



Net Zero Transition Plan 2025

We are dedicated to securing the future for every one of our policyholders.

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About Rothesay

Who we are

Rothesay is the largest UK specialist pensions insurer, purpose-built to protect pension schemes and their members' pensions. Our singular focus is to secure pension annuities for the future, providing certainty for our policyholders.



Purpose of this plan

Rothesay has a public commitment to transition our investment portfolio to Net Zero greenhouse gas emissions by 2050, in line with the Paris Agreement's long-term goal to limit global warming to a maximum temperature rise of 1.5 degrees above pre-industrial levels. This is our first Transition Plan, in which we have outlined the progress we have made so far, alongside the future actions we may take to achieve our ambition, and the challenges we face.

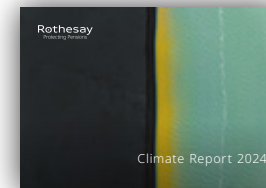
This plan will be the cornerstone for our climate strategy over the coming years, with progress towards our goals reported as part of our annual reporting suite. We recognise that climate best practice is constantly changing, and as a business we take a proactive and dynamic approach to manage evolving risks and opportunities. This means we will update our Transition Plan over time in response to new standards and data, changing expectations and policies, and to reflect the underlying global progress towards Net Zero.

We have sought to align this report with the framework provided by the UK Transition Plan Taskforce (TPT).

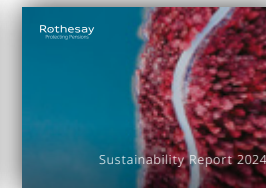
Other relevant documents

Our aim is for this document to focus on our strategy to achieve Net Zero in our investment portfolio. For this reason, we have chosen not to repeat content published elsewhere and have instead referenced where the relevant content is available. Our full reporting suite of sustainability-related documents can be found on our website: www.rothesay.com

- **Climate Report**
- **Sustainability Report**
- **Responsible Investment and Stewardship Policy**
- **Stewardship Report**



Climate Report



Sustainability Report

Section 1

Ambitions

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Message from the CRO



I'm delighted to share our first public Net Zero Transition Plan which has been drafted taking into account guidance from the Transition Plan Taskforce.

Peter Shepherd,
Chief Risk Officer



Message from the CRO_{continued}

Over 99% of Rothestay's Scope 1, 2 and 3 emissions lie within our investment portfolio and we have a public commitment to transition our portfolio to Net Zero greenhouse gas emissions by 2050.

This document and the transition plan model that underpins it, detail how our investment portfolio emissions may evolve in the context of our public commitments to transition to Net Zero by 2050. The insights reflect the outcome of work completed to project the decarbonisation pathways of our investment portfolio at an issuer and combined portfolio level out to 2050. This provides decision-useful information on our investment approach and progress to reach Net Zero, as well as insight into challenges such as data availability and reliance on external factors including supportive and consistent climate policy.

We publish our Transition Plan as part of our commitment to transparency for all our stakeholders, ensuring we can more credibly communicate progress towards our climate commitments, remain sensitive to evolutions in policy direction, and be accountable for our progress over time. It supports our risk-led approach, which means that our climate strategy is focused on managing the transition risk of our portfolio through long-term asset allocation strategies that include the financing of high emission entities with active and proven decarbonisation plans.

We view this as a live, evolving document based on the best available information at the time of writing, which will flex and expand over time in response to new data, emerging technologies, shifting regulatory landscapes and developing market trends. Crucially, decarbonisation is a global activity which will take place over an extended timeframe. This results in many interdependencies which may impact how we expect our portfolio emissions to reduce. While we are unable to plan for all outcomes, we have identified our major dependencies, and how our plan is sensitive to different external factors as part of this work. This allows us to implement strategic actions to further improve our risk approach and ultimately make more informed investment decisions. It also allows us to be pragmatic, where appropriate, recognising much will change between now and 2050, and outcomes are far from certain.

We also recognise the importance of expanding our focus beyond emissions, to include important elements such as climate risk adaptation, physical impacts of climate change and nature. We will continue to explore the incorporation of these key considerations into future iterations of the Plan.

I hope you find our Transition Plan interesting and informative.

Peter Shepherd,
Chief Risk Officer
20th November 2025



Our business

Rothesay is purpose-built to protect pensions. As part of our Net Zero strategy, we must acknowledge how our business structure influences the way we approach climate risks to ensure we have a coherent and reasonable approach.

Our Business	Our Approach	Impact on Climate Strategy
Pension insurer seeking to match the long-dated cash outflows in our pension liabilities with stable long-term investments.	Long-dated, low-risk asset owner. Focus on investment grade debt investments, including corporate bonds, infrastructure, public finance and property asset classes. 	- Long-dated investments increase exposure to growing climate risks over time. - Low-risk appetite reduces exposure to elevated climate risks, such as physical risks associated with emerging markets, but can also prevent us from deploying into more nascent climate opportunities. - As a debt investor, due to the limited influence we have over the companies we finance, we adopt a rigorous assessment prior to investing. We pursue engagement post-investment as both parties may benefit from engagement to encourage action and enhance disclosure.
Originate and receive assets as well as liabilities through pension risk transfer, with large additions to our portfolio on occasion.	Manage one portfolio in-house with a single asset strategy to ensure a consistent approach to the identification and management of our principal risks. 	- Screen all new assets for climate risk, whether from pension risk transfers or our own origination. This ensures a consistent risk-focused approach to investment strategy which can be clearly communicated to stakeholders. - Optimum flexibility to review asset selection, duration and liquidity considerations, and build a specific engagement approach. - Recognise that targets are long term and performance may differ year-on-year as our portfolio grows and evolves.
Growing UK business with an international footprint.	Global growth to diversify investment opportunities. Low emissions corporate HQ buildings for UK and international operations. 	- Absolute emissions likely to rise. Need to use intensity-based metrics so that outputs remain decision-useful as our business grows. - Need to acknowledge jurisdictional differences in vulnerability to and management of climate risks. - Centralised committee and decision-making ensures consistent application of climate strategy.
UK regulated company with UK pension schemes as our main stakeholders.	Our strategy is shaped by the needs of our pension trustee clients, and ultimately their members, subject to the requirements of our regulators. 	- Climate strategy, including the publication of this Transition Plan, is shaped by the climate-related requirements set by our regulators and the regulator of our pension trustees. - Need to disclose decision-useful metrics and appropriately evidence our ability to identify, manage and monitor climate risks within our investment portfolio.

