently held in the NPSF to provide protection against the effect of falling interest rates leading to increased Risk Margin and Solvency Capital Requirements, while providing additional protection against the risk of future inflation leading to higher than anticipated operating costs. This portfolio is also used to align overall balance sheet sensitivity within target levels. A proportion of the portfolio was sold in Q3 2024, providing a liquidity benefit through a reduction in collateral requirements. This also led to a small increase in Solvency Capital Requirements with an increase in exposure to interest rate and inflation risk although remaining comfortably within target levels.

SE plc also maintains an equity hedging strategy which combines a portfolio of put options and a unit-matching programme. Unit-matching is targeted to hedge a proportion of expected fee income over the medium term, and is rebalanced quarterly. The portfolio of put options are held and rebalanced on an annual basis to ensure residual equity risk remains below our limit for equity exposure. We have a potential management action available to increase the level of unit-matching further should more equity risk hedging be required – this is our preference over an increased level of equity put options.

The cost of guarantees in the WPSF are hedged using portfolios of interest rate derivatives designed to protect the fund against a wide range of market movements. In 2024 the interest rate hedge for the fund liabilities was rebalanced and the hedge for the fund SCR was reduced, to maintain fund protection against future interest rate movements.

### **C.2.5 Risk sensitivity**

SE plc undertakes a range of stress and sensitivity testing to determine both the potential losses that could arise as a result of market movements, and also any additional impacts on solvency coverage levels that could arise, for example as a result of changes in Risk Margin or SCR.

Based on stress scenarios calibrated according to the SE plc PIM, and allowing for the impact of the risk mitigating strategies, the potential losses that may arise from key market risks have been assessed as set out below. The sensitivities show the impact that a range of stress events could have on overall solvency coverage of SE plc. Delta shows the impact on solvency position at Q4 2024 applied to the pre-stress solvency ratio at Q4 2024 (186%).

#### Risk Sensitivity

Amounts in GBP millions	Own Funds	SCR	Ratio	Delta
<b>Interest</b>				
Interest rate curve -1%	(21.0)	1.9	184%	(2%)
Interest rate curve +1%	4.6	(7.3)	187%	2%
<b>Equity</b>				
25% increase in equities	313.4	200.8	181%	(4%)
25% decline in equities	(311.0)	(205.5)	193%	7%

The solvency ratio decreases slightly when interest rates fall. Own Funds decrease in this scenario, primarily due to the reduction in value of future interest on cash balances retained by SE plc on Platform business, partially offset by changes in the value of the interest and inflation swaps. The Staff Pension Scheme is fully hedged against interest rate risk. The SCR increases when interest rates fall, primarily due to increases in longevity and expense capital.

Conversely, the solvency ratio increases when interest rates rise. Own Funds increase and SCR decreases, reflecting the same drivers as the interest rate fall scenario. The movements are not symmetrical given the smaller change to Risk Margin when interest rates rise.

Similar to lapse risk, when the value of equities falls there is a reduction in Own Funds as the value of future profits i.e. charges on unit linked business falls. The SCR also reduces because there is then less exposure to further stress. Overall, the solvency ratio decreases in this scenario.

Exposures to other market risks are less material.

## C.3 Credit risk

### C.3.1 Credit risk description

Credit risk arises principally as a result of the failure of any third party to make contractual payments to SE plc, or as a result in changes in the value of any assets or liabilities that arise principally as a result of changes in the credit risk environment.

The following sources of credit risk are recognised under the Risk Management Framework:

Risk	Description
Credit Risk	The risk that the market value of fixed income investments fluctuates because of changes in the financial condition of the obligor or the appetite in the market for this risk.
Counterparty Risk	The risk that the counterparty in a risk mitigating contract is unable to meet its obligations to the insurer.

### C.3.2 Credit risk assessment

SE plc is exposed to credit risk as follows:

Risk	Exposures
Credit Risk	<ul style="list-style-type: none"><li>• The value of bonds and similar fixed income assets held to cover insurance liabilities, including those in respect of annuity business and the WPSF asset shares.</li><li>• The value of bonds and similar fixed income assets held to meet business expenses (including unit-matching buyback commitments and project costs) as they arise.</li><li>• The value of future fee income on NPSF unit-linked Traditional Products and Platform business to the extent that the underlying assets are invested in bonds and similar fixed income assets.</li><li>• The value of bonds and similar fixed income assets held in the Staff Pension Scheme.</li><li>• Changes in the discount rate used to determine the value of the Staff Pension Scheme liabilities under International Accounting Standard (IAS) 19.</li></ul>
Counterparty Risk	<ul style="list-style-type: none"><li>• The value of expected recoveries from reinsurance counterparties, including those in respect of reinsured external fund links.</li><li>• The value of any derivative assets, net of any collateral held in respect of these positions.</li><li>• The value of cash deposits held.</li></ul>

Credit and counterparty risk exposures in SE plc arise from a number of sources.

Investment funds managed on behalf of policyholders include investments in bonds and other credit linked assets. Any fall in the value of these investments will result in a fall in the value of future fee income to SE plc.

SE plc also maintains direct investments in bonds or other similar assets in order to cover direct liabilities, including annuity liabilities or as investment of the surplus assets. The value of these bonds, including any gilts issued by the UK Government, may fall relative to the liabilities that they are being held to cover. Certain Immediate Annuity liabilities in SE plc are held in separately identifiable portfolios managed in accordance with the Matching Adjustment rules under Solvency II. The value placed on these liabilities generally tracks the value of the matching assets with the result that the sensitivity of the overall solvency position to changes in the value of these assets is substantially reduced.

The treatment of the Staff Defined Benefit Pension Scheme (“the Staff Pension Scheme”) for SE plc Solvency II reporting is included in Section D. In relation to credit risk, we note that the Staff Pension Scheme holds bonds and other similar investments in order to fund pension commitments. Any default or other fall in value of these bonds may increase the level of future contributions required from the Company to the Staff Pension Scheme.

In addition, under IAS 19 the value of the pension scheme surplus/deficit for reporting purposes is determined with reference to the yields that can be obtained on high quality corporate bonds. Changes in these market yields can therefore impact the reported solvency of SE plc regardless of the underlying performance of the actual assets held since the discount rate and value of assets are only indirectly related.

SE plc also makes certain externally managed unit-linked investment funds available to customers by means of reinsurance arrangements with insurance subsidiaries of third-party asset managers. The nature of these arrangements gives rise to counterparty risks in SE plc, which remain within risk tolerance.

The Company will regularly undertake derivative transactions with investment banks in order to achieve risk management or other investment objectives.

**Risk profile change in period:**

The Company continues to hold a proportion of surplus liquidity in short-term bonds, rather than entirely cash and gilts, to seek higher returns on these surplus assets. This initiative increases credit risk, though not materially.

The Part VII transfer of the Aegon Individual Protection business to Royal London was approved by the High Court at a Sanction Hearing on 14 June 2024. The transfer completed as planned on 1 July 2024. The transaction did not have a material financial impact on the capital position, nor the risk profile, of the Company.

**C.3.3 Risk concentration**

SE plc manages concentrations of credit risk exposure in line with the Aegon Group Credit Name Limit Policy. The Company aims to avoid over-concentration of exposure to any individual issuer or counterparty, to any industry sector or asset type, to any credit rating band or to any currency of issue. Details of current concentrations of risk are set out below.

**Credit Exposures by Rating (excludes unit-linked and WPSF)**

Amounts in GBP millions	2024	2023
AAA	21.1	33.2
AA	462.7	445.4
A	202.1	252.6
BBB	47.7	107.6
BB	0.7	0.7
Assets not rated	7.7	10.0
<b>Total Assets by Credit Risk</b>	<b>742.0</b>	<b>849.5</b>

**Financial assets above comprise:**

Amounts in GBP millions	2024	2023
Derivative financial instruments	7.7	10.0
Debt securities and money market investments	678.9	777.7
Cash and cash equivalents	55.4	61.8
<b>Total Assets by Category</b>	<b>742.0</b>	<b>849.5</b>



### Credit Exposures by Sector for Debt securities and money market investments

Amounts in GBP millions	2024	2023
Asset-backed securities: Asset-backed securities - Other	44.8	45.7
Commercial mortgage-backed securities	54.1	63.0
Financial	158.0	182.7
Industrial	102.8	129.6
Utility	13.2	63.5
Sovereign exposure	306.0	293.2
Total Credit Risk Concentrations for Debt securities and MMI	678.9	777.7

Separate Treasury Cash Limits are maintained for cash, recognising that the counterparties under these exposures are restricted to a more limited range of financial institutions.

### C.3.4 Risk mitigation

#### **Credit Risk**

The principal strategy adopted by SE plc to mitigate credit risk exposures is to ensure that aggregate credit risk exposure is maintained within accepted limits.

Credit spread risks, which relate to the loss of market value of credit investments in the absence of any other defaults or credit rating migrations, are offset in part as a result of the Staff Pension Scheme surplus. The matching adjustment offsets credit spread risk for annuities in the matching adjustment portfolios.

#### **Counterparty Risk**

Counterparty exposures arising through derivative or reinsurance arrangements are mitigated wherever possible through appropriate collateral arrangements. All derivative positions are either subject to Central Clearing arrangements or established under industry standard International Swaps and Derivatives Association/Credit Support Annex terms and are fully collateralised.

The reinsurance arrangements (for those which provide access to externally managed investment funds) are not formally collateralised, but in the event of a default by one of these counterparties SE plc would have a claim on the underlying investment assets. The reinsurance contracts ensure that the Company would rank equally with all other investors in such an event, and the entities themselves are regulated insurance companies.

The Company undertakes ongoing risk monitoring and due diligence of all derivative and reinsurance counterparties.

### C.3.5 Risk sensitivity

SE plc undertakes a range of stress and sensitivity testing to determine both the potential losses that could arise as a result of changes in credit risk and also any additional impacts on solvency coverage levels that could arise, for example as a result of changes in Risk Margin or SCR.

Based on stress scenarios calibrated according to the SE plc PIM and allowing for the impact of risk mitigating strategies, the potential losses that may arise from key credit risks have been assessed as set out below. The sensitivities represent an increase or decrease in the credit spreads, resulting to an increase/decrease in solvency ratio. Delta shows the impact on solvency position at Q4 2024 applied to the pre-stress solvency ratio at Q4 2024 (186%).

### Risk Sensitivity

Amounts in GBP millions	Own Funds	SCR	Ratio	Delta
<b>Credit</b>				
Non-government bond spreads -0.50%	9.2	0.4	186%	1%
Non-government bond spreads +0.50%	(8.3)	(1.6)	185%	(0%)

Credit exposure in 2024 has remained in line with the 2023 position.

## C.4 Liquidity risk

### C.4.1 Liquidity risk description

Liquidity risk arises where there are insufficient liquid assets to meet payments as they are due to be made. Each asset purchased and liability incurred has its own liquidity characteristics with some liabilities being able to be surrendered on short notice while some assets, such as privately placed loans, mortgage loans, real estate and limited partnership interests, can have low liquidity. If SE plc requires significant cash assets to meet payments on short notice and cannot access this through existing credit facilities, it may not be able to sell these low liquidity investments at attractive prices or in a timely manner.

SE plc's liquidity risk does not give rise to a capital requirement.

### C.4.2 Liquidity risk assessment

Liquidity risk exists in the investment funds managed by SE plc on behalf of customers. Generally, these funds are managed with sufficient liquid assets to ensure that inflows and outflows can be managed without impacting investment returns. However, in the event of significant requests to withdraw from these funds, the managers may need to sell underlying investments which could have a detrimental impact on the fund performance.

In extreme circumstances, or where the underlying fund investments are difficult or costly to sell quickly (for example direct property investments), the Company may need to exercise rights to delay encashments from the affected funds. The specific powers that SE plc retains in such circumstances are set out in Policy Provisions.

Liquidity risks also arise in SE plc as a result of the need to meet day to day business commitments, for example the payment of insurance claims or business expenses. SE plc must ensure that sufficient cash is available at all times to meet any payment commitments that may arise.

Liquidity is also required to support the strategic initiatives of SE plc. This will include planned payments of dividends to Aegon Group and other projects within the business.

Liquidity is also needed to maintain the collateral arrangements that are used to mitigate the counterparty risks arising from derivative contracts and reinsurance arrangements. These arrangements often have tight restrictions on the types and quality of assets that may be posted as collateral, and it is necessary to ensure that there are sufficient eligible assets available to enable the Company to cover its collateral posting obligations under a wide range of potential future scenarios.

**Risk profile change in period:**

At the end of 2020 we implemented an initiative to seek higher returns on surplus cash through investments in short-term bonds, rather than only holding cash and gilts. This initiative continues and, although it reduces available liquidity, the proceeds from these bonds are used to meet business expenses as they arise, meaning liquidity requirements are reduced by approximately the same amount (the maximum investment amount made available is optimised to ensure this is the case). Thus, surplus liquidity is broadly unchanged as a result of this initiative.

**C.4.3 Risk concentration**

A number of concentrations of liquidity risk exist in SE plc.

In the event that large numbers of customers seek to withdraw their investments within a short space of time, where the liquid assets in the underlying investment funds are insufficient to fund the requested withdrawals, then the investment managers may be forced to sell assets at below market value in order to allow these investments to be withdrawn. This may adversely impact the performance of the funds affected or lead to delays in withdrawals being made available.

The day-to-day operating cash that is maintained in SE plc may be insufficient to meet a significantly large claim or operating cost, so that less liquid long-term investments may need to be sold to make the necessary payment.

In the WPSF, a significant portfolio of derivatives is held to cover the cost of Guaranteed Annuity Options and other historical investment guarantees as well as interest rate swaps held to cover interest rate risk exposure. A significant rise in long term interest rates would result in a requirement to post collateral against these derivatives, so we need to ensure that sufficient collateral assets are available to post.

In the NPSF, there is also a portfolio of interest rate swaps and zero-coupon inflation swaps to cover interest rate risk exposures and inflation risk exposure. A significant change in long term interest rates or inflation may similarly require collateral to be posted.

SE plc has a unit-matching programme in place whereby it has undertaken to buy back units as it receives fee income from the underlying funds. A combined stress of an increase in equity markets with a mass lapse event could give rise to a liquidity strain where the units must be bought back earlier than expected.

**C.4.4 Risk mitigation**

SE plc operates liquidity monitoring controls in line with the Aegon Group Liquidity Risk Policy. This policy is designed to ensure that businesses in the Aegon Group maintain sufficient levels of cash or other highly liquid assets to meet cash demands by policyholders and account holders over the next two years. Potential cash demands are assessed under a stress scenario which includes a significant rise in interest rates.

**C.4.5 Risk sensitivity**

Liquidity levels in SE plc are generally predictable and capable of management control.

Rising long term interest rates are recognised as the most significant risk factor to future levels of liquidity. Such a rise could lead to falls in the value of highly liquid assets that could otherwise be sold to release cash, and also to a requirement to post collateral in respect of NPSF and WPSF derivative positions.

Unit-matching is exposed to a combined shock of equities up and a mass lapse where the equity shock increases the cost of buying back units and the lapse shock accelerates the time over which the units need to be bought back.

## **C.5 Operational risk**

### **C.5.1 Operational risk description**

Operational risk is inherent in Aegon's businesses and may manifest itself in many ways, including business interruption, poor vendor performance, supplier failure, information systems malfunctions or failures, regulatory breaches, processing errors, modelling errors, and/or internal and external fraud. These events may result in financial loss, harm Aegon's reputation, or hinder Aegon's operational effectiveness.

Aegon defines operational and conduct risk as a potential event which may result in (complete or partial) non-achievement of the Company's business objectives. Operational and conduct risks are further defined as follows:

- Operational risk: Risk of losses resulting from inadequate or failed internal processes and controls, people and systems or from external events.
- Conduct risk: Risk of losses resulting from a company's products, services, people, and actions failing to deliver the reasonable expectations of its customers and other stakeholders and resulting in poor outcomes.

These definitions highlight the four causes of operational risk events: (1) external events and inadequate or failing (2) processes and controls; (3) people; and (4) systems.

### **C.5.2 Operational risk assessment**

The Company has identified eight risk event categories in line with the Aegon risk universe. This risk event categorisation also supports the preparation of operational risk reporting and analysis that can be interpreted meaningfully across Aegon as it defines a common language for the Aegon Group. These are detailed below:

#### *C.5.2.1 Legal, Regulatory, Conduct and Compliance risk*

Legal and compliance risk is the risk that losses occur resulting from non-voluntary legal liabilities, inadequate legal documentation; or products, services, people and actions failing to deliver the reasonable expectations of its customers and other stakeholders; or failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant and potential legal and regulatory developments.

#### *C.5.2.2 Processing risk*

Processing risk is the risk of losses due to inadequate or failing administrative processes and related internal controls, inadequate capturing of source data, reporting errors, modelling errors and failing outsourcing and supplier arrangements.

#### *C.5.2.3 Business risks*

Business risk is the risk of losses due to failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment returns, handling of customer complaints, or late reaction to changes in the business environment.

#### *C.5.2.4 Tax risk*

Tax risk is the risk of losses due to fiscal authorities challenging SE plc's tax treatment of transactions on technical grounds or as a result of inconsistent argumentation, imperfections in implementation of restructuring or projects, concentration risk and late identification of significant tax developments in relevant jurisdictions, possibly resulting in an inability to influence the final outcome.

#### *C.5.2.5 Financial crime risk*

Financial crime risk is the risk of losses due to a wrongful act (including money laundering), omission, breach of duty or trust, intentionally performed by a SE plc employee, intermediary or external party, which potentially could or results in a disadvantage to SE plc or another.

#### *C.5.2.6 People risk*

The risk of losses due to acts inconsistent with employment, health or safety laws or agreements; from payment of personal injury claims or from diversity/discrimination incidents; or losses resulting from an insufficient number of, or appropriately trained, personnel.

#### *C.5.2.7 Facility risk*

Facility risk is the risk of losses due to inadequate or failing physical asset management (including physical security incidents and inefficient procurement) and events causing damage to physical assets (vandalism, water damage, fire, explosions, etc.).

#### *C.5.2.8 Information Technology and business disruption risk*

The risk of losses due to a failure, misuse of IT and associated assets or inefficiency utilization of assets. This comprises of poor IT service delivery, IT performance and capacity issues, insufficient implementation or execution of information security controls, poor incident management practices, inadequate or failed business continuity and disaster recovery planning and execution.

#### *C.5.2.9 Exposures*

Operational risk exposure in SE plc is dominated by processing risks and Legal, Regulatory, Conduct and Compliance risks.

Processing risks arise both from day-to-day business operations supporting the servicing of business written, and from the wider financial management of the business. Inaccuracies in financial models in particular could still have a significant adverse effect on SE plc's business, results of operations and financial condition. Reliance on various financial models to measure risk, price products and establish key results, is critical to the Company's operations. If these models or the underlying assumptions prove to be inaccurate, this could have a significant adverse effect on the Company's business or performance.

Legal and Compliance risks can arise as a result of changes in the regulatory environment. These risks have not significantly changed from last year. Legal and Compliance risk continues to be monitored given the external regulatory and political agenda both in the UK and in Europe.

The risk around systems and business disruption has risen due to the increasing number of attempted hacking and denial of service attacks. We operate a series of due processes and controls identified to mitigate these risks.

### **C.5.3 Risk concentration**

Operational risk concentration can occur where specific risk exposures are in excess of operational risk appetite. For SE plc, a range of Key Risk Indicators are utilised to monitor and manage operational risk exposures against appetite. This is reported regularly to Management and Board governance as detailed in Section B.

### **C.5.4 Risk mitigation**

Operational risks in SE plc are mitigated by maintaining a strong risk control framework and culture. The internal control framework was outlined in Section B of this report. Where risk events arise, the Company has in place a clear and governed rectification process to ensure risks are mitigated. Outsourcing arrangements are subject to appropriate oversight and managed through service level agreements.

### **C.5.5 Risk sensitivity**

Within the 2024 results the risk capital is measured on an Internal Model approach. Internal scenario analysis allows the business to test sensitivities to the risk exposure.

## **C.6 Other material risk**

Deferred tax assets and changes in the loss-absorbing capacity of deferred taxes (LAC-DT) are material risks. At a high level, the adjustment for the LAC-DT is equal to the change in the value of deferred taxes that would result from an instantaneous loss in a 1-in-200 worst-case shock. The LAC-DT is the tax benefits we expect to receive – by way of tax refunds, reduced future tax bills or the tax free unwind of temporary differences – after a stress occurs.

There is a risk that the assessment of availability of future taxable profit is inaccurate resulting in reduced deferred tax assets or LAC-DT not being able to be recognised. A deferred tax risk policy is in place, and this provides the framework for ongoing monitoring of underlying assumptions including ensuring changes in financial position or business strategy are taken in account.

### **C.6.1 Risk mitigation techniques and material future management actions**

All material information regarding risk mitigation techniques used by SE plc is covered earlier in this section.

## **C.7 Any other information**

All material information regarding the Risk Profile of SE plc is covered earlier in this section.

## **D. Valuation for Solvency Purposes**

### **General**

This section outlines the valuation of the assets, liabilities, and technical provisions of the Company for Solvency II purposes. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain assets and liabilities are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such assets and liabilities, the derivation of fair value is more judgmental. An instrument in its entirety is classified as valued using significant unobservable inputs (Level III) if, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs. "Unobservable" in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value.

Additional information is provided in the table headed “Significant unobservable assumptions” in Section D.4 Alternative method for valuation. While the Company believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments (both financial and non-financial) could result in a different estimate of fair value at the reporting date. Liabilities are valued as the sum of the best estimate liability (BEL) and the Risk Margin, as described in Section D.2, in accordance with the Solvency II rules for determining Technical Provisions.

SE plc has a single long-term insurance fund, which is notionally divided into a With-Profits Sub-Fund (WPSF), and a Non-Profit Sub-Fund (NPSF), consistent with the Scheme of Demutualisation from Scottish Equitable Life Assurance Society to SE plc on 31 December 1993.

Generally, all new long-term business of the Company is written in the NPSF which, when taken with the shareholder’s fund, is managed to be independent of capital resources in the WPSF. The investments of the NPSF, are split between general account investments, where the financial risks are not borne by the policyholder, and policyholder investments, where the financial risks are borne by the policyholder. The risk profile of the NPSF is monitored by reference to the Solvency II capital positions through regular reporting. The shareholder has a 100% interest in the NPSF.

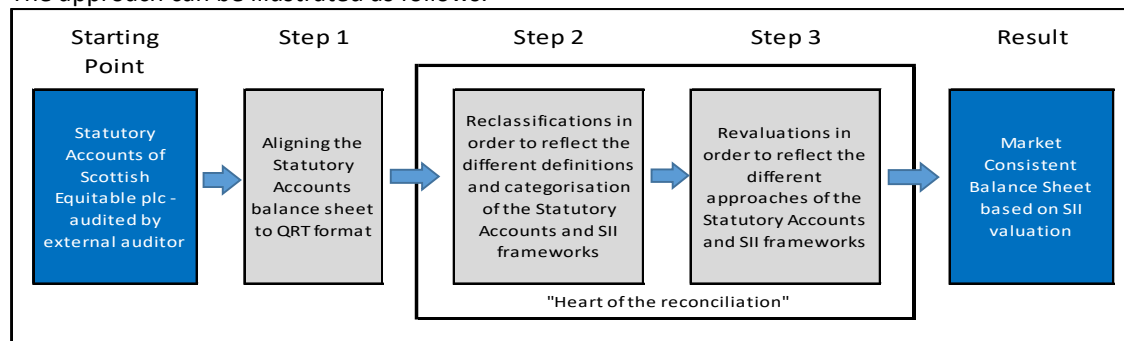
The WPSF is a mutual sub-fund in which the shareholder has no financial interest other than certain charges. The WPSF is closed to all new business including those with investment guarantees (with the exception of certain contractual obligations such as regular premiums) and is managed to be self-supporting in capital terms according to regulatory requirements. The shareholder has a 0% interest in the WPSF, with the fund fully owned by the policyholders.

The valuation of assets and technical provisions for Solvency II purposes are derived predominantly from the same data and models as used in preparation of the Statutory Accounts, and a key internal process control is to reconcile from the audited Statutory Accounts to the valuation of assets and technical provisions for Solvency II reporting. In this section, the International Accounting Standards in conformity with the requirements of the Companies Act 2006 balance sheet is reconciled to the Solvency II balance sheet.

First, the approach used for the reconciliation of the IFRS balance sheet to the Solvency II balance sheet is discussed. Subsequently a reconciliation overview of the IFRS balance sheet to the UK Solvency II balance sheet is provided. This is followed by a reconciliation by balance sheet line items between IFRS and Solvency II, including an explanation of the differences in measurement and presentation between IFRS and Solvency II and the resulting reconciliation differences.

### Approach towards IFRS to Solvency II balance sheet reconciliation

The approach can be illustrated as follows:



## Balance sheet reconciliation overview

The table below shows the IFRS to Solvency II balance sheet reconciliation for each applicable class of asset and liability. The full SII balance sheet can be seen in QRT IR.02.01.01.

In the sections that follow, the reconciliation for each balance sheet item is discussed in more detail.

### Balance Sheet Reconciliation

As at December 31, 2024

Amounts in GBP million	Section	Statutory Accounts	Reclassification adjustments	Revaluation adjustments	Solvency II Total
<b>Assets</b>					
Deferred acquisition costs	D.1.1	13.9	-	(13.9)	-
Deferred tax assets	D.1.2	54.1	450.0	(502.4)	1.7
Property, plant & equipment held for own use		58.8	-	-	58.8
Investments (other than held for index- and unit-linked funds)	D.1.3	1,268.1	2,116.2	(0.3)	3,384.0
Assets held for index- and unit-linked funds	D.1.4	96,061.3	(9,094.1)	-	86,967.2
Loans & mortgages		-	-	-	-
Reinsurance recoverables	D.1.5	2.5	7,260.4	(11.9)	7,251.0
Insurance & intermediaries receivables	D.1.6	22.6	-	22.1	44.7
Reinsurance receivables	D.1.7	-	-	0.1	0.1
Receivables (trade, not insurance)	D.1.8	630.5	(266.6)	-	363.9
Cash and cash equivalents		55.4	-	-	55.4
Any other assets	D.1.9	83.5	(82.8)	-	0.7
<b>Total assets</b>		<b>98,250.7</b>	<b>383.1</b>	<b>(506.3)</b>	<b>98,127.5</b>
<b>Liabilities</b>					
Technical provisions: life (excluding index- and unit-linked)	D.2.1	-	-	2,478.8	2,478.8
Technical provisions: index- and unit-linked	D.2.1	96,838.3	-	(4,672.6)	92,165.7
Contingent liabilities		-	-	-	-
Provisions other than technical provisions		-	-	-	-
Pension benefit obligations	D.3.1	-	-	-	-
Deferred tax liabilities	D.3.2	3.3	450.1	-	453.4
Derivatives	D.3.3	329.8	(66.9)	-	262.9
Insurance & intermediaries payables	D.3.4	32.3	-	95.6	127.9
Reinsurance payables	D.3.5	-	0.2	-	0.2
Payables (trade, not insurance)	D.3.6	243.3	98.5	-	341.8
Any other liabilities	D.3.7	103.7	(98.8)	(4.9)	-
<b>Total liabilities</b>		<b>97,550.7</b>	<b>383.1</b>	<b>(2,103.1)</b>	<b>95,830.7</b>
<b>Equity</b>		<b>700.0</b>	<b>-</b>	<b>1,596.8</b>	<b>2,296.8</b>

## D.1 Assets

### D.1.1 Deferred acquisition costs

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Deferred acquisition costs	13.9	-	(13.9)	-

Deferred acquisition costs (DAC) represent directly attributable acquisition costs with regard to the selling, underwriting and initiating of investment contracts without discretionary participation features.

#### IFRS Treatment

Deferred transaction costs relate to investment contracts without discretionary participation features under which the Company will render investment management services. Incremental costs that are directly attributable to securing these investment management contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered.



### *Solvency II Treatment*

Solvency II regulations do not recognise DAC. Under Solvency II, these costs are captured under insurance liabilities, which for Solvency II embody all the acquisition costs and servicing costs within the contract boundaries defined. For the valuation of the insurance liabilities, the principles of accrual-based accounting and the matching principle are not applied. There were no judgement, valuation, or recognition assumption changes during the year.

### **D.1.2 Deferred tax assets**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Deferred tax assets	54.1	450.0	(502.4)	1.7

Deferred tax assets (DTA) are recognised for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value with the exception of differences arising from the initial recognition of goodwill, and of assets and liabilities that do not impact taxable or accounting profits. The DTAs recognised have no expiry date and can be carried forward indefinitely.

### *IFRS Treatment*

International Accounting Standard (IAS) 12 prescribes the accounting treatment for Income Taxes, including IAS 12.5 and IAS 12.46 for (deferred) tax. A tax asset is recognised for tax loss carry forwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised (IAS 12.5). Current tax liabilities or assets for the current and prior periods shall be measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period (IAS 12.46). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period (IAS 12.47).

### *Solvency II Treatment*

The Solvency II methodology for the calculation of deferred tax follows the provisions of IAS 12 Income Taxes. Deferred tax assets and liabilities are recognised for Solvency II purposes on the basis of the temporary differences between the carrying amounts of the assets and liabilities in the Solvency balance sheet and the tax balance sheet values according to local tax regulations of the insurance company. A deferred tax accrual is calculated at corporate tax rate expected to apply when the temporary differences unwind. Tax losses carried forward are recognised as deferred tax assets if their future benefit is probable.

In line with the IFRS approach, Solvency II does not require discounting of deferred tax assets and liabilities.

### *IFRS to Solvency II reconciliation adjustments*

Considering the requirements outlined above - IFRS to Solvency II balance sheet reconciliation adjustments of deferred tax items should comprise of Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) reflecting the tax impact of all the individual revaluations processed for all relevant components of the Balance Sheet. If it is the case that the sum of all the adjustments made for revaluation of the balance sheet from an IFRS Balance Sheet to a Solvency II Balance Sheet, results in the DTA or DTL changing their sign to negative - effectively becoming DTL and DTA respectively – an additional reclassification adjustment is required to move the DTA or DTL to the correct – opposite – side of the Balance Sheet.

#### *Reconciliation difference: Reclassification Adjustments*

To reconcile the IFRS deferred tax position with the Solvency II deferred tax position on the balance sheet, it is necessary to reclassify the net DTA balance under IFRS from assets to liabilities under Solvency II. A total amount of £450.1m was reclassified, as a result of movement from overall deferred tax asset to deferred tax liability.

#### *Reconciliation difference: Revaluation Adjustments*

The difference between the balance sheet valuation of the deferred tax assets according to IFRS or Solvency II is purely driven by the differences in the valuation of the relevant balance sheet elements between the IFRS balance sheet and Solvency II balance sheet. Where tax bases do not change, revaluation adjustments related to DTA balances must then be equal to the revaluation adjustments for other balance sheet elements multiplied by applicable tax rates.

The revaluation adjustments in respect of the DTA amounts to £(502.4)m due to the revaluation of technical provisions from the IFRS to Solvency II basis £(497.1)m and other IFRS to SII adjustments of £(5.3)m.

#### *Closing Deferred tax asset*

The £1.7m SII Deferred tax asset at YE24 is made up of amounts from the UK's Policyholder Tax 'I-E' Tax Regime that are not offsettable against the Deferred tax liabilities.

### **D.1.3 Investments (other than assets held for index- and unit-linked funds)**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Investments (other than held for index- and unit-linked funds)	1,268.1	2,116.2	(0.3)	3,384.0

Investments (other than assets held for index- and unit-linked funds) include equities, bonds, and other financial assets held by the NPSF but exclude those assets backing index- and unit-linked business. These assets are held to back an annuity book and surplus assets backing the NPSF's capital requirement. For Solvency II reporting, assets including property, equities, bonds, and other financial assets held by the WPSF are reclassified to this line item.

#### *IFRS Treatment*

IFRS 9 combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard replaces IAS 39 and all previous versions of IFRS 9. Under IFRS 9, classification and measurement of financial assets differ for debt instruments and equity instruments and are based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as corporate bonds. The Company classifies its debt instruments into one of the following two IFRS 9 measurement categories, based on its business model for managing the asset, the asset's cash flow characteristics, and the Company's intent to designate the asset at FVTPL to eliminate or significantly reduce an accounting mismatch or recognition inconsistency:

- Amortised cost ('AC'): Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any Expected Credit Loss (ECL) allowance recognised.