Ambitions and scope of this plan

Over 99% of our Scope 1, 2 and 3 emissions reside within our investment portfolio, and we have committed to managing this portfolio to Net Zero by 2050.

The ambition of this exercise has been to consider in detail how this may happen through modelling the emissions pathways for our assets through time to 2050, rather than just considering the short term. This provides insight into the effectiveness of existing investment strategies, highlights new ways to consider this risk, and identifies data challenges and reliance on third parties. It allows us to think about targets beyond 2030 and identify more precise metrics to judge emission risk and progress.

We have specifically chosen not to include our own operations or supply chain emissions, though we have strategies in place to measure and manage these. We will also leave comment on adaptation to nature and physical risk for our next publication when we have more mature information to consider our response at a strategic level. Although there are a number of actions we can take to support our Net Zero target, achieving it will also fundamentally depend on rapid and material action from policymakers across the globe. If this fails to occur, we may be forced to redefine our long-term targets, and strategy to achieve them, in future iterations of our Transition Plan.

Scale	Our targets	Our progression	Key action
Investment portfolio (YE 24) 5,400,000 tCO₂e financed emissions 87% coverage of portfolio (£63bn MV)	50% target reduction in the CI of our portfolio by 2030 (vs. 2020 base year) Net Zero investment portfolio by 2050	 41% reduction in portfolio CI at YE 24 against YE 20 base year	
Our operation (YE 24) 2,000 tCO₂e 539 permanent employees	Carbon Neutral maintain status	CarbonNeutral® company certification since 2021	
Our suppliers (YE 24) 16,000 tCO₂e	Engage with our most material suppliers	100%¹ of critical suppliers have Net Zero targets	

1. Excludes Aptia due to formation in early 2024. We expect to see formal commitments from Aptia over the next year.

Our Transition Plan in action

Through the construction of our first Transition Plan, a number of key actions have been identified that will help to support our goals. A summary of these, aligned with our climate pillars, is presented below.

 **More details are outlined in section 2 of this document.**

Our Ambition

Rothsay is committed to transitioning our investment portfolio to Net Zero greenhouse gas emissions by 2050

Our Ambition informs

Our Investment Strategy

- Influence our asset allocation strategies including liquidity and duration considerations.
- Consider deployment in green versus brown assets.
- Divestment/Non-reinvestment of high emission real assets or issuers that breach our coal exit deadline.
- Increase investment in climate opportunities.
- Deploy capital in issuers with credible transition pathways.
- Consider sector-specific targets and longer-term targets as required.
- Provide mortgage clients incentives for decarbonising their properties.

Our Engagement Strategy

- Engage with data providers and issuers to fill data gaps including property-level emission measures.
- Engage with climate material names in corporate portfolio.
- Build partnerships with leading industry groups.
- Engage with policymakers and regulators to support clarity around climate policy and disclosure practices.
- Horizon scan for industry guidance on achieving Net Zero and 1.5°C targets.

Our Operational Strategy

- Expand business key risk indicators to consider wider climate metrics such as Carbon Footprint.
- Continue to refine our temperature alignment methodology and automate climate data solutions.
- Maintain carbon neutrality in our direct operations.
- Source high quality offsets as required.
- Annual sustainability training across the organisation.

Supported by

Governance
Reporting
Transition Plan Model

Modelling Net Zero

Creating a Transition Plan and projecting a path to 2050 is challenging due to the evolving landscape of standards and methodologies for measuring Net Zero for financial institutions, alongside evolving data quality, expectations and policy. As a result, it was important to approach this exercise via two distinct steps:

- 1) Determine how Net Zero is currently defined for investment portfolios, and how we should measure progress towards this goal.
- 2) Consider how to model our portfolio emissions annually to 2050 at the issuer/sector level across individual scopes and gauge the sensitivity of outcomes to differing assumptions about ambition and credibility.



We sought independent review by a consulting firm of our conclusions and approach to confirm we had taken a sensible approach based on prevailing consensus and current industry best practice. We recognise that the setting and delivery of our Transition Plan will be iterative, working with best-in-class data, methods and expert judgement available at the time of drafting, whilst recognising the limitations of the model. As improvements are made and standards evolve, we will continue to revisit the plan to ensure it remains relevant and appropriate.

How to measure Net Zero?

The first challenge is that there is no formal accounting definition for how Net Zero should be determined. In setting our first Transition Plan, we have reviewed current policies and guidelines with expert judgement applied from external advisers. This has formed the basis of the ambitions we have set out and our approach to modelling and measuring our progress, that has culminated in the build out of our internal Transition Plan model.

For this first version of our model, we have based our approach on the UN definition of Net Zero that “carbon emissions should be cut to a small amount of residual emissions that can be “offset”, leaving zero in the atmosphere”. As our financed emissions are likely to grow as our business and portfolio expands, we have chosen to track our progress on an intensity basis.

Our model currently includes Scope 1 and 2 portfolio emissions as this is where the highest quality and consistency of data exists. It uses the core data we rely on for our climate disclosures². In line with current industry practice, Sovereign emissions are also not captured in our Transition Plan model. We continue to monitor Sovereign and Scope 3 portfolio emissions (where available) within our broader internal reporting and consider them for risk management purposes, but recognise the data is often incomplete, where reported at all. We note that new standards are being published by bodies such as the Science Based Targets initiative (SBTi), and we will refer to these to inform future iterations of the plan.

We have paid particular attention to the assumptions we make when developing our model and stress tested our projected pathways for reasonable variations, noting mitigants where appropriate.

While we are targeting Net Zero, we are aiming to do so in a way that is compatible with international efforts to limit global warming to 1.5 degrees. Given we model issuer emissions annually to 2050, we can sum these cumulative emissions and compare them with the relevant company and sector budget for 1.5 degrees to determine the implied temperature rise of the investment, and average this across the portfolio.