- Fair value through profit or loss ('FVTPL'): Assets that do not meet the criteria for amortised cost or Fair value through other comprehensive income (FVOCI) are measured mandatorily at fair value through profit or loss. Additionally, the Company has applied the 'fair value option' to those assets where measurement ensures an accounting match for market movements on assets and liabilities.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, such as basic ordinary shares. On initial recognition, IFRS 9 allows the Company to make an irrevocable election to present changes in the fair value of equity investment in OCI or profit or loss. In both cases, the equity instruments are not subject to impairment under the expected credit loss model.

#### *Solvency II Treatment*

Irrespective of the chosen IFRS valuation principle, Solvency II requires Fair Value, or equivalently "market value", to be applied for value measurement. There were no judgement, valuation, or recognition assumption changes during the year.

#### *Reconciliation difference: Reclassification Adjustments*

The reclassification adjustments of £2,116.2m comprise the reallocation of policyholder accounts related assets from 'Assets held for index-linked and unit-linked funds' to 'Investments (other than assets held for index- and unit-linked funds)' in respect of the WPSF £2,211.1m, inclusion of accrued interest £11.5m and exclusion of index- and unit-linked derivatives £(106.4)m.

#### *Reconciliation difference: Revaluation Adjustments*

The valuation rules for this group of assets are aligned between IFRS and Solvency II as the majority of the assets are valued at market value for both IFRS and Solvency II. The £(0.3)m revaluation adjustment relates to the inclusion of investment in subsidiary in the statutory accounts, which are reported on a non-consolidated basis.

### **D.1.4 Assets held for index- and unit-linked funds**

	IFRS	Reclassification	Revaluation	Solvency II
Amounts in GBP million	Total	adjustments	adjustments	Total
Assets held for index- and unit-linked funds	96,061.3	(9,094.1)	-	86,967.2

Assets held for index- and unit-linked funds consist of investments in financial assets, as well as real estate. Investment returns on these assets are passed on to the index- and unit-linked policyholders.

#### *IFRS Treatment*

IFRS does not separately distinguish assets held for index- and unit-linked funds. These assets are (generally) classified as Fair Value through Profit or Loss. These are the policyholder assets within the unit-linked funds and are reported under Investments for account of policyholders. This category also includes the assets of the WPSF, but those assets are not index- or unit-linked.

#### *Solvency II Treatment*

Under Solvency II, assets held for index- and unit-linked funds are presented as a separate category. The valuation approach is the same for both IFRS and Solvency II. There were no judgement, valuation, or recognition assumption changes during the year.

#### *Reconciliation difference: Reclassification Adjustments*

The £(9,094.1)m reclassifications are analysed as follows:

- the relocation of policyholder accounts related assets from 'Assets held for index-linked and unit-linked funds' to 'Investments (other than assets held for index- and unit-linked funds)' in respect of the WPSF £(2,211.1)m;

- the reclassification of reinsured External Fund Linked (“EFL”) assets for £(7,260.4)m, accounted for as unit-linked investments under IFRS and reclassified as reinsurance assets under Solvency II;
- the reclassification of index and unit-linked current assets and Derivatives as Assets Held for Index and Unit-linked Funds £373.0m;
- £71.3m reclassification in relation to accrued interest;
- reclassification of £(66.9)m derivative liabilities.

*Reconciliation difference: Revaluation Adjustments*

The valuation rules for this group of assets are aligned between IFRS and Solvency II as the majority of the assets are valued at market value for both IFRS and Solvency II.

### D.1.5 Reinsurance recoverables

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Reinsurance recoverables	2.5	7,260.4	(11.9)	7,251.0

Reinsurance recoverables comprise the amount of reinsurers’ share of technical provisions.

*IFRS Treatment*

Reinsurance receivables in respect of investment contracts are accounted for at amortised cost.

*Solvency II Treatment*

For UK Solvency II value measurement, a Fair Value approach is used for the reinsurance receivables. It is similar to the valuation of insurance liabilities, however without a Risk Margin and after adjusting for counterparty default risk. There were no judgement, valuation, or recognition assumption changes during the year.

*Reconciliation difference: Reclassification Adjustments*

£7,260.4m reclassification relates to EFLs (typically investment funds managed by an external party, not Aegon) assets deemed to be reinsurance assets for Solvency II purposes.

*Reconciliation difference: Revaluation Adjustments*

The SE plc reinsurance asset has been revalued downwards by £11.9m. The difference in valuation relates to the underlying reinsured liabilities. As outlined in the technical provision section, there are differences in the valuation of insurance liabilities under IFRS compared to Solvency II and the value of the reinsurance assets covering these liabilities changes as a result. These adjustments include different use of Risk Margin and different discount rates (IFRS historical rates versus Solvency II current market rates).

### D.1.6 Insurance & intermediaries receivables

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Insurance & intermediaries receivables	22.6	-	22.1	44.7

Insurance and intermediaries receivables comprises amounts past-due for payment by policyholders, insurers and other linked to insurance business, that are not included in cash-flows of technical provisions. It includes receivables from reinsurance accepted.

#### *IFRS Treatment*

'Insurance and intermediaries receivables' are valued at amortised cost and included in technical provisions in connection with insurance contracts and insurance & intermediaries receivables in connection with investment contracts with discretionary features.

#### *Solvency II Treatment*

Solvency II requires that receivables are held at Fair Value ('market value').

#### *Reconciliation difference: Reclassification Adjustments*

No reclassification adjustments were required.

#### *Reconciliation difference: Revaluation Adjustments*

Under IFRS17, insurance related insurance & intermediaries receivables £22.1m are treated as Technical Provision liabilities.

### **D.1.7 Reinsurance receivables**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Reinsurance receivables	-	-	0.1	0.1

Reinsurance receivables represent amounts past-due by reinsurers and linked to reinsurance business that are not included in reinsurance recoverables.

#### *IFRS Treatment*

'Reinsurance receivables' are valued at amortised cost and included in reinsurance assets .

#### *Solvency II Treatment*

Solvency II requires that receivables are held at Fair Value ('market value').

#### *Reconciliation difference: Reclassification Adjustments*

No reclassification adjustments were required.

#### *Reconciliation difference: Revaluation Adjustments*

Under IFRS17, insurance related reinsurance receivables £0.1m are treated as reinsurance recoverables.

### **D.1.8 Receivables (trade, not insurance)**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Receivables (trade, not insurance)	630.5	(266.6)	-	363.9

The IFRS receivables (trade, not insurance) comprises unsettled balances from investment managers relating to investment transactions and tax recoverable.

#### *IFRS Treatment*

Trade and other receivables are measured at amortised cost.

#### *Solvency II Treatment*

Solvency II requires that receivables are held at Fair Value ('market value'). There were no judgement, valuation, or recognition assumption changes during the year.

*Reconciliation difference: Reclassification Adjustments*

The reclassification adjustment of £(266.6)m relates to policyholder assets which are relocated under 'Assets held for index-linked and unit-linked contracts' for SII reporting.

*Reconciliation difference: Revaluation Adjustments*

Given the short-term nature of these receivables, there are no differences between amortised cost for IFRS and Fair Value for Solvency II.

#### D.1.9 Cash and cash equivalents

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Cash and cash equivalents	55.4	-	-	55.4

Cash and cash equivalents comprise cash at bank and in hand.

*IFRS Treatment*

Cash and cash equivalents are measured at amortised cost.

*Solvency II Treatment*

Solvency II requires that cash and cash equivalents are held at Fair Value ('market value'). There were no judgement, valuation, or recognition assumption changes during the year.

*Reconciliation difference: Reclassification Adjustments*

No reclassification adjustments were required.

*Reconciliation difference: Revaluation Adjustments*

Given the short-term nature of cash and cash equivalents, there are no differences between amortised cost for IFRS and Fair Value for UK Solvency II.

#### D.1.10 Any other assets

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Any other assets	83.5	(82.8)	-	0.7

The IFRS Any other assets comprise investment income receivable and accrued interest.

*IFRS Treatment*

Investment income receivable and accrued interest are measured at amortised cost.

*Solvency II Treatment*

UK Solvency II requires that investments are valued at dirty market value (including accrued interest) and dividends receivable are held at Fair Value ('market value'). Investment income receivable is measured at Fair Value. There were no judgement, valuation, or recognition assumption changes during the year.

#### Reconciliation difference: Reclassification Adjustments

The reclassification adjustment of £(82.8)m relates to assets transferred to Assets held for index and unit-linked business £(71.3)m and accrued interest on bonds £(11.5)m included with bonds at dirty value.

#### Reconciliation difference: Revaluation Adjustments

There are no differences between amortised cost for IFRS and Fair Value for Solvency II.

## D.2 Technical provisions

This section provides the value of technical provisions including the amount of the best estimate liability (BEL) and the Risk Margin, as well as a description of the bases, methods, and main assumptions used.

### D.2.1 Value of Technical Provisions

Amounts in GBP million	Insurance with profit participation	Index-linked and unit-linked Insurance	Other life insurance	Accepted reinsurance	Health insurance	Total
<b>IFRS Technical provisions -life, including index-linked and unit linked</b>	<b>2,213.4</b>	<b>94,136.9</b>	<b>23.8</b>	<b>464.2</b>	<b>0.0</b>	<b>96,838.2</b>
- Risk Adjustment	-	(304.2)	-	(7.0)	-	(311.1)
- CSM	-	(1,276.7)	0.8	(110.1)	-	(1,385.9)
+ SII Risk Margin *	-	267.3	-	0.5	-	267.8
Liability valuation difference	(158.7)	(657.7)	53.3	(11.4)	10.2	(764.4)
<b>SII Technical provisions</b>	<b>2,054.8</b>	<b>92,165.7</b>	<b>77.8</b>	<b>336.1</b>	<b>10.2</b>	<b>94,644.6</b>

\* unaudited

The “IFRS Technical Provisions” are consistent with the Statutory accounts and key adjustments are made to these figures to step through to the “SII Technical Provisions” row consistent with the UK Solvency II balance sheet. A further breakdown showing the BEL, Risk Margin and Technical Provisions for Solvency II is shown below:

Amounts in GBP million	BEL	RM *	SII Technical Provisions
<b>Insurance with profit participation</b>	2,054.8	-	<b>2,054.8</b>
<b>Index-linked and unit-linked Insurance</b>	91,898.4	267.3	<b>92,165.7</b>
<b>Other life insurance excluding Protection</b>	77.8	-	<b>77.8</b>
<b>Accepted reinsurance</b>	335.6	0.5	<b>336.1</b>
<b>Protection &amp; Health insurance</b>	10.2	-	<b>10.2</b>
<b>Total</b>	<b>94,376.8</b>	<b>267.8</b>	<b>94,644.6</b>

\* unaudited

### D.2.2 Bases, Methods, Assumptions, Uncertainty and Simplifications

#### D.2.2.1 Bases

SE plc’s Solvency II technical provisions are calculated taking into account the requirements of the PRA Rulebook, implementing measures and guidance.

#### *D.2.2.2 Key models and methodologies*

Technical provisions are the sum of the Best Estimate Liability (the BEL) and the Risk Margin (RM). BEL is defined as the best-estimate value of liability cashflows and has been calculated in accordance with the PRA Rulebook. To calculate BEL, future cashflows are projected assuming best estimate assumptions for all demographic risks. BEL for liabilities with no embedded options and guarantees is calculated deterministically. For liabilities with financial options and guarantees within the WPSF, BEL is calculated using stochastically generated economic scenarios.

Risk neutral valuation is used to obtain arbitrage-free market consistent values. In a deterministic valuation, all cashflows are projected and discounted back at a risk-free rate derived from the current term structure of the swap curve. All swap curves are subject to a Credit Risk Adjustment (which is zero for the PRA curves).

In a stochastic valuation, risk neutral economic scenarios are used to project future cashflows. These stochastic scenarios are generated using the Numerix Economic Scenario Generator (ESG) and are calibrated to current market conditions.

Some liabilities are discounted at the risk-free curve plus either a Matching Adjustment or a Volatility Adjustment. These adjustments are described in Sections D.2.8 and D.2.9 respectively.

The Risk Margin has been calculated to ensure the Technical Provisions are equivalent to the amount insurers would be expected to require in order to take over and meet the insurance obligations as aligned to the PRA Rulebook. The Risk Margin is described further in Section D.2.13.

#### *D.2.2.3 Assumptions – Best estimate non-economic assumptions*

Non-economic assumptions made when projecting cash-flows to calculate BEL include:

- Persistency: assumptions about the rates at which policies surrender, lapse, or cease to pay regular premiums
- Expenses: assumptions about future costs, e.g. administration and investment
- Mortality / longevity: assumptions about the probabilities of dying / surviving
- Morbidity and claim recovery rates: assumptions about the probabilities of becoming ill, and about recovery
- Guaranteed Annuity Option (GAO) take-up rates: for policies with GAOs, the likelihood of the option being exercised
- Reinsurance provision risk of default: adjustment to discount rates to allow for risk of default by reinsurers

Considering each line of business, the most significant non-economic assumptions are:

- unit-linked policies: persistency and expenses
- insurance with-profits participation: persistency, GAO take-up rates and longevity assumptions underlying guaranteed annuity or guaranteed minimum pension benefits
- annuities (other life assurance and accepted reinsurance): longevity

#### *D.2.2.4 Assumptions – Economic assumptions*

Economic assumptions made when projecting cash-flows to calculate BEL include:

- Risk free investment returns: set by PRA
- Credit risk adjustment: set by PRA
- Matching adjustment: see Section D.2.8
- Volatility adjustment: set by PRA
- Inflation: internally derived curve based on RPI swap data



- Equity volatility: calibrated using term dependent market implied volatility of equity put options
- Interest rate volatility: calibrated using term dependent market implied volatility of interest rate swaptions
- Tax rates

#### *D.2.2.5 Level of uncertainty associated with the value of the technical provisions*

The main source of uncertainty associated with the technical provisions is in the setting of assumptions where a significant level of judgement may be required about how future experience may differ from past experience. The assessment of uncertainty in this case is addressed by undertaking sensitivity testing of key assumptions so that the governing body can understand how different choices would impact the technical provisions. The internal model and derivation of SCR measures the range of potential impacts from a change in experience or uncertainty in the assumptions.

The Risk Margin relates to the cost of holding capital to allow for uncertainty around the best estimate assumptions and are included in the technical provisions as an addition to the best-estimate liabilities.

#### *D.2.2.6 Significant simplified methods used to calculate the technical provisions*

The BEL is derived using modelling techniques as earlier described. For policies other than those with financial options and guarantees within the WPSF a deterministic approach has been used.

The Risk Margin has been derived in line with the PRA Rulebook, which allows for the use of simplified methods. For the with-profits fund Risk Margin derivation, a simplified approach is taken appropriate to the nature of the fund while aligning to the regulatory requirements. The Risk Margin is described further in Section D.2.13.

### **D.2.3 BEL – Index-linked and unit-linked insurance**

#### *D.2.3.1 NPSF Unit-Linked (UL) Business*

Policyholder contributions are invested in units in a pooled fund. BEL is the market value of the unit fund less the discounted value of the future profit cashflows to the shareholder (assuming best-estimate mortality, lapse, and expenses).

The economic value of these contracts to SE plc arises from any excess of future fee income over future expenses. Future cashflows include management fees and charges minus expenses. These cashflows vary with the return on the underlying assets so they contain market risk. The product has no embedded guarantees and hence a deterministic valuation is appropriate. The future investment return on all assets is set equal to the forward rates derived from the current swap curve. The projected profit cashflows are then discounted at the swap rate.

#### *Contract Boundaries*

Under the PRA Rulebook, short contract boundaries are applied to a portion of unitised business. This means that future premiums cannot be included in the calculation of future profits for this business. Short contract boundaries are not applied in respect of unitised business where premiums are invested in the default funds for which the DWP charge cap applies. The DWP charge cap creates a discernible guarantee and therefore allows future premiums to be recognised.

#### *D.2.3.2 WPSF Charges and Expense*

UWP and NGWP business is written within the NPSF as a unit-linked contract where the customer has opted to invest part or all of their fund within the WPSF. Management charges are deducted from the associated with-profits asset shares and paid by the WPSF to the NPSF. The NPSF meets all administration and investment expenses associated with UWP and NGWP policies in the same way as for any other unit-linked policy. The charges, together with relevant expenses, are taken into account in the valuation of future cash-flows and included in the overall unit-linked BEL. Note that no contract boundaries restriction is applied for UWP business as there are various guarantees offered to policyholders invested in these funds.

#### **D.2.4 BEL – Insurance with-profit participation**

##### ***SE WPSF Traditional With-Profits (TWP), UWP, and GAOs***

The with-profits business contains investment guarantees, guaranteed annuity options, and guaranteed minimum pensions. The WPSF is also liable for the cost of guaranteed annuity options offered on unit-linked business with no investment in the WPSF. Stochastic scenarios are used to project future liability cash flows.

The total BEL is equal to the asset shares accrued for UWP and TWP policies plus the stochastically calculated cost of future guarantees of the unit fund less deductions made to asset shares as a contribution to the cost of guarantees within the fund.

The business is grouped into aggregate inputs for actuarial modelling reflecting the underlying characteristics of the portfolio. Stochastic simulations are used to project forward the asset share and the unit fund. The WPSF applies smoothing rules under which a certain percentage of smoothed asset share will be paid to policyholders if the guarantee does not bite. Therefore, the impact of the 'smoothing' rules need to be considered when projecting the liability cash flows. Each simulation projects the following items:

- A. guarantee cost (= pay-out with guarantees – pay-out without guarantees (based on projected smoothed asset share))
- B. deduction from asset share towards the cost of guarantees within the fund
- C. smoothing profits or losses (= unsmoothed asset share – smoothed asset share)

The net cost of guarantees equals the average of  $[PV(A)-PV(B)-PV(C)]$  across 7,500 simulations (where PV is the Present Value).

A Volatility Adjustment is applied as described in Section D.2.9 below.

The WPSF uses specific actions to manage the solvency and risk appetite of the fund in both normal and extreme circumstances. Those applied in normal circumstances are included when calculating the best estimate liability and those expected to be applied following an extreme event are applied to the derivation of the SCR and subsequently the Risk Margin.

Normal management actions include adjustments to reversionary and terminal bonus rates, plus adjustments to the proportion of asset shares invested in equities. Further management actions following an extreme event include reductions in reversionary bonus, increases in the deduction towards the cost of guarantees, removal of past discretionary increases to asset shares from the surplus assets of the fund, changes in asset mix, and reductions in basic asset share.

### **SE New Generation With-Profits**

The best estimate liability within the WPSF is the unsmoothed asset share for NGWP business. The value of charge income less administration and investment expenses for this business resides within the NPSF. In the event that the smoothed NGWP liability cannot be met from the NGWP assets, a liability is added to the NPSF BEL. This liability is assessed using stochastic techniques.

### **D.2.5 BEL – Other Life insurance and Accepted reinsurance**

#### **SE NPSF Annuities (Reinsurance Accepted)**

BEL is the present value of expected future liability outgo assuming best-estimate mortality and expenses. The future outgo includes claims payments, annuity payments, and expenses. The expected outgo is discounted at the swap rate plus the Matching Adjustment. The liabilities do not contain any options and so a deterministic valuation is used.

#### **SE WPSF Deferred Annuities for post NRD policies**

BEL is the present value of expected future liability outgo for WPSF policies that have past their NRD. At this point the terminal bonus due to each policy is crystallised and these policies are taken out of the with-profit funds. As they are no longer participating in the profits of the fund these policies have been moved out of the “Insurance with-profit participation” section and into “Other Life”.

### **D.2.6 BEL – Health insurance**

#### **SE NPSF Health Insurance**

Following the completion of the Part VII transfer of the Individual Protection book to Royal London, the only remaining health liabilities at YE24 relate to a small closed book of Group Employee Benefits business. BEL is the present value of expected future net liability outgo. The liabilities are discounted at risk free rate without Matching Adjustment or Volatility Adjustment and a deterministic valuation approach is used.

### **D.2.7 Comparison of Solvency II and Financial Statements**

The following table compares the Solvency II technical provisions with the IFRS Statutory Accounts technical provisions. This section provides a reconciliation and explanation between the results.

Amounts in GBP million	Insurance with profit participation	Index-linked and unit-linked Insurance	Other life insurance	Accepted reinsurance	Health insurance	Total
IFRS Technical provisions -life, including index-linked and unit linked	2,213.4	94,136.9	23.8	464.2	0.0	96,838.2
- Risk Adjustment	-	(304.2)	-	(7.0)	-	(311.1)
- CSM	-	(1,276.7)	0.8	(110.1)	-	(1,385.9)
+ SII Risk Margin *	-	267.3	-	0.5	-	267.8
Liability valuation difference	(158.7)	(657.7)	53.3	(11.4)	10.2	(764.4)
<b>SII Technical provisions</b>	<b>2,054.8</b>	<b>92,165.7</b>	<b>77.8</b>	<b>336.1</b>	<b>10.2</b>	<b>94,644.6</b>

\* unaudited

It can be seen that the Solvency II Technical Provisions (SII TP) of £94,644.6m are £2,193.6m lower than the Financial Statements Technical Provisions (FS TP) of £96,838.2m.

### **Risk Margin**

Under Solvency II a Risk Margin is held over and above best estimate liabilities. The concept of Risk Margin is not required under IFRS reporting. The Solvency II amount included in the technical provisions offsets other differences by £268m.

### Liability Valuation Rules

The rules for liability valuation differ under the two regimes. IFRS reporting includes a risk adjustment and contractual service margin (CSM), which are not included in the Solvency II technical provisions. Excluding these items, the Solvency II technical provisions are £758m lower than the IFRS technical provisions:

- The difference of £158.7m for with-profits participation arises primarily because the WPSF Fund for Future Appropriations is treated as a policyholder liability in the Financial Statements Technical Provisions and there are different liability categorisations between Solvency II and IFRS.
- The differences of £657.7m for unit-linked, and £(53.3)m for Other Life, are due to different valuation methodologies and liability categorisations between Solvency II and IFRS.
- The difference of £11.4m for Accepted reinsurance is due to different assumptions used in the valuation of annuity liabilities. Under IFRS, assumed investment returns are based on the risk-free assets subject to an illiquidity premium, while under Solvency II they are based on the yields on risk-free assets (subject to a Matching Adjustment as described in Section D.2.8).
- The difference of £(10.2)m for Health insurance arises because technical provisions for Group Employee Benefits are recorded under this category for Solvency II, but recorded as Other Life for IFRS reporting.

### D.2.8 Matching Adjustment

The Matching Adjustment (MA) is designed to protect insurers with long-term liabilities from the impact of asset volatility on the insurers' solvency position. It is calculated based on cashflow matching between the insurers' assets and the liabilities.

SE plc's Matching Adjustment application was accepted in November 2015. Following the completion of the sale of the majority of the annuity book during 2017, the Matching Adjustment now only applies to the Annuities described in Section D.2.5, and the assets assigned to that business.

#### Impact of setting Matching Adjustment to zero

Amounts in GBP millions	2024	2023
Technical provision	16.4	21.9
Basic Own Funds	(12.3)	(16.4)
Eligible Own Funds to meet SCR	(12.3)	(16.4)
SCR*	28.8	21.0
Eligible Own Funds to meet MCR	(12.3)	(16.4)
MCR	12.9	9.5

\*unaudited

We note that in the event that the Matching Adjustment were to be set to zero at 31 December 2024, SE plc would continue to be able to have sufficient capital to meet 100% of the SCR.

### D.2.9 Volatility Adjustment

Some of the Company's liabilities do not meet the strict Matching Adjustment eligibility criteria as set out in the PRA Rulebook. However, they do retain some of the same features (i.e. are reasonably predictable, minimal exposure to policyholder behaviour, etc.). SE plc's Volatility Adjustment application was approved in 2015 in respect of a number of WPSF items, namely: the projection of WP asset shares used in the calculation of investment, GAO and GMP guarantee costs; and the discounting of the investment and GMP guarantee costs.

The principle of a VA is similar to the MA - namely that it aims to reduce balance sheet volatility by adjusting the discount rate in response to fluctuations in asset prices. Unlike the MA however, the VA is specified by the supervisory authorities and thus is independent of an individual firm's portfolios or matching position. Commensurate with the relaxation of the eligibility criteria and the reduced restrictions on portfolio management, the magnitude of the VA is lower and hence the Own Funds benefit is lower.

<b>Impact of setting Volatility Adjustment to zero</b>		
Amounts in GBP millions	<b>2024</b>	<b>2023</b>
Technical provisions	8.0	11.3
SE plc Basic Own Funds (after RFFR)	0	0
Eligible Own Funds to meet SCR	0	0
SCR*	0	0
Eligible Own Funds to meet MCR	0	0
MCR	0	0
*unaudited		

At 31 December 2024 the value of Loss Absorbing Capacity of Technical Provisions (LACTP) exceeds gross SCR, resulting in a £0 net SCR. Setting the Volatility Adjustment to zero would lead to a c£2m increase in gross SCR and £0 net SCR impact. We note that in the event that the Volatility Adjustment were to be set to zero at 31 December 2024, SE plc would continue to be able to have sufficient capital to meet 100% of the SCR. The reason that Own Funds changes by the same amount as SCR is because of the way the Ring-Fenced Fund restriction (RFFR) operates (see Chapter E. Capital Management).

#### **D.2.10 Transitional risk-free interest rate-term structure**

SE plc does not apply the Transitional risk-free interest rate-term structure – as described in the PRA Rulebook.

#### **D.2.11 Transitional deduction (unaudited)**

SE plc received permission to use the Transitional Measure on Technical Provisions (TMTP) – as described in the PRA Rulebook - at 2016 year-end. Following the sale of the annuity portfolio this was recalculated as zero and approval to use the TMTP was withdrawn in 2017.

#### **D.2.12 Recoverables from reinsurance contracts and Special Purpose Vehicles**

Reinsurance contracts are valued using a similar methodology to Technical Provisions. The reinsurance cash flows are based on the nature of the reinsurance arrangements. The value of the reinsurance is calculated consistently with the boundaries of the underlying insurance contracts to which it relates.

The reinsurance cash flows only include payments in relation to the compensation of insurance events and unsettled insurance claims. The value of the reinsurance asset allows for a best estimate default provision. The asset is reduced to allow for the likely level of reinsurer defaults.

The current provision is derived by treating the reinsurance contract as being equivalent to a rated bond. The contract is re-valued allowing for the best estimate risk of default with the difference between the two values taken as the provision.

SE plc has in place a series of reinsurance arrangements with respect to reinsured EFLs. A reinsurance default provision has been set up for these EFLs to address the Solvency II requirement to include best estimate default provisions for reinsured EFLs. This has reduced over the period, primarily due to the implementation of reinsured EFL data refinements.

SE plc does not have any recoverables from Special Purpose Vehicles.

### D.2.13 Risk Margin (unaudited)

The Risk Margin (RM) has been calculated to ensure the Technical Provisions are equivalent to the amount insurers would be expected to require in order to take over and meet the insurance obligations as aligned to the PRA Rulebook.

The RM which relates to uncertainty around the best estimate assumptions for a non-hedgeable risk, is held in respect of the following risks:

- Lapse Risk
- Expense Risk
- Operational Risk
- Counterparty Risk
- Mortality / Longevity Risks
- Morbidity Risk

Market risks, other than counterparty exposures, are treated as hedgeable.

The calculation of RM should reflect the price at which SE plc expects to be able to transfer the non-hedgeable risks in the market and cannot be directly observed. SE plc has adopted the Market Cost of Capital approach which is required by the Solvency II guidance. The concept underlying this approach is to calculate current and future SCR for non-hedgeable risks and the RM is then calculated as the cost of holding this capital, *i.e. under PRA this is calculated as:*

$$RM = CoC * \sum_{t \geq 0} \frac{SCR_t * \max(\lambda^t, \lambda_{floor})}{(1 + r_{t+1})^{t+1}}$$

Where,

- RM is Risk Margin,
- CoC is the Cost of Capital (gross of tax), equal to 4% for this reporting period
- SCR(t) denotes the Solvency Capital Requirement after t years;
- $r(t + 1)$  denotes the basic risk-free interest rate for the maturity of t + 1 years.
- “ $\lambda$ ” denotes the risk tapering factor, and equals—
  - i) 0.9 for life insurance and reinsurance obligations, and
  - (ii) 1.0 for non-life insurance and reinsurance obligations;
- “ $\lambda^t$ ” denotes the risk tapering factor to the power of t years;
- “ $\lambda_{floor}$ ” denotes the floor of the risk tapering factor, and equals 0.25.

The basic risk-free interest rate  $r(t + 1)$  shall be chosen in accordance with the currency used for the financial statements of the insurance and reinsurance undertaking.

The allowance for diversification includes only diversification between non-hedgeable risks – i.e. excludes diversification between non-hedgeable risks and market risks.

Annuities and Unitised business are valued using a prospective method to calculating Risk Margin. In practice this generally means deriving the SCR at each point in time and rebasing the stress valuation at time t to allow for best estimate assumptions until time t and then stressing the assumptions thereafter.

For With-Profits business the capital requirements are calculated as the change in Own Funds under shock and Risk Margin calculations are calculated by assuming that capital run off is in line with the cost of guarantees. Specified With-Profits management actions, e.g. allowing for bonus rates to be lowered following a shock, are used to reduce the required capital by offsetting risks. Consistent with this approach the Risk Margin is calculated with allowance of the management actions to offset the non-hedgeable risks.

#### D.2.14 Material changes in assumptions made in calculations of technical provisions

Assumptions have been reviewed and, where appropriate, updated in line with experience. This is performed annually or more frequently as required.

Various non-economic assumptions were updated as a result of the annual review of best estimate assumptions in the period. The most significant impacts on NPSF Technical Provisions (where BEL is shown gross of reinsurance and Risk Margin is shown net of reinsurance) were a decrease of c. £90m due to changes in expense assumptions (excluding investment expenses and updates to project cost provisions), an increase of c. £202m for updated persistency assumptions and a decrease of c. £3m from updated longevity assumptions.

For WPSF the best estimate assumptions for longevity, persistency and GAO take-up rates were updated, leading to a net £0.6m decrease in Technical Provisions.

### D.3 Other liabilities

#### D.3.1 Pension benefit obligations

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Pension benefit obligations	-	-	-	-

##### *IFRS Treatment*

The SE plc Staff Pension Scheme surplus is reported in the Statutory Accounts of Aegon UK plc, the sponsoring employer.

The IFRS treatment for pension benefit obligations is regulated by IAS 19 Employee benefits. The pension benefit obligations are based on AUKG's defined benefit plan and the terms and conditions applicable at the balance sheet date. In measuring the defined benefit pension obligation, the Company uses the projected unit credit method and actuarial assumptions that represent the best estimate of future variables.

The benefits are discounted using an interest rate based on the market yield for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, mortality rates, and price inflation. To the extent that actual experience deviates from these assumptions, the valuation of the defined benefit plans and the level of pension expenses recognised in the future may be affected. Plan improvements (either vested or unvested) are recognised in the income statement at the date when the plan improvement occurs. Plan assets are qualifying insurance policies and assets held by long-term employee benefit funds that can only be used to pay the employee benefits under the plan and are not available to the Company's creditors. They are measured at Fair Value and are deducted from the defined benefit obligation in determining the amount recognised on the statement of financial position.

The cost of the defined benefit plans are determined at the beginning of the year and comprise the following components:

- Current year service cost which are recognised in Profit or Loss; and
- Net interest on the net defined benefit asset (liability) which is recognised in Profit or Loss.

Re-measurement of the net defined benefit asset (liability) is recognised in comprehensive income and revisited quarterly. It is also not to be reclassified to Profit or Loss in a subsequent period. Net interest on the net defined benefit asset (liability) comprises of interest income on plan assets and interest cost on the defined benefit obligation and is determined by multiplying the net defined benefit asset (liability) by the applicable discount rate. Interest income on plan assets is a component of the return on plan assets and is determined by multiplying the Fair Value of the plan assets by the applicable discount rate. The difference between the interest income on plan assets and the actual return on plan assets is included in the re-measurement of the net defined benefit asset (liability).

Re-measurements of the net defined benefit asset (liability) comprise of:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit asset (liability); and
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit asset (liability).

#### *Solvency II Treatment*

EIOPA 'Guidelines on valuation of assets and liabilities other than technical provisions' prescribes application of IAS 19 Employee Benefits for pension benefit obligations valuation under Solvency II, i.e. Solvency II valuation treatment for pension benefit obligations is the same as IFRS valuation treatment, which is the application of IAS 19. See the above section, IFRS treatment, for more information regarding IAS 19.