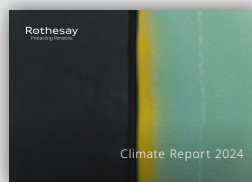
2. Data sources include Bloomberg, CDP, MSCI, and Planetrics



Our metrics and targets

This section documents the metrics we have historically tracked, alongside their uses and limitations, and considers the forward-looking metrics which may provide greater insight into our performance against our Net Zero goals.

Progress against these figures are reported annually in the Metrics & Targets section of our Climate Report.

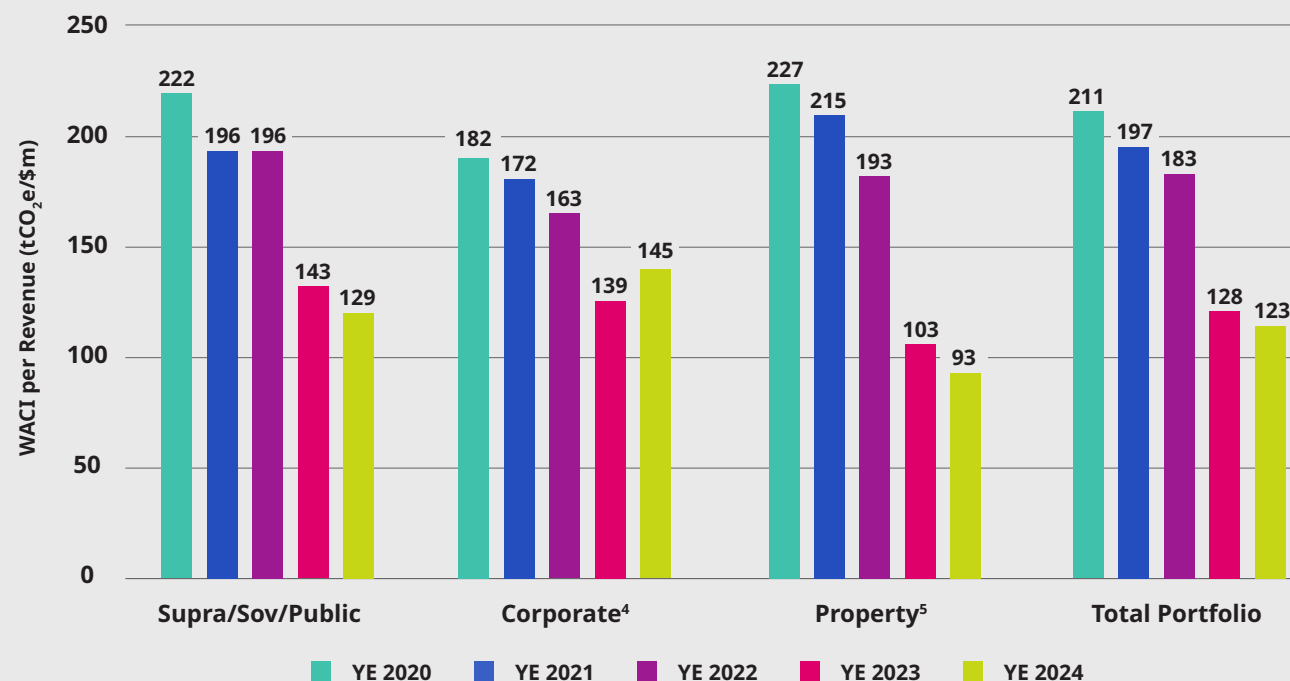


Carbon Intensity (CI)³

We report the Carbon Intensity (CI) of our investment portfolio on a revenue basis. This divides the Scope 1 and Scope 2 emissions for the constituent issuing entities by their revenue – effectively providing the emissions required to generate \$1 million of revenue – which allows a comparison of emissions across issuers of varying sizes and across sectors. This was selected as our first metric to monitor as revenue data is relatively easy to obtain, and the CI allows us to compare climate risk across the broadest range of issuers in our portfolio. It is also the metric we have used to set short-term targets against our investments, with a target of a 50% reduction in our market value Weighted Average CI (WACI) to 2030 vs. our base year of 2020 for both our total and publicly traded corporate debt (PTCD) portfolio.

The use of revenue as a denominator has some drawbacks, as price inflation increases the revenue, making it a less perfect measure of whether an entity is conducting their business in a more emission-efficient manner. Over time it remains a relevant guide for emission trends, and its widespread use makes it appropriate for public targets and a valuable measure for our key stakeholders.

Our baseline CI value, for our portfolio at year end 2020, was 211 tCO₂e/\$m revenue. We have seen continued reductions in this value over the last four years, with the current value at year end 2024 being 123 tCO₂e/\$m revenue. This implies good progress towards our public target of a 50% reduction in CI by 2030 (vs. the 2020 baseline).



3. We receive limited assurance over selected climate metrics. For more information, please see our Climate Report.

4. Reflects those assets shown under this group on P.57 of our 2024 Climate Report. It does not reflect our Publicly Traded Corporate Debt (PTCD) portfolio on which we have set Carbon Intensity targets.

5. Material reduction in Property WACI from YE 2022 to YE 2023 has been influenced by a change in methodology for our Social Housing assets. More detail of this change can be found in our 2023 Climate Report.

Our metrics and targets continued

Financed Emissions (FE)⁶

This measure tracks the share of issuer emissions for which Rothsay can be deemed responsible by virtue of the portion of their balance sheet we finance (the attribution factor). At first sight this seems more useful than CI. Although the attribution factor is still affected by market factors such as FX and interest rate movements, these have been less volatile than price inflation in recent years, so macro factors should have a lower impact on metric movements compared to CI. We first published FE in our 2021 ESG report, and improving coverage in this area has been a particular area of focus, as balance sheet data for certain sectors has been harder to source. FE is an absolute value, so will grow as we manage more pensions, and the value of our supporting portfolio grows. We therefore make sure to track our FE per unit £1 million of investment, conventionally known as our Carbon Footprint.