Currently the sole statutory employer is Aegon UK Corporate Services Ltd (AUKCS) which is a subsidiary of AUK plc. The process within Aegon UK is to allocate the expense of the Staff Pension Scheme to other group entities based on cash contributions. The sponsoring employer of the Staff Pension Scheme, in line with IAS 19 is AUK plc and as such the surplus of the Staff Pension Scheme, as measured under IAS 19 is reported in the AUK plc Statutory Accounts and not in the SE plc Statutory Accounts.

Under Solvency II we only report the Solvency II position for SE plc on a solo basis and for Aegon UK plc at a consolidated group level. AUKCS funds 89.8% of pension contributions through a recharge to SE plc. In the event of any future issues around the payment of contributions from AUK plc, the Pension Regulator has powers to issue a Financial Support Direction to SE plc, as it could be considered to be connected to the Staff Pension Scheme sponsor, to force SE plc to fund the deficit based on its relationship within the AUK Group, the value of any benefits received by SE plc from the AUK Group (directly or indirectly), the connection and involvement of SE plc with the Staff Pension Scheme and the financial circumstances of SE plc.

Therefore having considered the PRA's Supervisory Statement SS5/15 - Solvency II: the treatment of pension scheme risk, the directors of SE plc have exercised judgment and concluded that the most appropriate approach for SE plc to achieve the objectives of this Supervisory Statement is that, if the Scheme was in deficit, to recognise SE plc's share of the deficit within the Own Funds of SE plc and SE plc's consideration of the potential risk to the safety and soundness of the Company, should SE plc be required to provide support for the Staff Pension Scheme in the future, within the SCR. However, in the event the Scheme is in surplus, as with the current year, no share of the surplus has been recognised within the Own Funds of SE plc.



#### *Reconciliation difference: Reclassification Adjustments*

No reclassification adjustments were required.

#### *Reconciliation difference: Revaluation Adjustments*

The pension deficit is reported in the Statutory Accounts of Aegon UK plc, the sponsoring employer. Under Solvency II, the pension deficit is reported in SE plc.

Under IFRS, the pension benefit surplus of £90.8m (2023: surplus £89.0m) is reported in the statutory accounts of Aegon UK plc and includes the asset for all Aegon's UK entities. Under Solvency II none of the surplus is recognised by SE plc.

### **D.3.2 Deferred tax liabilities**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Deferred tax liabilities	3.3	450.1	-	453.4

#### *IFRS Treatment*

See the explanation in Section D.1.2 'Deferred tax assets'.

#### *Solvency II Treatment*

See the explanation in Section D.1.2. 'Deferred tax assets'.

#### *Reconciliation difference: Reclassification Adjustments*

To reconcile the IFRS deferred tax position with the Solvency II deferred tax position on the balance sheet, it is necessary to reclassify the net DTA balance under IFRS from assets to liabilities under Solvency II. A total amount of £(450.1)m was reclassified, as a result of movement from overall deferred tax asset to an overall tax deferred tax liability.

#### *Reconciliation difference: Revaluation Adjustments*

The difference between the revaluation of the deferred tax liabilities according to IFRS and Solvency II is purely driven by the valuation of relevant balance sheet elements. Where the tax basis does not change, revaluation adjustments related to DTL balances must be equal to the revaluation adjustments for the relevant balance sheet elements multiplied by applicable tax rates. Revaluation adjustments to deferred tax are explained in assets section.

#### *Closing Deferred Tax Liability*

The £453.4m SII Deferred Tax Liability at YE24 is made up of the following items:

#### **Deferred tax liabilities**

Amounts in GBP million	Investments	Technical provisions	Defined benefit plans	Debts	Losses and tax credits	Non-recognised DTA	Other	Total
At December 31, 2024	0.0	497.1	0.0	0.0	-189.5	4.3	141.5	453.4

Within the £453.4m DT Liability, there are a number of Deferred Tax Assets which can be set against the DTL and so reduce the final amount reported. In the UK, there is no expiry date for these assets with the material ones being:

DTA	Amount	Location in above table
Non-BLAGAB Trade Losses	£185.3m	Losses and tax credits
Excess Expenses	£22.6m	Other

These DTAs are on the IFRS Balance Sheet and are held at the same value in SII.

No future Tax Rate changes have been enacted with the Corporation tax rate in force at the year end being 25.0%.

The deferred tax balances above have been calculated using the tax rates that are expected to apply to the period they will unwind at.

There was no change to the Policyholder Tax Rate used to value the Policyholder items (Excess Expenses and CGT), which remained at 20% over the period.

#### *Non-BLAGAB trade tax losses*

The utilisation of the trade tax losses depends on there being sufficient future taxable profits available. To assess the recoverability of the DTA, we looked at the following items on an IFRS Basis:

- expected future IFRS profits from the in force Non BLAGAB business (being Pension and Protection business); and
- the impact of the loss relief restriction rules enacted as part of Finance (No.2) Act 2017 whereby losses can only be set against a maximum £5m plus 50% of the remaining profit in any year.

Given the long-term nature of the pension business, the expected future profits from in-force business are projected over a 30-year period. It is considered that profits expected to arise within this timeframe satisfy the probable test for deferred tax asset recognition. Based on the projections at 31 December 2024 the deferred tax asset recognised in respect of the Trade losses is expected to be recovered in full by the end of 2032.

The most significant assumptions relate to retention of in-force pension business, expense assumptions, fixed interest, and equity investment returns.

#### *Excess Expenses*

There is a deferred tax asset of £22.6m recognised in respect of Excess Expenses, the recoverability is considered probable taking into account:

- expected income from in-force onshore bond business
- expected income from in-force with-profits business

The asset is expected to be recovered over 2 to 3 years.

The most significant assumptions relate to lapse rates on in-force onshore bond business, and fixed interest and equity investment returns for in-force onshore bond and with-profits business.

#### *Unrecognised Deferred Tax Assets*

No deferred tax asset is recognised on the statement of financial position in respect of policyholder capital losses arising under capital gains tax legislation of £21.3m. This gives a total unrecognised deferred tax asset of £4.3m (2023: £4.9m).

The deferred tax asset in respect of excess management expenses has been fully recognised. The losses may carry forward without expiry.

### *Pillar Two*

Scottish Equitable plc is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the United Kingdom, the jurisdiction in which The Company is incorporated, and came into effect for the accounting periods beginning on or after 31 December 2023. The impact of Pillar Two is £nil for both 2023 and 2024.

### **D.3.3 Derivatives**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Derivatives	329.8	(66.9)	-	262.9

#### *IFRS Treatment*

All derivatives are recognised on the statement of financial position at fair value. The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, when available. All changes in fair value are recognised in the income statement unless the derivative has been designated as a hedging instrument in a cash flow hedge.

#### *Solvency II Treatment*

Similar to IFRS, a Fair Value approach is prescribed for Solvency II. There were no judgement, valuation, or recognition assumption changes during the year.

#### *Reconciliation difference: Reclassification Adjustments*

The reclassification of index and unit-linked Derivatives as Assets Held for Index and Unit-linked Contracts £(66.9)m.

#### *Reconciliation difference: Revaluation Adjustments*

No revaluation adjustments were required.

### **D.3.4 Insurance & intermediaries payable**

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Insurance & intermediaries payables	32.3	-	95.6	127.9

Insurance & intermediaries payables comprises amounts past-due to policyholders, insurers and other business linked to insurance, but that are not technical provisions.

#### *IFRS Treatment*

Insurance & intermediaries payables are to be valued at amortised cost or Fair Value. Under IFRS17, insurance related claims outstanding and direct insurance payables are treated as technical provision liabilities, while amounts in relation to investment without discretionary features are treated as insurance & intermediaries payable.

#### *Solvency II Treatment*

For Solvency II, a Fair Value approach is prescribed.

*Reconciliation difference: Reclassification Adjustments*

No reclassification adjustments were required.

*Reconciliation difference: Revaluation Adjustments*

Under IFRS17, insurance related claims outstanding £104.4m, and direct insurance payables £(8.8)m are treated as technical provision liabilities.

### D.3.5 Reinsurance payables

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Reinsurance payables	-	0.2	-	0.2

Reinsurance payables relates to amounts payable and past-due to reinsurers that are not included in reinsurance recoverables.

*IFRS Treatment*

Reinsurance payables are to be valued at amortised cost or Fair value. Under IFRS17, reinsurance payables are treated as reinsurance recoverables or assets held for sale as appropriate.

*Solvency II Treatment*

For Solvency II, a Fair Value approach is prescribed.

*Reconciliation difference: Reclassification adjustments*

For Solvency II, reinsurance payables £0.2m have been reclassified from payables.

*Reconciliation difference: Revaluation Adjustments*

No revaluation adjustments were required.

### D.3.6 Payables (trade, not insurance)

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Payables (trade, not insurance)	243.3	98.5	-	341.8

Payables (trade, not insurance) relates to non-insurance trade payables, including amounts due to employees, suppliers and investments purchased not settled at period end.

*IFRS Treatment*

Payables (trade, not insurance) are to be valued at amortised cost.

*Solvency II Treatment*

For Solvency II, a Fair Value approach is prescribed. There were no judgement, valuation, or recognition assumption changes during the year.

*Reconciliation difference: Reclassification Adjustments*

The reclassification adjustment £98.5m relates to:

- lease liabilities transferred from any other liabilities £98.8m, and
- transfer to reinsurance payables £(0.2)m.

*Reconciliation difference: Revaluation Adjustments*

No revaluation adjustments were required.

### D.3.7 Any other liabilities

Amounts in GBP million	IFRS Total	Reclassification adjustments	Revaluation adjustments	Solvency II Total
Any other liabilities	103.7	(98.8)	(4.9)	-

Any other liabilities under IFRS consists primarily of deferred revenue liabilities.

#### *IFRS Treatment*

Any other liabilities valued at amortised cost or Fair Value.

#### *Solvency II Treatment*

For Solvency II, a Fair Value approach is prescribed.

#### *Reconciliation difference: Reclassification Adjustments*

The reclassification adjustment of £(98.8)m relates to lease liabilities transferred to Payables (trade, not insurance).

#### *Reconciliation difference: Revaluation Adjustments*

Deferred Revenue liabilities are not recognised under Solvency II, and for this reason the IFRS deferred revenue liability of £(4.9)m is eliminated.

## D.4 Alternative methods for valuation

This section includes information regarding assets for which alternative valuation methods are used. An overview is provided below.

<b>Assets - Alternative valuation methods</b>	<b>2024</b>		<b>2023</b>	
Amounts in GBP millions	Level III	Total	Level III	Total
<b>Financial assets measured at fair value through profit and loss</b>				
Investments in subsidiaries	0.3	0.3	0.3	0.3
Shares	-	-	-	-
Debt securities	-	-	-	-
Money market and other short term investments	-	-	-	-
Other investments at fair value	-	-	-	-
Investments where the policyholder bears the risk	128.6	128.6	172.9	172.9
Investments in real estate where the policyholder bears the risk	377.7	377.7	374.8	374.8
Derivatives	7.4	7.4	6.6	6.6
<b>Total financial assets measured at fair value</b>	<b>514.0</b>	<b>514.0</b>	<b>554.6</b>	<b>554.6</b>

#### *Property (other than own use)*

Valuations of Level III investments in real estate and real estate held for own use are conducted in full by independent external appraisers at least every three to five years and reviewed at least once a year by qualified internal appraisers to ensure the value correctly reflects the fair value at the reporting date. Appraisals are different for each specific local market, but are based on market guidelines such as International Valuation Standards. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. If such information is not available, other valuation methods are applied, considering the value that the property's net earning power will support, the value indicated by recent sales of comparable properties and the current cost of reproducing or replacing the property. Discount rates used in the valuation of real estate reflect the risk embedded in the projected cash flows for the asset being valued. Capitalisation rates represent the income rate for a real estate property that reflects the relationship between a single year's net operating income expectancy and the total property price or value. For property held for own use, appraisers consider the present value of the future rental income cash flows that could be achieved had the real estate been rented to a third party.

#### *Corporate Bonds*

Valuations of corporate bonds are monitored and reviewed on a monthly basis. The pricing hierarchy is dependent on the possibility of corroboration of market prices when available. If no market prices are available, valuations are determined by a discounted cash flow methodology using an internally calculated yield. The yield is comprised of a credit spread over a given benchmark. In all cases the benchmark is an observable input. The credit spread contains both observable and unobservable inputs. Aegon starts by taking an observable credit spread from a similar bond of the given issuer, and then adjust this spread based on unobservable inputs. These unobservable inputs may include subordination, liquidity and maturity differences. During 2024, there were no corporate bonds that met the policy threshold to be internally modelled.

#### *Collateralised Securities*

Valuations of RMBS, CMBS and ABS are monitored and reviewed on a monthly basis. Valuations per asset type are based on a pricing hierarchy which uses a waterfall approach that starts with market prices from indices and follows with third-party pricing services or brokers. The pricing hierarchy is dependent on the possibilities of corroboration of the market prices. If no market prices are available, Aegon uses internal models to determine fair value. Significant inputs included in the internal models are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Market standard models may be used to model the specific collateral composition and cash flow structure of each transaction. The most significant unobservable input is the liquidity premium which is embedded in the discount rate.

#### *Collective Investment Undertakings*

The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. Aegon reviews the valuations each month and performs analytical procedures and trending analyses to ensure the fair values are appropriate. The net asset value is considered the best valuation method that approximates the fair value of the funds.

#### *Assets held for index-linked and unit-linked contracts*

Given the nature of the underlying assets, the valuation of assets held for indexed-linked and unit-linked contracts are similar to the valuation of Collective investment undertakings as described above.

#### *Derivatives*

All derivatives are recognised on the statement of financial position at fair value. The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, when available.

#### **D.5 Any other information**

All material information regarding SE plc's Valuation for Solvency Purposes is covered earlier in this section.

## E. Capital Management

### General

The financial strategy for SE plc supports the execution of its business strategy. The key financial strategy themes for the period 2025-28 are:

- Execution of strategic priorities – allocation of capital towards core products, with investment planned to grow the business over the Plan period.
- Return capital to shareholders – maintain an attractive capital return in the form of dividends to allow investors to share in the performance of the Company, while balancing the reinvestment to meet growth aspirations, as stated above.
- Maintaining capital as protection for policyholders.

The capital management strategy supports the execution of the financial strategy. The main capital management themes are described in this section.

### *Solvency II Ratio for SE plc split by sub-fund*

Within SE plc are a NPSF and WPSF, as described earlier. The WPSF is a ring-fenced fund which is 100% owned by its policyholders. Any surplus in the WPSF is subject to a Ring-Fenced Fund restriction (RFFR). The following table outlines the overall capital position of SE plc, allowing for the RFFR relating to the WPSF.

Amounts in GBP millions	NPSF		WPSF		WPSF Ringfence*		SE plc	
	2024	2023	2024	2023	2024	2023	2024	2023
Own Funds	2,205.6	2,219.9	91.3	98.1	(91.3)	(98.1)	2,205.6	2,219.9
SCR*	1,187.3	1,190.0	-	-	-	-	1,187.3	1,190.0
<b>Surplus / (Deficit)</b>	<b>1,018.3</b>	<b>1,029.9</b>	<b>91.3</b>	<b>98.1</b>	<b>(91.3)</b>	<b>(98.1)</b>	<b>1,018.3</b>	<b>1,029.9</b>
<b>Solvency II ratio</b>	<b>186%</b>	<b>187%</b>	<b>0%</b>	<b>0%</b>			<b>186%</b>	<b>187%</b>
<b>excluding WPSF</b>							<b>186%</b>	<b>187%</b>

\*unaudited

The 2024 Solvency II ratio is 186% (2023: 187%), which is above our target Operating Level. The ratio decreased slightly compared to 2023 driven by dividends paid and new business strain, partially offset by ongoing capital generation and impacts from market movements.

The current capital management policy was implemented in June 2021 and is subject to annual review and approval by the Aegon UK Group Board Risk and Capital Committee. This was last performed in June 2024. Under this policy:

- SE plc aims to maintain solvency coverage at an “operating level” of around 150% of SCR.
- Actions to restore solvency will be formally triggered if this ratio falls below 135% of SCR.
- SE plc may also have access to additional capital held by Aegon UK plc – the immediate parent of SE plc. The operating level for Aegon UK plc under the policy has been set at 160%.

Although the WPSF is ring-fenced, the SCR for the WPSF impacts the solvency ratio at SE plc level. An increase in Own Funds in the WPSF would result in an increase in surplus and an equal increase in the RFFR and hence would have no impact on the SE plc ratio. However, an increase in WPSF SCR would result in both an increase in Own Funds and SCR at SE plc level and hence a change in the overall SE plc solvency ratio.



## **Capital Management Policy**

In addition to the regulatory capital requirements required under Solvency II, additional capital is maintained in accordance with the Capital Management Policy approved by the Board and in line with the Aegon Group Capital Management Policy. This additional capital aims to protect the Company from breaching its regulatory capital requirements following a range of adverse events.

The Company utilises and targets capital management zones associated with different levels of SCR coverage in line with the Aegon Group Capital Management Policy.

Under the Capital Management Policy, a level of additional capital is targeted such that the Company can withstand moderate risk events and still meet its regulatory capital requirement. Where coverage falls into the Recovery Zone, a plan will be expected to be formed to return to the Target Zone within 12 months. This plan would include reduction or non-payment of planned dividends and any other appropriate management actions to strengthen the capital position.

In addition to the overall Capital Management Policy, the WPSF is targeted to maintain sufficient assets to cover 100% of the regulatory capital requirements associated with the liabilities of the WPSF plus further assets sufficient to maintain an appropriate amount of working capital within the fund and allow the fund to withstand a range of adverse scenarios without recourse to shareholder support.

The Capital Management Policy is reviewed at least annually by the Board. The current position against the capital and risk tolerance policy is subject to regular monitoring at Board level and discussion with regulators.

A full formal Budgeting and Medium-Term Planning process is undertaken each year involving a detailed review of SE plc's business plan including detailed projections of the expected level of Own Funds, SCR, and IFRS earnings over a three or four-year projection period. This takes into account the Company's best estimate of future investment conditions, new business sales, expenses, and business experience such as persistency and mortality rates. This plan is approved by the Board and forms part of the overall Aegon Ltd. MTP.

More frequently reviewed forecasts are also maintained showing the expected capital position against target at future points in time, taking into account known upcoming internally or externally driven factors, including new business plans. These forecasts are regularly discussed by the Board and shared with regulators.

## **E.1 Own Funds**

### **E.1.1 Aggregation methods**

The solvency position is calculated as a ratio, by dividing Own Funds by the Capital Requirement. There are two capital requirements: a Solvency Capital Requirement (SCR) and a Minimum Capital Requirement (MCR). The solvency ratio uses the SCR as the denominator, and this is reported as the Solvency II Capital Ratio.

### **E.1.2 Tiering of Own Funds**

The Own Funds are divided into three Tiers. An overview of the general characteristics of the three Tiers of Own Funds is visualised in the figure below.

Tier 1	Tier 2	Tier 3
<b>Unrestricted Tier 1</b> Equity (Share Capital and share premium) <b>Restricted Tier 1</b> Perpetual subordinated capital instruments with loss absorption	<ul style="list-style-type: none"> <li>• Dated or perpetual</li> <li>• Subordinated capital instruments <ul style="list-style-type: none"> <li>o With an original maturity of at least 10 years</li> <li>o Limited loss absorption</li> <li>o With suspension of payments and deferral of interest</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Dated or perpetual</li> <li>• Subordinated capital instruments <ul style="list-style-type: none"> <li>o With an original maturity of at least 5 years</li> <li>o Limited loss absorption</li> <li>o With suspension of payments and deferral of interest</li> </ul> </li> <li>• Net deferred tax assets</li> </ul>

Restrictions apply to the eligibility of Restricted Tier 1, as well as the eligibility of Tier 2 and Tier 3 capital. Restricted Tier 1 may not exceed 20% of Tier 1 Own Funds and the total of Tier 2 and Tier 3 Own Funds may not exceed 50% of the SCR, while Tier 3 Own Funds is limited to 15% of SCR.

The majority of SE plc capital is Tier 1, with the exception of a small shareholder deferred tax asset £1.7m, classed as Tier 3. SE plc includes a ring-fenced WPSF where a restriction is applied to the availability of Own Funds. Any free surplus in the ring-fenced fund in excess of the stand-alone SCR is not available to meet the SCR of the remaining legal entity, and a ring-fenced fund restriction is therefore reported with this value.

The tables below set out the Solvency II Own Funds per tier for the end of the reporting period (31 December 2024).

IR.23.01 Own Funds (as at 31 December 2024)		Tiers	Tier 1	Tier 1	Tier 2	Tier 3
Amounts in GBP millions		Total	unrestricted	restricted		
<b>Basic Own Funds</b>						
Ordinary share capital		6.3	6.3			
Share premium account		-	-			
Reconciliation reserve		2,197.6	2,197.6			
Subordinated liabilities		-	-			
Amount equal to the value of net deferred tax assets		1.7	-			1.7
Other basic own funds approved by supervisory authority		-	-			
<b>Total Basic Own Funds before adjustments</b>		<b>2,205.6</b>	<b>2,203.9</b>	-	-	<b>1.7</b>
Non-available own funds		-	-			
Participations investment firms, credit- and financial institutions		-	-			
<b>Available Own Funds</b>		<b>2,205.6</b>	<b>2,203.9</b>	-	-	<b>1.7</b>
<b>Eligible Own Funds SCR</b>		<b>2,205.6</b>	<b>2,203.9</b>			
Eligible Own Funds MCR		2,203.9	2,203.9			
<b>Company SCR*</b>		<b>1,187.3</b>				
Company MCR		534.3				
<b>Solvency II ratio</b>		<b>186%</b>				

\*unaudited

IR.23.01 Own Funds (as at 31 December 2023)	Tiers	Tier 1	Tier 1	Tier 2	Tier 3
Amounts in GBP millions	Total	unrestricted	restricted		
<b>Basic Own Funds</b>					
Ordinary share capital	6.3	6.3			
Share premium account	-	-			
Reconciliation reserve	2,213.6	2,213.6			
Subordinated liabilities	-	-			
Amount equal to the value of net deferred tax assets	-	-			
Other basic own funds approved by supervisory authority	-	-			
<b>Total Basic Own Funds before adjustments</b>	<b>2,219.9</b>	<b>2,219.9</b>	-	-	-
Non-available own funds	-	-			
Participations investment firms, credit- and financial institutions	-	-			
<b>Available Own Funds</b>	<b>2,219.9</b>	<b>2,219.9</b>	-	-	-
<b>Eligible Own Funds SCR</b>	<b>2,219.9</b>	<b>2,219.9</b>			
Eligible Own Funds MCR	2,219.9	2,219.9			
<b>Company SCR*</b>	<b>1,190.0</b>				
Company MCR	535.5				
<b>Solvency II ratio</b>	<b>187%</b>				

The Own Funds items in Tier 1 and Tier 3 for year-end 2024 are discussed in more detail below. SE plc has no Tier 2 Own Funds.

#### *Ordinary share capital*

The amount £6.25m (2023: £6.25m) presented here in Tier 1 unrestricted aligns with the data published in the Statutory Accounts.

#### *Reconciliation reserve*

The reconciliation reserve is calculated as follows:

#### **Reconciliation reserve**

Amounts in GBP millions	2024	2023	%
<b>Excess of Assets over Liabilities</b>	<b>2,296.8</b>	<b>2,317.9</b>	<b>(1%)</b>
Less other Basic OF items including:			
Share Capital and Share Premium	(6.3)	(6.3)	0%
Other Basic OF items from R0180	-	-	
Amount equal to deferred taxes	(1.7)	-	
Ring Fenced restriction*	(91.3)	(98.1)	7%
Treasury Shares	-	-	
<b>Reconciliation reserve</b>	<b>2,197.6</b>	<b>2,213.6</b>	<b>(1%)</b>

\*unaudited

Ring-fenced restriction £91.3m, (2023: £98.1m), is related to the ring-fenced fund WPSF, for which the surplus is restricted as these funds are not available for the Company (surplus is a benefit for the policyholders).

#### *Amount equal to the value of net deferred tax assets*

Under Solvency II, at the end of 2024 SE plc has a deferred tax liability, with the exception of a small shareholder deferred tax asset £1.7m. In 2023, SE plc had a deferred tax liability only.

### *Tiering restrictions*

The majority of SE plc's funds are Tier 1 and unrestricted, with the exception of a small shareholder deferred tax asset £1.7m, classed as Tier 3.

### **E.1.3 Difference between Solvency II Own Funds and IFRS Shareholders Equity**

The valuation differences between the Solvency II Own Funds and IFRS Shareholders Equity as reported in SE plc's Statutory Accounts are explained below:

#### **Excess of assets over liabilities - attribution of valuation differences**

Amounts in GBP millions	2024	2023	%
Total of reserves and retained earnings from financial statements	700.0	775.0	(10%)
Difference in the valuation of assets *	(506.3)	(650.0)	22%
Difference in the valuation of technical provisions **	2,193.8	2,298.0	(5%)
Difference in the valuation of other liabilities ***	(90.7)	(105.0)	14%
<b>Reserves from financial statements adjusted for Solvency II valuation differences</b>	<b>2,296.8</b>	<b>2,318.0</b>	<b>(1%)</b>

Further details of valuation differences between the financial statements and Solvency II can be found in Section D

\* Difference in the valuation of assets D.1.1 to D.1.9

\*\* Difference in the valuation of technical provisions D.2.1

\*\*\* Difference in the valuation of other liabilities D.3.1 to D.3.7

For a quantitative explanation of the material differences between equity as shown in the financial statements and the excess assets over liabilities as calculated for Solvency II purposes refer to Section D. Valuation for Solvency II Purposes - Balance sheet reconciliation overview – and the table disclosed as part of the Reconciliation reserve in Section E.1.2 Tiering of Own Funds.

### **E.1.4 Transitional arrangements**

SE plc has not included transitional arrangements as defined in the PRA Rulebook.

### **E.1.5 Ancillary Own Funds**

SE plc did not include any Ancillary Own Funds as defined in the PRA Rulebook.

### **E.1.6 Description of items deducted from Own Funds**

Other than the WPSF ring-fenced restriction, SE plc has no deductions from Own Funds.

### **E.1.7 Distributions to shareholders**

During the year, dividends of £132.5m were paid by SE plc to its parent company (2023: £172m). The Directors do not propose a final dividend payment for the year ended 31 December 2024 (2023: nil).

### **E.1.8 Deferred Taxes**

Deferred tax assets have been recognised in respect of carried forward tax losses and other tax attributes including timing differences between IFRS (and the basis of UK tax) and Solvency II liabilities. These assets are netted against Deferred tax liabilities when reported on the overall Balance Sheet. The table in D3.2 Deferred tax liabilities provides further information regarding these assets including the basis of recognition and expected future usage.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Solvency Capital Requirement

This section outlines the full year 2024 Solvency Capital Requirement (SCR) based on the Partial Internal Model (PIM) for SE plc, with comparison to full year 2023. The SCR figures are unaudited, but are subject to supervisory assessment.

Amounts in GBP millions	2024	2023	%
Eligible own funds to meet the SCR	2,205.6	2,219.9	(1%)
SCR*	1,187.3	1,190.0	(0%)
<b>Solvency II ratio</b>	<b>186%</b>	<b>187%</b>	

\* unaudited

*SCR based on the Partial Internal Model (unaudited)*

At 31 December 2024, SE plc's SCR based on the PIM was £1.19bn, (2023: £1.19bn). This includes SE plc Non-Profit and With-Profits Sub-Funds. The Minimum Capital Requirement based on the PIM was £0.5bn (2023: £0.5bn).

### E.2.2 SCR split by risk module

The table below shows the breakdown of the PIM SCR components by risk module. The total net SCR after diversification is £1.19bn (2023: £1.19bn).

#### Solvency Capital Requirement for SE plc (unaudited)

Amounts in GBP Millions		2024	2023	%
C.2 Market risk	Market Risk (SF)	47.2	35.2	34%
	Market Risk (IM)	988.3	1,053.8	(6%)
C.3 Credit risk*	Counterparty default risk (SF)	63.7	65.7	(3%)
C.1 Underwriting risk	Life underwriting risk (SF)	16.7	16.7	(0%)
	Life underwriting risk (IM)	1,430.8	1,274.0	12%
	Health underwriting risk (SF)	-	0.7	(100%)
C.5 Operational risk	Operational risk (IM)	295.4	305.7	(3%)
	LAC-TP **	(103.6)	(88.1)	(18%)
C.6 Other material risk	LAC-DT	(388.8)	(391.9)	1%
<b>Total undiversified components</b>		<b>2,349.8</b>	<b>2,272.0</b>	3%
Diversification ***		(1,162.5)	(1,082.0)	(7%)
<b>PIM SCR*</b>		<b>1,187.3</b>	<b>1,190.0</b>	(0%)

\* In this summary presentation, the credit risk values represent counterparty exposure only, with other credit risk relating to financial investments (spread risk, migration risk and default risk) included within Market Risk IM.

\*\* Loss absorbing capacity of technical provisions (LAC-TP) refers to the management actions available to the With-Profits Sub-Fund (WPSF) to reduce the impact of stressed scenarios. These are a combination of regular management actions such as change of investment strategy and other management actions that may be implemented in more extreme conditions to maintain the solvency of the fund.

\*\*\* Diversification reflects diversification between Standard Formula and Internal Model components and between risk modules / components.

"SF" Standard Formula, "IM" Partial Internal Model

### E.2.3 Simplified calculations (unaudited)

The PIM SCR is calculated using the Partial Internal Model approved by the PRA. SE plc does not apply simplified calculations for calculating the Standard Formula SCR.

### E.2.4 Undertaking- specific parameters (the PRA Rulebook) (unaudited)

SE plc does not apply undertaking specific parameters as defined in the PRA Rulebook for calculating the Standard Formula SCR.

### E.2.5 Capital add-on (unaudited)

In the calculation of its SCR, SE plc is not required by the supervisory authorities to hold a capital add-on nor use undertaking specific parameters in the calculation of the Standard Formula components.

### E.2.6 Capital Requirement: Minimum Capital Requirement

The Minimum Capital Requirement (MCR) is calculated in accordance with a prescribed formula, which is subject to a defined floor and cap based on the SCR. The MCR of SE plc for 2024 is £534.3m (2023: £535.5m). The inputs used to calculate the MCR are shown in the table below.

#### Minimum Capital Requirement (MCR) Inputs

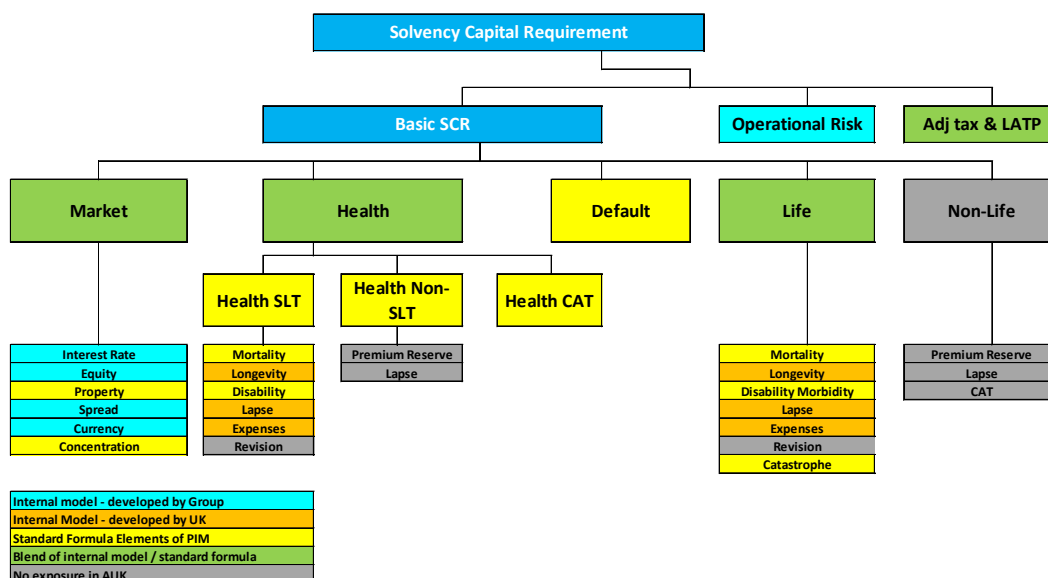
Amounts in GBP millions	2024	2023
<b>Best estimate (net of reinsurance)</b>		
With-profits - guaranteed benefits	1,563.7	1,923.0
With-profits - future discretionary benefits	491.0	519.1
Unit-linked	84,648.4	75,626.6
Other Life and Health	422.7	378.2
<b>Capital at risk (net of reinsurance)</b>	<b>624.8</b>	<b>873.6</b>

### E.3 Differences between standard formula and partial internal model used (unaudited)

SE plc applies a Partial Internal Model (PIM) for the calculation of the SCR. The PIM is integral to the management of the business and is used widely, for example in:

- a) Risk Management
- b) Capital Management
- c) Setting Business Strategy
- d) Pricing
- e) Asset and Liability Management
- f) Own Risk and Solvency Assessment

The chart below shows how the PIM maps to the structure of the Standard Formula.