Forward-looking metrics

All of the metrics in the table to the right are limited in that they only look at the portfolio today and therefore are restricted in their ability to assess how we achieve our Net Zero target. We have sought to further understand the transition risk of our portfolio by measuring current emissions, projecting future emissions trajectories, and considering how to incorporate deviations from a Paris aligned pathway (i.e. overshoot emissions) into our risk-return assessments. This can inform our portfolio positioning and identify issuers with whom engagement is most urgent.

Underpinning this model are two key metrics that we will use to guide our strategic ambitions in our Net Zero journey.

6. We receive limited assurance over selected climate metrics. For more information, please see our Climate Report.

Other Metrics

Metric	Unit	Description	YE24 Values
Partnership for Carbon Accounting Financials PCAF score	Score of 1–5	Assess the quality of climate data, based upon data quality scorecards, developed by PCAF. A score of 1 indicates that an entity has reported emissions data that has been verified by a third party, while a score of 5 indicates that estimates have been made using limited available data.	2.3
Exposure to Climate Material Sectors	%	Exposure of our portfolio to sectors that we deem the most vulnerable to climate risk (Transport, Materials, Oil and Gas, and Utilities) at YE24.	11.2%
Climate Opportunity Financing	%	Exposure of our portfolio to issuers that operate in sectors that support climate mitigation/abatement.	2.2%
SBTi Alignment	%	Exposure of our portfolio to issuers with SBTi committed or approved targets.	50% (Publicly Traded Corporate Debt portfolio)

Temperature alignment

Gives consideration to the projected trajectory of a company's emissions from now to 2050 and compares it with carbon budget compatible with 1.5°C that has been allocated to the company based upon both the difficulty of decarbonising its sector and the current market share of their sector. The greater the margin by which the company is expected to exceed its budget the more its temperature score exceeds 1.5°C.



Carbon Footprint⁶

The projected FE of a company/portfolio normalised per £ million of investment. The leading metric by which we monitor progress over time against our objective of Net Zero by 2050 as it accounts for changes in portfolio size.



Section 2

Actions

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Progress to date

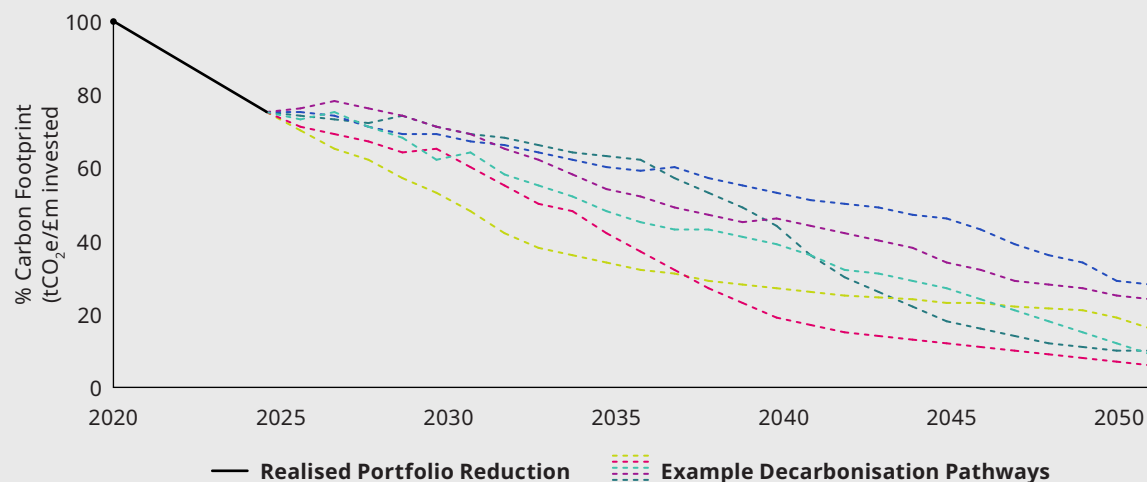
As mentioned above, we have reported our portfolio Carbon Footprint in our annual climate reporting since the 2021 ESG Report. Gathering Enterprise Value including Cash (EVIC) data for our issuers can be more complex and labour intensive than revenue. Our first Carbon Footprint value had a £MV coverage of only 73%. Given its importance, we have taken action over the years to bring coverage closer in line with our revenue-based emission metrics, evidenced by an 87% coverage in YE 24.

In our last report we also noted the impact of using market value as the denominator for Carbon Footprint metrics, as movements can be heavily influenced by outside effects. For this reason, we have also begun measuring Carbon Footprint on a notional value (£NV) basis. We have chosen to use this as the main Carbon Footprint metric in our model.

Aligning our £NV Carbon Footprint with our modelling approach (outlined in the “How to measure Net Zero” section) shows significant progress since YE 20. This decrease has largely resulted from the decarbonisation of our corporate book alongside strategic actions. However, before model development we were unable to project this metric forward to better understand the relative role of issuer actions vs. investments strategy to reach our targets. The chart depicts example decarbonisation pathways that our portfolio could take in the future. We acknowledge that achieving our Net Zero target may require both investment actions or the purchasing of offsets for any residual emissions. However, by looking at how the portfolio could decarbonise without any action, given current issuer targets, we can monitor the extent we may require both over time, and also identify key issuers for engagement.



Carbon Footprint



Portfolio temperature alignment

We also started reporting our portfolio temperature alignment in our 2021 ESG Report. This was the first metric we reported on that attempted to assess the future trajectories of our investments, rather than on a spot basis. Historically we have only provided the temperature alignment score based on a Scope 1, 2 & 3 basis of our liquid corporate credit sub-portfolio, as this is where data is most readily available. An overview of our latest reporting from YE 24 is displayed below, showing that 68% of this portfolio is Paris aligned (or better).

Temperature	MV %	% Emissions
<1.5°C	36%	27%
Paris aligned (1.5–2°C)	32%	18%
2–3°C	23%	45%
>3°C	9%	10%

Given our focus from a temperature alignment perspective had predominantly been on our corporate book, the development of our model allowed us to better understand how well our other asset classes are aligned and what impacts policy actions could have over time.

Looking Forward: How our model informs our actions

As noted previously, our internal model is focused on our investment portfolio, given this is where we see the most material exposure to climate-related risk, and where we have Net Zero commitments. At a portfolio level, the outputs help identify the relative importance of investment strategies, while a more detailed review of the specific sectors provides insight into relative issuer performance and reliance on policy.

This section shares some of the outcomes of this exercise and demonstrates how they inform the actions we may take and the challenges we will face.

Issuer decarbonisation plays a significant role

Looking ahead, we expect issuer decarbonisation to continue to be the leading driver of reductions in our portfolio Carbon Footprint, supporting our approach of targeting investments in assets with credible emission reduction profiles. High emissions issuers, such as the utility investments in our portfolio, are likely to play a crucial role in our efforts to decarbonise, and we have a material investment in this sector which is pivotal to the climate challenge. We have illustrated this in more detail in our Infrastructure case study in this Transition Plan. We note here that we do adjust issuer decarbonisation targets for credibility, a factor we show later is a significant source of uncertainty in our estimation.

The impact of strategic investment actions

While issuer decarbonisation should support the majority of our progress, it is likely that further strategic investment action will be required to align our portfolio with our Net Zero target. It is important to stress that we expect our investment approach to crystallise over the next 25 years, rather than focusing on short-term actions. Long-term strategies such as those driving our Net Zero target are achieved over time, reflecting the potential for policy implementation, issuer action (or lack thereof) and other potential market dynamics.

As mentioned, we have a number of existing investment strategies in place that have supported our progress so far. Our model allows us to project the impact that maintaining our approach has, alongside assessing the benefit of any additional actions we could implement. Examples of these include:

- Targeting switches away from organisations slow to decarbonise within a sector to those who look set to achieve their Net Zero targets.
- Allowing carbon intensive names without credible transition plans to roll off without reinvestment.
- Enhancing our trade screening process to consider current and expected carbon footprint at 2050 for all investments that mature beyond 2049.
- Ensuring that any investment in non-reducing or emission intensive names is liquid or of an appropriate duration.

The importance of issuer engagement

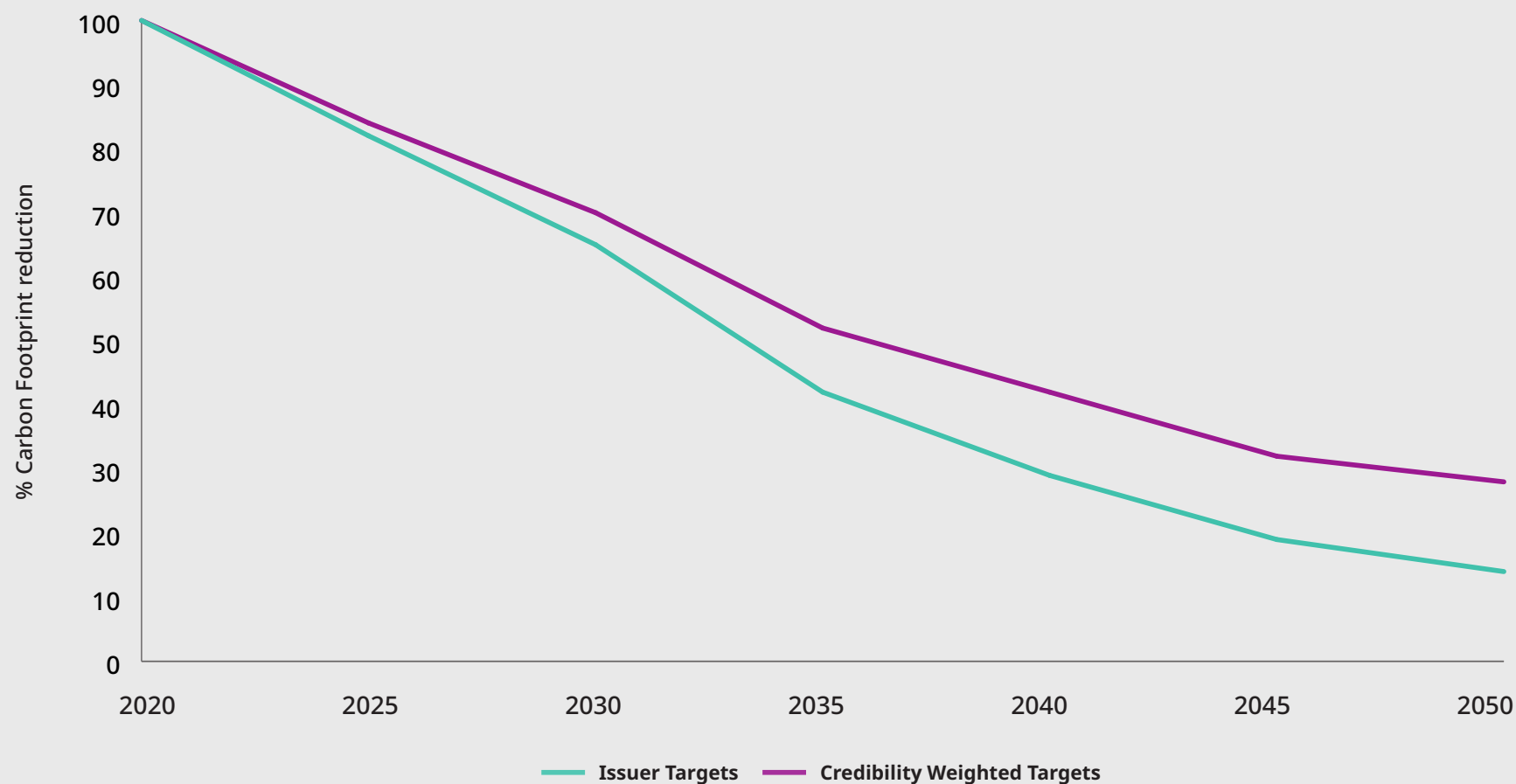
As previously noted, a significant portion of our portfolio decarbonisation is reliant on our investee companies decarbonising their operations. Our model currently takes investee emission targets into consideration and adjusts them for credibility. Stressing our credibility assumption to the bookends (taking targets at face value versus assuming no targets and growing emissions) allows us to better understand this dependency.