For the key market risks i.e. interest rate, equity, currency and spread (credit), Aegon Group developed internal risk models which have been adopted by SE plc to replace the Standard Formula shocks. These internal risk models are based on statistical distributions fitted to data which appropriately reflect the underlying risk exposure.

For Operational Risk, Aegon Group developed an internal risk model which has been adopted by SE plc to replace the Standard Formula shock. The model uses statistical distributions which are fitted to a combination of relevant historical operational risk data and the output from operational risk scenario analysis prepared by SE plc.

For the key underwriting risks i.e. longevity, persistency and expenses, local internal risk models are used to replace the Standard Formula shocks. A combination of internal experience data and external data is used to fit statistical distributions for each of the risks.

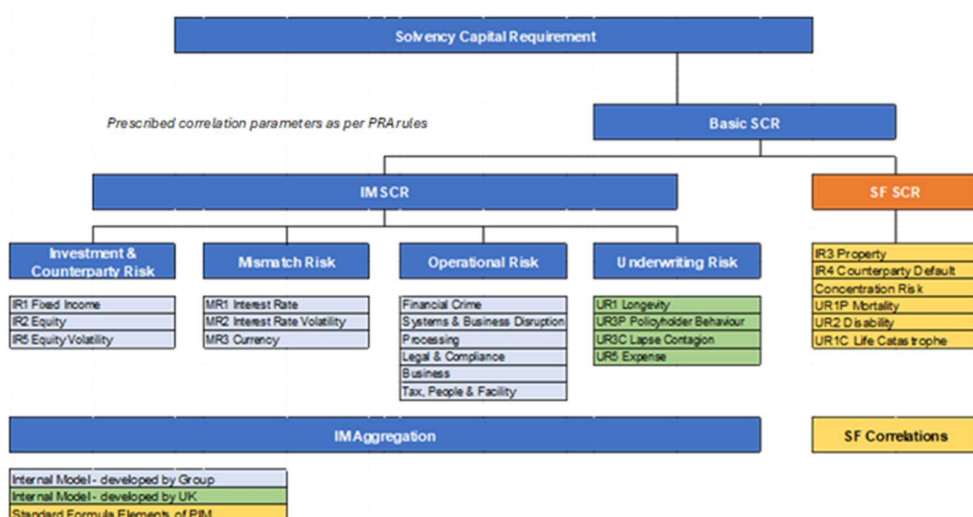
All internal risk models are calibrated to a 99.5% confidence level over a one-year time horizon.

Generally, the Internal Model results in a more appropriate representation of capital requirements of SE plc compared to the standardised approach of Standard Formula (SF), as the Internal Model is tailored to reflect SE plc's own specific risk exposures.

Other than the replacement of Standard Formula shocks for these key risks, the other main differences between the Standard Formula and the PIM include the following:

- The PIM includes capital for interest rate volatility risk and equity volatility risk whereas the Standard Formula only includes capital for changes in interest rate and equity levels.
- The effects of diversification between the IM risks under the PIM are modelled using a simulation approach which allows the full probability distribution of capital to be calculated. Diversification between the SF risks is allowed for through use of the prescribed correlation matrices. Capital requirements for the IM and SF risks are aggregated using one the Integration Techniques prescribed in regulation (Integration Technique 3).
- The PIM reflects the effects of diversification between Operational Risk and other IM risks.

The chart below shows the structure of the PIM.



Aegon has a Data Quality Policy which requires the data material to the PIM to be accurate, complete, and appropriate. The data used to calculate the SCR covers the following areas:

- External and internal data underlying the internal model risk calibrations
- Asset and liability data
- Data used to assess the effects of diversification in the capital simulation model.

All data used in the PIM is kept under review and updated appropriately to ensure it is fit for use.

#### E.4 Non-compliance with capital requirements (unaudited)

There have not been any instances during 2024 where the estimated SE plc Solvency II ratio was below the SCR, nor the MCR level. To ensure that SE plc maintains adequate solvency levels, actual and expected capital positions are monitored against capitalisation zones that are defined in the Aegon UK Capital Management and Dividend Policy. Several activities are performed to monitor and assess the future development of the Company's solvency position, such as the annual MTP process and periodic management reporting. Decisions to return capital to shareholders are based on solvency assessments that consider the impact of the decisions on the current and future projected solvency position.

Any solvency position is subject to risks and SE plc therefore continuously monitors such risks. These are quantified to determine the impact of such risks on the current and the projected solvency position. The Capital Management and Dividend Policy provides actions that need to be performed as soon as the identified risks could cause the projected Solvency II ratio to fall within a particular capitalisation zone.



## E.5 Any other information

All material information regarding the Capital Management of SE plc is covered earlier in this section.

### E.5.1 Loss absorbing capacity of deferred tax (LAC-DT) (unaudited)

The table below sets out the impact of LAC-DT on the SCR and the relevant components regarding justification of recognition. There has been no inclusion of carried back losses in calculating the LAC-DT position.

#### LAC-DT (Unaudited)

Amounts in GBP million

<b>LAC-DT reducing SCR</b>	<b>388.8</b>
LAC-DT justified by reversion of deferred tax liabilities	437.1
LAC-DT justified by reference to probable future taxable profit	(48.3)

Future taxable profits are projected over a 30-year period in order to assess the recoverability of deferred tax.

The Solvency II “short contract boundary” restriction on existing business is removed and the cash flows arising as a result of the inclusion of additional future premiums included in the projection of future profits. This means that profits from future premiums are allowed for on a basis that the company believes to be economically realistic.

Profits from future new business sales are included based on the company’s business plan which is based on the Medium-Term Plan projection. Five years of future new business sales are included. Future taxable profits arising from new business sales and contract boundaries are adjusted to reflect the impact of a 1 in 200-year scenario.

Recapitalisation following a shock, if it is required, is assumed to occur linearly over 3-year period to a post shock SCR.

Risk free income on post shock and post recapitalisation Own Funds is included as a future profit.

Risk margin is not used as a source of future taxable profit. We perform a check that the unwind of Risk Margin on existing business is sufficient to cover the expected set up of Risk Margin for new business. If the risk margin in respect of new business is higher, a haircut is applied to the value of new business to ensure there is no excess risk margin included.

## **F. Governing Body Certification**

### **Solvency & Financial Condition Report**

### **Acknowledgement of content under PRA supervisory statement SS11/16**

### **Scottish Equitable plc**

### **Financial year ended 31 December 2024**

We certify that:

- (a) the Solvency & Financial Condition Report ('SFCR') for Scottish Equitable plc has been properly prepared in all material respects in accordance with the PRA rules; and
- (b) we are satisfied that:
  - (i) throughout the financial year in question, Scottish Equitable plc has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
  - (ii) it is reasonable to believe that, at the date of the publication of the SFCR, Scottish Equitable plc has continued so to comply with the PRA rules, and will continue so to comply in future.

**M. HOLLIDAY-WILLIAMS**, Chief Executive

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**J. EWING**, Director

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Edinburgh, 2 April 2025

**Compliance with Scheme of Demutualisation**  
**Scottish Equitable plc**  
**Twelve month period ended 31 December 2024**

The business of Scottish Equitable Life Assurance Society was transferred to Scottish Equitable plc at 23.59 hours on 31 December 1993, under a Scheme of Transfer under Section 49 of the Insurance Companies Act 1982 ("the Scheme"), as approved by the Court of Session on 9 November 1993.

We certify that, in our opinion, the provisions of the Scheme have been complied with and given effect to for the twelve month period to 31 December 2024.

**L. PLENDERLEITH**, Chief Actuary

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**A. R. McBRIDE**, With-Profits Actuary

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Edinburgh, 2 April 2025

## G. Report of the External Independent Auditors to the Directors of Scottish Equitable plc

**Report of the independent external auditor to the Directors of *Scottish Equitable Plc* ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms**

**Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

### Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2024:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2024 (**'the Narrative Disclosures subject to audit'**); and
- Company templates IR.02.01.02, IR.12.01.02, IR.22.01.21, IR.23.01.01 and IR.28.01.01 (**'the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the relevant elements of the Solvency and Financial Condition Report set out above which is, or derives from, the Solvency Capital Requirement or from any increase made to the Fundamental Spread under Rule 4.17 of the Matching Adjustment Part of the PRA Rulebook for Solvency II firms, as identified in the Appendix to this report;
- The 'Summary', 'Business and Performance', 'System of Governance' and 'Risk Profile' sections of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.03.02, and IR.25.04.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'the Responsibility Statement'**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Scottish Equitable Plc as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority ('PRA') Rules as supplemented by the permissions given by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) including ISA (UK) 800 *'(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'* and ISA (UK) 805 *'(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'*, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the relevant elements of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the directors' going concern assessment process and obtaining a copy of the directors' going concern assessment which assesses the company's projected earnings, liquidity and regulatory capital position for the period of 12 months from the date of approval of the Solvency and Financial Condition Report;
- With support from EY actuaries, challenged the key assumptions used in management's MTP financial forecasts to cover the medium-term financial outlook of the business. The assumptions used in these financial forecasts form the basis for management's going concern projections;
- Assessing management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluating the liquidity and regulatory capital position of the Company by reviewing base case and downside liquidity and regulatory capital projections that incorporate an estimated view of the potential future economic downturn;
- Challenging the key assumptions, and plausibility of management actions used in management's downside scenarios as detailed in the Company's Own Risk and Solvency Assessment ('ORSA') to mitigate the impact of the key risks by considering the success of previous similar management actions and the robustness of the plans in the context of our understanding of the Company;
- Reviewing management's reverse stress analysis to understand how severe the downside scenarios would have to be to result in the elimination of regulatory capital headroom; and
- Performing enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also confirmed that management's assessment was approved by the Board and reviewed minutes of meetings of the Board and its key committees.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period of 12 months from when the relevant elements of the Solvency and Financial Condition Report are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### **Emphasis of matter – basis of accounting and restriction on use**

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections and 'Basis of Preparation' section of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

#### **Other information**

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Directors for the Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules which have been supplemented by the permissions given by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the relevant elements of the Solvency and Financial Condition Report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation, the financial reporting framework and Prudential Regulation Authority Rulebook. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA');
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and its key Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework and internal control processes;
- We assessed the susceptibility of the Company's Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA; and
- The Company operates in the insurance industry which is a highly regulated environment. As such the Independent External Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

#### **Other matter – Partial Internal Model**

The Company has authority to calculate its Solvency Capital Requirement using a *partial* internal model ('the Model') previously approved by the Prudential Regulation Authority under the Solvency 2 Regulations 2015 and continuing in force as a permission by virtue of the transitional provisions in the Insurance and Reinsurance Undertakings (Prudential Requirements) (Transitional Provisions and Consequential Amendments) Regulations 2024. In forming our opinion and in accordance with PRA Rules, we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.



**Other Matter – Additions to the Fundamental Spread**

In accordance with Rule 4.17 of the Matching Adjustment Part of the PRA Rulebook, the Company is permitted to increase the Fundamental Spread, where considered necessary, to ensure it covers all risks retained by the Company. In forming our opinion (and in accordance with PRA Rules), we are not required to audit increases and do not report on the appropriateness of such increases to the Fundamental Spread, if any.

**Report on Other Legal and Regulatory Requirements**

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms, we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Scottish Equitable Plc's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP

London  
2 April 2025

## **Appendix – Information within the relevant elements of the Solvency and Financial Condition Report that is not subject to audit**

Information within the relevant elements of the Solvency and Financial Condition Report that is not subject to audit comprises:

- The following elements of template IR.02.01.02:
  - Row R0552: Technical provisions — risk margin – total
  - Row R0554: Technical provisions — risk margin – non-life
  - Row R0556: Technical provisions — risk margin – life
  - R0565 - Transitional (TMTP) – life
- The following elements of template IR.12.01.02:
  - Row R0100: Risk margin
  - Rows R0140 to R0180: Amount of transitional on technical provisions
- The following elements of template IR.22.01.21:
  - Column C0030: Impact of transitional on technical provisions
  - Row R0010: Technical provisions
  - Row R0090: Solvency Capital Requirement
- The following elements of template IR.23.01.01:
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template IR.28.01.01:
  - Row R0310: SCR
- Information that is, or derives from, any addition to the Fundamental Spread.
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

## Appendix A: Acronyms

Acronym	Term
AC	AUK Group Audit Committee
AFS	Available For Sale
AGGRF	Aegon Group Global Remuneration Framework
AUK Board	Aegon UK plc Board
AUKG	Aegon UK plc Group
BEL	Best Estimate Liability
BLAGAB	Basic Life Assurance and General Annuity Business
BMA	Bermuda Monetary Authority
BRCC	AUK Group Board Risk and Capital Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoC	Cost of Capital
CRO	Chief Risk Officer
CSM	Contractual Service Margin
DAC	Deferred Acquisition Costs
DPF	Discretionary Participation Feature
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
DWP	Department of Work and Pensions
EBR	Equity Backing Ratio
EC	AUKG Executive Committee
EFLs	External Fund Links
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected profit included in future premiums
ERM	Enterprise Risk Management
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FVTPL	Fair Value through Profit or Loss
FVOCI	Fair Value through Other Comprehensive Income
GAO	Guaranteed Annuity Option
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
L&G	Legal & General
LAC-DT	Loss Absorbing Capacity of Deferred Taxes
MA	Matching Adjustment
MCR	Minimum Capital Requirement
MTP	Medium-Term Plan
NGWP	New Generation With-Profits
NPSF	Non-Profit Sub-Fund
NRD	Normal Retirement Date
OCS	Own Credit Spread
OF	Own Funds
ORSA	Own Risk and Solvency Assessment
PIM	Partial Internal Model
PPFM	Principles and Practices of Financial Management

Acronym	Term
PMA	Preferred Management Action
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
REMCO	AUKG Remuneration Committee
RFFR	Ring-Fenced Fund Restriction
RM	Risk Margin
SII	Solvency II
SCR	Solvency Capital Requirement
SE plc	Scottish Equitable plc
SEPT	Scottish Equitable Policyholders' Trust Ltd
SF	Standard Formula
SFCR	Solvency and Financial Condition Report
SMCR	Senior Manager and Certification Regime
SMF	Senior Management Function
SOx	Sarbanes-Oxley
TP	Technical Provisions
TWP	Traditional With-Profits
UL	Unit-Linked
UWP	Unitised With-Profits
VA	Volatility Adjustment
WPF	With-Profits Forum
WPSF	With-Profits Sub-Fund