Our analysis shows that investee companies not meeting their climate targets would have a significant knock-on effect on our own ability to achieve our climate targets and that we remain reliant on their decarbonisation actions. Outputs from our model also show that this risk is magnified for our most material names, where without sufficient issuer action we expect a large proportion of Financed Emissions at 2050 to be concentrated within a relatively small number of investments within our portfolio. This demonstrates the value of engaging with our most carbon intensive issuers, working with them to our mutual benefit to understand the credibility of their plans.

For our Property and Sovereign assets, targets cannot be met without further government policy action, driving our engagement strategy with policymakers. Further details can be found in the Property and Sovereign sections presented in this Transition Plan.

Looking Forward: How our model informs our actions_{continued}

Chart exhibiting the impact of applying credibility weightings for an example company



Sector level insights

Our portfolio is highly diverse but broadly comprises corporate-like assets which are entities that are managed towards long-term goals, sovereign investments and property loans.

These sectors will decarbonise in very different ways and have varying levels of data around current emissions and future targets. Our investment response will reflect these factors to some degree but will also take a pragmatic approach where appropriate, as it would not be appropriate to withdraw investment in core sectors of the economy such as residential mortgage lending, solely on the basis of limited emissions data or reliance on government policy support.

This is especially true where Net Zero standards remain in development. The table below summarises some of the key differences across our portfolio.

In the following sections, we then explore each sector in more detail via case studies to better understand sector-specific actions and responses.

	Carbon Footprint	Data Quality	Decarbonisation & Engagement	Investment Strategy
Corporate like Asset Class	Wide range of Carbon Footprints. Highest footprints are concentrated in a small number of names.	Relatively good quality emissions data, with the majority of our corporate investments reporting Scope 1 and 2 emissions. Disclosure of short- and long-term targets is common.	These entities are managed companies, with climate strategy driven by policy (e.g. carbon tax), progressive corporate leadership and investor demands. They represent the greatest ability for Rothesay to engage and request information or direct action. However, as a debt investor (rather than owner or equity investor), we have limited direct influence on outcomes.	Given relatively liquid nature of asset class, Rothesay can switch out of names without credible transition pathways into Net Zero aligned names. Issuer selection will remain an important element of our strategy.
Property Asset Class	Relatively low compared to other asset classes given low emissions on an individual property basis.	Lower quality of data. Dependent on energy performance metrics per property (e.g. EPCs) but these are not always available and can be significantly outdated meaning they may not reflect accurate representation of asset performance.	Decarbonisation driven by asset owner such as homeowners, and typically reliant on effectiveness of country-specific policy to meet National Net Zero by 2050 goals. Confidence in policy stability and ambition is hard to determine through time, and engagement opportunities are limited.	Limited ability to switch out of existing investments given illiquid nature. Focus on originating loans to more energy efficient properties for our commercial book and seeking better data, particularly for our residential mortgage lending.
Sovereign Asset Class	Ostensibly high compared to other asset classes, but emissions accounting is prone to double counting.	Medium quality of data. Though we are able to use emissions reporting from sovereign entities, it remains challenging to separate emissions from companies we already hold in our portfolio.	Limited, with outcomes dependent on achievement of National Policies. Most countries have designed policy to meet Net Zero by 2050 commitments, however confidence in policy stability varies by country.	Limited given requirement to hold sovereign assets for risk & regulatory reasons.

Corporates

We invest in a diversified portfolio of highly rated corporate bonds, including regulated infrastructure such as water, energy and transportation. These investments are largely in issuers headquartered in the United Kingdom, Europe and the United States.

How is this asset class expected to decarbonise?

Corporate-like assets are expected to decarbonise through actions taken by our issuers to reduce their emissions. The specific measures taken will depend on the sector and jurisdictions that a company operates in, for example an office-based organisation may choose to switch to a certified renewable energy provider whereas a production-focused organisation may consider the energy efficiency of their processes. Although this process can be supported by policy action and is reliant on technological innovation, decarbonisation is often within the control of a company and will be driven by their ambition to reduce their emissions. These activities will also need to be balanced against other strategic aims that an issuer may have, alongside any financial or regulatory constraints.

Infrastructure case study

Electricity utilities

One output of the model is the ability to see the contrast between issuers across the electricity utility sector, with certain emission intensive issuers supporting a rapid decline in Carbon Footprint, while others can remain a material drag on reductions. As a method of checking whether these results seem rational, we can compare them to other sources and wider climate metrics.

There is strong alignment between the over/undershoot per £m invested with revenue weighted CI metrics, which makes sense as companies that have already taken action to reduce emissions should have an increased likelihood of undershooting their emissions budget. We have also selected a number of utility names from regions we have investments in and compared their carbon intensity and over/undershoot per £m with unit of production (UoP) data produced by the Transition Pathway Initiative (TPI) for utilities. The TPI derive sector-specific intensity metrics, tonnes of CO₂ per megawatt hours in the case of utilities and determine whether they are aligned with a 1.5C pathway. Once again, comparisons between our data and that produced by TPI are consistent, with utilities with emission undershoots showing the greatest alignment with the TPI UoP data.

An example of these results for 10 utility names is provided in the table on the next page, further showing the polarising nature of the sector in terms of performance versus budget. This shows that a strategy to target leaders within an emissions intensive sector can have a material impact on our Net Zero goals while simultaneously reducing our exposure to transition risk. The liquid nature of the corporate assets we invest in allows us to monitor and manage this through time.