## Appendix B: Glossary

Term	Description
Aegon Ltd.	The parent company of the global Aegon Group
Asset Share	The estimated amount attributable to an individual [unit of coverage] if the accumulated net funds of a class of a large number of identical policies
Best Estimate Liability	The expected or mean value (probability weighted average) of the present value of future cash flows for current obligations, projected over the contract's run-off period, taking into account all up-to-date financial market and actuarial information
Chief Executive Officer	The CEO of SE plc is Mike Holliday-Williams
Chief Financial Officer	The CFO of SE plc is Jim Ewing
Cost of Capital	The opportunity cost of funds used to finance a business. It is the rate of return that could have been earned by putting the same money into a different investment with equal risk.
Chief Risk Officer	The CRO of SE plc is Alison Morris
Contractual Service Margin	The contractual service margin represents the unearned profit that an entity expects to earn as it provides services
Deferred Tax Asset	A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized
Deferred Tax Liability	A deferred tax liability is recognised for income taxes payable in future periods in respect of taxable temporary differences
Discretionary Participation Feature	A policyholder's contractual right to receive certain supplemental benefits in addition to the guaranteed benefits under the contract
Economic Balance Sheet	The Solvency II balance sheet
Enterprise Risk Management	The AUKG risk management framework
European Insurance and Occupational Pensions Authority	EIOPA is a financial regulatory institution of the European Union
Fair Value	The estimated price at which an asset is bought or sold when both the buyer and seller freely agree on a price
Fair Value through Profit or Loss	A categorisation of financial instruments under IFRS9
Financial Conduct Authority	The FCA is a financial regulatory body in the UK
Financial Reporting Council	The Financial Reporting Council is an independent regulator in the UK and Ireland, responsible for regulating auditors, accountants and actuaries, and setting the UK's Corporate Governance and Stewardship Codes
Held To Maturity	A categorisation of financial instruments under IFRS9
Homogeneous Risk Groups	The segmentation of insurance and reinsurance obligations, according to the nature of the risks underlying the obligations, as required under Solvency II when calculating technical provisions.
International Accounting Standard	The standards that apply under IFRS

Term	Description
Loss Absorbing Capacity of Deferred Tax	Maximum amount of tax relief that can be expected on additional capital following a stress
Medium-Term Plan	MTP is also used to refer to the annual budgeting and medium-term planning process, as well as the plan itself.
New Generation With-Profits	With NGWP investments, there is no concept of guaranteed benefits (as with TWP and UWP), with benefits being determined by reference to a smoothed unit price that normally changes daily.
Non-Profit Sub-Fund	The shareholder-owned funds of SE plc
Own Credit Spread	The difference in yield between a bond held and a sovereign bond of equivalent duration in the country of issue.
Own Funds	Own Funds is SII terminology for available capital and is the equivalent to Shareholder Equity under IFRS. At its simplest it is calculated as assets less liabilities (or excess of assets over liabilities). There is a restriction (RFFR) over the Own Funds for SE plc which arises because the Own Funds of the WPSF are ring-fenced.
Operational Risk	Operational Risk is assessed using results from scenario analysis workshops and stochastic modelling
Own Risk and Solvency Assessment	The ORSA is a Solvency II (Pillar 2) requirement. An ORSA Report must be produced at least annually.
Paid-up Policy	Policy for which regular premiums have ceased.
Partial Internal Model	An internal model under which some risks are valued using the standard formula approach.
Principles and Practices of Financial Management	Directive 147.A.i (LT) issued by the Financial Services Board requires insurers to define, and make publicly available, the Principles and Practices of Financial Management (PPFM) that are applied in the management of their discretionary participation funds (for SE plc, this relates to the WPSF)
Prudential Regulation Authority	The PRA is the relevant competent authority for regulation of Solvency II in the UK
Ring-Fenced Fund Restriction	Net assets (or OF) of the WPSF are owned by the with-profits shareholders. These assets are ring-fenced and cannot normally be used to cover the liabilities or capital requirements of SE plc shareholders. A restriction is therefore applied to the availability of the Own Funds of SE plc to ensure that net assets of the WPSF do not contribute to the solvency assessment of SE plc as a whole.
Risk Adjustment	The IFRS risk adjustment is the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts
Risk Margin	RMs relate to the uncertainty around the best estimate assumptions for non-hedgeable risks. RMs are derived by calculating the cost of holding SCR in future for the non-hedgeable risks. This forms part of Technical Provisions.
Sarbanes-Oxley	The Sarbanes–Oxley Act of 2002 (Pub.L. 107–204, 116 Stat. 745, enacted July 30, 2002). An Act to protect investors by improving the accuracy and reliability of corporate disclosures, also known as the "Public Company Accounting Reform and Investor Protection Act"
Solvency II Ratio	The Solvency II ratio is a measure of a company's solvency, calculated as OF divided by SCR.

Term	Description
Solvency and Financial Condition Report	The SFCR is a Solvency II (Pillar 3) requirement. An SFCR must be produced at least annually. It contains both qualitative and quantitative information. It must be disclosed publicly, as well as submitted to the PRA.
Solvency Capital Requirement	In Solvency II, this represents the level of economic capital required, covering all material risks, which will cover the risk of 'ruin' occurring on a one in 200-year basis
Staff Pension Scheme	The Aegon UK defined benefit staff pension scheme. The 'deficit' is the level of shortfall of assets versus liabilities at the valuation date
Traditional With-Profits	Investments which offer a level of guaranteed benefit in return for the payment of a premium or a series of premiums
Unitised With-Profits	Investments which offer a level of guaranteed benefit linked to the payment of each individual premium, expressed in terms of a unit value.
Unit-matching	A programme whereby an undertaking buys back units as it receives fee income from the underlying funds
Value at Risk	Value at risk in times of stress
With-Profits Sub-Fund	A ring-fenced fund, wholly owned by the with-profits policyholders of SE plc

## Appendix C: Quantitative Reporting Templates

In line with Solvency II requirements, quantitative reporting templates (or forms) are included to support the SE plc SFCR.

### General information

Entity name	Scottish Equitable plc
Entity identification code and type of code	LEI/213800X1T29YFAYMPC26
Type of undertaking	Life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Partial internal model
Matching adjustment	Use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

### List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations

IR.05.03.02 - Life income and expenditure

IR.12.01.02 - Life technical provisions

IR.22.01.21 - Impact of long term guarantees measures and transitionals

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity



## IR.02.01.02

### Balance sheet

		Solvency II value
Assets		C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,743
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	58,820
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	3,384,022
R0080	<i>Property (other than for own use)</i>	88,251
R0090	<i>Holdings in related undertakings, including participations</i>	901,677
R0100	<i>Equities</i>	750,918
R0110	<i>Equities - listed</i>	750,918
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	1,316,865
R0140	<i>Government Bonds</i>	804,419
R0150	<i>Corporate Bonds</i>	402,769
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	109,676
R0180	<i>Collective Investments Undertakings</i>	13,225
R0190	<i>Derivatives</i>	70,713
R0200	<i>Deposits other than cash equivalents</i>	242,373
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	86,967,190
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	7,251,005
R0280	<i>Non-life and health similar to non-life</i>	0
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	1,030
R0340	<i>Life index-linked and unit-linked</i>	7,249,975
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	44,771
R0370	Reinsurance receivables	82
R0380	Receivables (trade, not insurance)	363,893
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	55,403
R0420	Any other assets, not elsewhere shown	708
R0500	<b>Total assets</b>	<b>98,127,635</b>

		Solvency II value
Liabilities		C0010
R0505	Technical provisions - total	94,644,574
R0510	<i>Technical provisions - non-life</i>	0
R0515	<i>Technical provisions - life</i>	94,644,574
R0542	Best estimate - total	94,376,768
R0544	<i>Best estimate - non-life</i>	0
R0546	<i>Best estimate - life</i>	94,376,768
R0552	Risk margin - total	267,806
R0554	<i>Risk margin - non-life</i>	0
R0556	<i>Risk margin - life</i>	267,806
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	453,364
R0790	Derivatives	262,903
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	127,873
R0830	Reinsurance payables	182
R0840	Payables (trade, not insurance)	341,939
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	0
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	-34
R0900	<b>Total liabilities</b>	95,830,800
R1000	<b>Excess of assets over liabilities</b>	2,296,835

IR.05.02.01  
Premiums, claims and expenses by country: Life insurance and reinsurance obligations

R1400

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Home Country	Top 5 countries (by amount of gross premiums written) - life obligations						Total Top 5 and home country	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
R1410	Gross	11,582,583						11,582,583
R1420	Reinsurers' share	111,313						111,313
R1500	Net	11,471,269						11,471,269
Premiums earned								
R1510	Gross	11,582,583						11,582,583
R1520	Reinsurers' share	111,313						111,313
R1600	Net	11,471,269						11,471,269
Claims incurred								
R1610	Gross	10,798,519						10,798,519
R1620	Reinsurers' share	77,023						77,023
R1700	Net	10,721,496						10,721,496
R1900	Net expenses incurred	364,122						364,122

## IR.05.03.02

## Life income and expenditure

	Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
<b>Premiums written</b>							
R0010 Gross direct business	18,556	11,446,634	0	0	105,678	11,715	11,582,583
R0020 Gross reinsurance accepted	0	0	0	0	0	0	0
R0030 Gross	18,556	11,446,634	0	0	105,678	11,715	11,582,583
R0040 Reinsurers' share	0	3,114	0	0	99,884	8,315	111,313
R0050 Net	18,556	11,443,520	0	0	5,794	3,400	11,471,269
<b>Claims incurred</b>							
R0110 Gross direct business	432,045	10,230,488	0	0	77,390	8,704	10,748,628
R0120 Gross reinsurance accepted	0	0	49,891	0	0	0	49,891
R0130 Gross	432,045	10,230,488	49,891	0	77,390	8,704	10,798,519
R0140 Reinsurers' share	0	116	0	0	71,451	5,456	77,023
R0150 Net	432,045	10,230,372	49,891	0	5,939	3,249	10,721,496
<b>Expenses incurred</b>							
R0160 Gross direct business	5,476	340,964	0	0	14,695	1,646	362,781
R0170 Gross reinsurance accepted	0	0	1,341	0	0	0	1,341
R0180 Gross	5,476	340,964	1,341	0	14,695	1,646	364,122
R0190 Reinsurers' share	0	0	0	0	0	0	0
R0200 Net	5,476	340,964	1,341	0	14,695	1,646	364,122
R0300 Other expenses							0
<b>Transfers and dividends</b>							
R0440 Dividends paid							132,500

IR.12.01.02  
Life technical provisions

Best estimate

R0025 Gross Best Estimate (direct business)  
R0026 Gross Best Estimate (reinsurance accepted)  
R0030 Gross Best Estimate

R0080 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default  
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re

R0100 Risk margin

Amount of the transitional on Technical Provisions

R0140 TMTP - risk margin  
R0150 TMTP - best estimate dynamic component  
R0160 TMTP - best estimate static component  
R0170 TMTP - amortisation adjustment  
R0180 Transitional Measure on Technical Provisions

R0200 Technical provisions - total

Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
C0010	C0020	C0030	C0040	C0050	C0060	C0070
2,054,753	91,898,402	0	0	77,803	10,162	94,041,121
0	0	335,647	0	0	0	335,647
2,054,753	91,898,402	335,647	0	77,803	10,162	94,376,768
121	7,249,975	0	0	309	600	7,251,005
2,054,633	84,648,427	335,647	0	77,494	9,562	87,125,763
0	267,338	453	0	12	2	267,806
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
2,054,753	92,165,740	336,100	0	77,816	10,164	94,644,574

IR.22.01.21

Impact of long term guarantees measures and transitionals

R0010	Technical provisions
R0020	Basic own funds
R0050	Eligible own funds to meet Solvency Capital Requirement
R0090	Solvency Capital Requirement
R0100	Eligible own funds to meet Minimum Capital Requirement
R0110	Minimum Capital Requirement

Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
C0010	C0030	C0050	C0070	C0090
94,644,574	0	0	7,963	16,432
2,205,580	0	0	0	-12,324
2,205,580	0	0	0	-12,324
1,187,306	0	0	0	28,752
2,203,837	0	0	0	-12,324
534,288	0	0	0	12,938

**IR.23.01.01**
**Own Funds**
**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

R0290 **Total basic own funds after deductions**

**Ancillary own funds**

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

**Available and eligible own funds**

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

**Reconcilliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0725	Deductions for participations in financial and credit institutions
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
6,250	6,250		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
2,197,587	2,197,587			
0		0	0	0
1,743				1,743
0	0	0	0	0
0				
2,205,580	2,203,837	0	0	1,743

0		0	
0		0	
0		0	0
0		0	0
0		0	
0		0	0
0		0	
0		0	0
0		0	0
0		0	0

2,205,580	2,203,837	0	0	1,743
2,203,837	2,203,837	0	0	
2,205,580	2,203,837	0	0	1,743
2,203,837	2,203,837	0	0	
1,187,306				
534,288				
185.76%				
412.48%				

C0060
2,296,835
0
0
0
7,993
91,256
2,197,587

IR.25.04.21

## Solvency Capital Requirement

### Net of loss absorbing capacity of technical provisions

		C0010
<b>Market risk</b>		
R0070	Interest rate risk	338,075
R0080	Equity risk	829,664
R0090	Property risk	27,006
R0100	Spread risk	394,412
R0110	Concentration risk	29,135
R0120	Currency risk	385,599
R0125	Other market risk	0
R0130	Diversification within market risk	-968,297
R0140	<b>Total Market risk</b>	1,035,595
<b>Counterparty default risk</b>		
R0150	Type 1 exposures	59,547
R0160	Type 2 exposures	5,352
R0165	Other counterparty risk	0
R0170	Diversification within counterparty default risk	-1,239
R0180	<b>Total Counterparty default risk</b>	63,660
<b>Life underwriting risk</b>		
R0190	Mortality risk	15,010
R0200	Longevity risk	133,897
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	345,639
R0230	Revision risk	0
R0240	Lapse risk	1,715,201
R0250	Life catastrophe risk	4,463
R0255	Other life underwriting risk	0
R0260	Diversification within life underwriting risk	-766,673
R0270	<b>Total Life underwriting risk</b>	1,447,539
<b>Health underwriting risk</b>		
R0280	Health SLT risk	0
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	0
R0310	Diversification within health underwriting risk	0
R0320	<b>Total Health underwriting risk</b>	0
<b>Non-life underwriting risk</b>		
R0330	Non-life premium and reserve risk (ex catastrophe risk)	0
R0340	Non-life catastrophe risk	0
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	0
R0360	Diversification within non-life underwriting risk	0
R0370	<b>Non-life underwriting risk</b>	0
R0400	<b>Intangible asset risk</b>	0
<b>Operational and other risks</b>		
R0422	Operational risk	295,359
R0424	Other risks	0
R0430	<b>Total Operational and other risks</b>	295,359
R0432	<b>Total before all diversification</b>	4,578,361
R0434	Total before diversification between risk modules	2,842,153
R0436	Diversification between risk modules	-1,162,451
R0438	<b>Total after diversification</b>	1,679,701
R0440	Loss absorbing capacity of technical provisions	-103,607
R0450	Loss absorbing capacity of deferred tax	-388,788
R0455	Other adjustments	0
R0460	<b>Solvency capital requirement including undisclosed capital add-on</b>	1,187,306
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	<b>Solvency capital requirement including capital add-on</b>	1,187,306
R0490	Biting interest rate scenario	increase
R0495	Biting life lapse scenario	



IR.28.01.01

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

**Linear formula component for non-life insurance and reinsurance obligations**

R0010 MCR<sub>NL</sub> Result

C0010

0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020 Medical expense insurance and proportional reinsurance  
R0030 Income protection insurance and proportional reinsurance  
R0040 Workers' compensation insurance and proportional reinsurance  
R0050 Motor vehicle liability insurance and proportional reinsurance  
R0060 Other motor insurance and proportional reinsurance  
R0070 Marine, aviation and transport insurance and proportional reinsurance  
R0080 Fire and other damage to property insurance and proportional reinsurance  
R0090 General liability insurance and proportional reinsurance  
R0100 Credit and suretyship insurance and proportional reinsurance  
R0110 Legal expenses insurance and proportional reinsurance  
R0120 Assistance and proportional reinsurance  
R0130 Miscellaneous financial loss insurance and proportional reinsurance  
R0140 Non-proportional health reinsurance  
R0150 Non-proportional casualty reinsurance  
R0160 Non-proportional marine, aviation and transport reinsurance  
R0170 Non-proportional property reinsurance


**Linear formula component for life insurance and reinsurance obligations**

R0200 MCR<sub>L</sub> Result

C0040

634,178
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

R0210 Obligations with profit participation - guaranteed benefits  
R0220 Obligations with profit participation - future discretionary benefits  
R0230 Index-linked and unit-linked insurance obligations  
R0240 Other life (re)insurance and health (re)insurance obligations  
R0250 Total capital at risk for all life (re)insurance obligations

1,563,664	
490,968	
84,648,427	
422,703	
	624,838

**Overall MCR calculation**

R0300 Linear MCR  
R0310 SCR  
R0320 MCR cap  
R0330 MCR floor  
R0340 Combined MCR  
R0350 Absolute floor of the MCR  
R0400 Minimum Capital Requirement

C0070

634,178
1,187,306
534,288
296,827
534,288
3,500
534,288