Corporates continued

	S1+2 CI (tCO ₂ /\$m revenue)	Overshoot per £m (tCO ₂ /\$m invested)	TPI 2023 UoP ⁷ (tCO ₂ MWh)	UoP alignment ⁷ 2050
Company 1	2,096	50,095	0.42	Not aligned
Company 2	3,215	23,953	0.42	Not aligned
Company 3	2,103	21,641	0.42	Not aligned
Company 4	2,529	9,794	0.35	Below 2 degrees
Company 5	2,406	9,079	0.56	Below 2 degrees
Company 6	158	-1,987	0.07	1.5 degrees
Company 7	138	-3,142	0.04	1.5 degrees
Company 8	284	-5,267	0.16	Below 2 Degrees
Company 9	127	-6,654	0.04	Below 2 Degrees
Company 10	81	-21,682	0.11	1.5 degrees

	>1000	>=10,000	>=0.3	Not aligned
	>=300	<10,000	>=0.2	Below 2 degrees
	<300	<0	<0.2	1.5 degrees

7. TPI data is from the TPI Global Climate Transition Centre at LSE available from www.transitionpathwayinitiative.org

Asset class actions

Invest



- Pivot portfolio towards entities with the strongest, most transparent, climate risk management and credible transition pathways, particularly for emission intensive sectors. Apply caution to emission intensive issuers without credible transition pathways, considering liquidity and duration.
- Asset allocation and weighting between high and low emissions sectors can also materially influence the outcome.

Engage



- Engage with the most emission intensive issuers in our corporate portfolio as they will have a material impact on our ability to reach Net Zero.

Operate



- Look to improve data quality where we currently use proxies to model forward-looking emissions, so that we can better model our portfolio evolution to 2050.
- Enhance the quality of our Scope 3 data gathering, particularly for emissions intensive sectors.
- Consider additional medium/long-term targets such as Carbon Footprint for our portfolio, or production intensity and % alignment for high emissions sectors.

Property

Our property-linked exposure is split between UK lifetime mortgages, traditional residential mortgages in countries including the UK, Netherlands and France, commercial real estate lending, REITs and Social Housing.

How is this asset class expected to decarbonise?

Property asset classes are expected to decarbonise primarily through a combination of energy efficiency improvements, renewable energy adoption and adoption of new technologies. The property sector faces challenges in reducing emissions, given the varying ages and energy efficiency of the existing property stock. Policy actions typically focus on improving energy efficiency, as measured by EPC ratings in the UK, either by incentivising action (e.g. the provision of grants), or by establishing minimum future efficiency standards for new builds, or prior to leasing property. Improvements to property energy efficiency is currently most prevalent in the social housing and REITs sectors, where management companies are improving efficiency standards and emissions are falling. Progress has been more challenging in the residential mortgage space. While in most jurisdictions property-related decarbonisation policy aims to reach Net Zero by 2050, the sector's hard to abate nature means that existing property performance is deemed to be misaligned with 1.5°C CRREM pathways.

EPC data

We calculate the emissions for our UK mortgage portfolio based off tCO₂e data provided in EPC documentation. This provides a property-specific emissions value. However, EPCs are valid for up to ten years in the UK and are not mandatory until an owner wishes to put a property up for sale. This means we only have 38% portfolio coverage (notional basis), with other properties receiving a modelled EPC based on postcode or UK average. Where data is available this could reflect an outdated view of the efficiency of the property.

While our influence remains limited, we are taking steps to encourage EPC adoption where possible. Since 2022 we have offered free EPCs on our UK lifetime mortgages. While uptake remains reasonably low, we will continue to monitor this area to see where we may be able to further enhance our offering and gain more accurate data on which to assess our portfolio. Outside the UK, emissions data can be more limited. Where no clear EPC equivalent measure is available, we have to rely on policy actions and geography/sector wide research to contemplate current and likely progress.



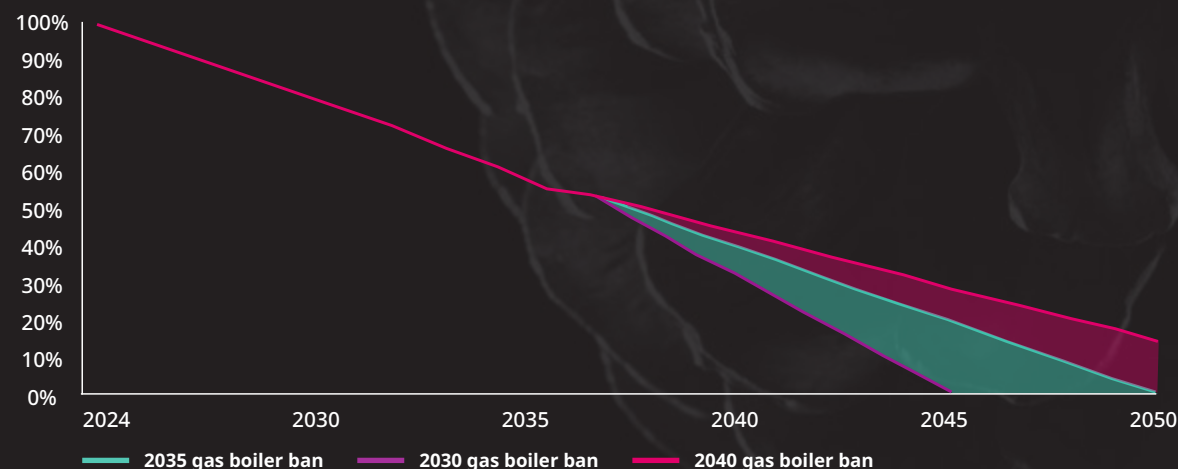
Property_{continued}

UK mortgages case study

Heat pump adoption

The largest section of our property exposure is UK mortgages. In the UK, ~60% of emissions associated with a property are linked to their heating systems. Currently, in England 79% of boilers are gas-powered⁸. The phase-out of gas boilers is a key driver for the UK's decarbonisation strategy for property; however, heat pump adoption remains low, and the UK government recently lifted the 2035 deadline for a ban on installation of new gas boilers. Looking at potential scenarios relating to the timing of bans for new gas boiler installations demonstrates the impact of policy choices on total property decarbonisation. The chart highlights that delays in implementing a stop to new gas boiler instalments has a material impact on the decarbonisation curve. As lenders rather than owners, we have limited ability to alter this outcome and therefore are dependent on UK policy and consumer actions for the decarbonisation of this asset class.

Property decarbonisation under different gas boiler ban scenarios



8. www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/mainfueltypepermethodofheatingusedincentralheatingenglandandwales

Asset class actions

Invest

- Continue to finance residential property asset classes.
- For our commercial Real Estate portfolio, look to target investment in lower emission properties.
- Continue to support initiatives such as the social housing retrofit launched by the National Wealth Fund (NWF) and The Housing Finance Corporation (THFC).

Engage

- Explore opportunities to engage with policymakers on actions that will support property emissions to reduce (i.e. incentives for non-fossil-fuel heating systems).
- Engage with bodies who support standard setting to encourage the development of standards and industry best practices which drive the appropriate real-world outcomes.

Operate

- Improve capacity to model the impact of policy change on the trajectory of this asset class type.
- Determine how we could obtain more up-to-date information on asset performance across jurisdictions.
- Continue to explore physical risk adaptation measures to further support our analysis and risk management of this asset class.

Sovereign

Our liquidity and cash flow matching strategy calls for large holdings of gilts, and our investment in gilts accounts for a significant portion of our sovereign exposure, with the US being the next largest exposure.

Our % exposure to sovereign assets can vary as it often forms large portions of new business premiums we receive through pension risk transfer, before we deploy into return-seeking assets. As an essential component of our investment portfolio, we have a limited ability to adjust our investment strategy in response to progress towards Net Zero at the sovereign level, and while we may choose to engage to encourage a smooth transition, we recognise our influence is limited.

How is this asset class expected to decarbonise?

Sovereign countries are expected to decarbonise through the implementation of policies that move away from high emission energy sources such as coal and gas towards low carbon technologies. These pathways are expected to differ according to the economy of each country, as territories with a service-based focus are likely to carry a lower carbon footprint than more emissions intensive economies.

Sovereign case study

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) score

One key factor we have used as a forward-looking indicator in this modelling is the Net-Zero Asset Owner Alliance (NZAOA)/ASCOR score. This score is an outcome of the work we have conducted with the NZAOA and provides an insight into the ambition and effectiveness of climate policy across sovereigns. It is based on 39 binary indicators developed by the project known as ASCOR which are grouped into three pillars that assess, for each sovereign under consideration, its emissions pathways (trends and targets), its climate policies (e.g. for carbon pricing, fossil fuels, adaptation) and the environment for climate finance. While the first pillar measures emissions and their recent trends, the other two pillars which measure policy and financial attributes can be thought of as somewhat forward looking. The hope is that as countries strengthen their policies and make progress on financing their transition plans that an improved ASCOR score signals reduced emissions in the future.

The NZAOA sovereign working group, which we co-lead, has aggregated these indicators into a single assessment score for each of the 25 countries appearing in the first release of ASCOR data. The score can be anything from zero to one (a higher score reflecting more advanced and effective policies). This metric provides one sensible method of assessing how credible a sovereign's emissions targets may be and is something we have referenced when projecting our portfolio's decarbonisation.

Asset class actions

Invest

- Given current guidance, continue to treat and monitor our Sovereign investments separately from our other asset holdings.

Engage

- Engage with policymakers on actions that will support change, noting this ability is limited, especially outside of the United Kingdom.
- Engage with industry groups to help enhance transparency over sovereign policy ambition and effectiveness over time.

Operate

- Monitor climate data landscape for opportunities to separate country from company emissions.

Action summary



Section 3

Accountability

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Risks and interdependencies	25
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Governance

This document represents our first public Transition Plan. It was approved by the Rothsay Board which includes shareholder representation.

In order to support the delivery of our Transition Plan, we have a clear governance and accountability approach that aligns with our broader governance mechanisms for our sustainability strategy.

Board and management oversight

- The chart on the right outlines the roles and responsibilities relating to this Transition Plan and its underlying actions.
- The Board and Executive Management have been provided with the appropriate knowledge, skills and competencies on the material aspects of this Transition Plan to ensure they can effectively oversee its delivery.
- Information contained within this Transition Plan has been subject to internal review and verification. Financed emissions data contained within this document has been subject to external limited assurance.⁹

Executing our Transition Plan

- Delivery of this Transition Plan is embedded within our existing climate risk management framework.
- Outputs of this plan are considered as part of our wider sustainability planning, budget and strategy.
- In line with existing governance, we will ensure the appropriate skills and capabilities exist to effectively deliver this Transition Plan.
- We expect to review and publish an updated plan and underlying strategic actions every three years, with any changes approved by the Board. In circumstance of a material change, i.e. to the way in which Net Zero is defined for financial institutions, we may also update this document. In interim years, our annual Climate Report will provide updates on progress.
- Our overarching strategic ambition to transition our portfolio to Net Zero by 2050, which outputs from this Transition Plan support, is embedded into Rothsay's culture including through our employee objectives, updates to training and remuneration approach. This ensures actions are aligned with Rothsay's primary purpose to protect pensions.

Considerations

- There are many challenges, risks and interdependencies associated with Net Zero modelling. We will continue to enhance our ability to transition our portfolio using our governance framework to consider appropriate expansion of our key performance metrics (i.e. sector-based targets), further model enhancements and consider any resulting need for new skills and capabilities.

9. Limited assurance conducted by Grant Thornton as part of 2024 Climate Report data verification process.

Transition Plan governance

Board

- Oversight for the delivery of the overall climate strategy and climate risk appetite of the Group.
- All Board level Committees have relevant climate responsibilities outlined in their terms of reference.
- Approval and oversight of Group's climate-related disclosures including this Transition Plan and any targets outlined.

Senior Management oversight

- The CEO and senior executive team are accountable to the Board for the development and execution of the Group strategy, including this Transition Plan.
- Chief Risk Officer (CRO) is the Senior Management Function (SMF) with overall responsibility for climate risk.
- Sustainability Team, managed by Head of Sustainability, is responsible for the operational delivery of this climate approach.

Sustainability Committee

- Day-to-day delegated responsibility from Executive Committee for the development and implementation of the climate change strategy and risk management framework including delivery of this Transition Plan.
- Responsible under terms of reference for tracking progress against actions identified as part of Transition Plan process.

Risks and interdependencies

Transitioning our investment portfolio to Net Zero by 2050 depends on several factors, including government policies, action by borrowers to decarbonise, maturity of technology to support decarbonisation and availability of reliable emissions data from our borrowers.

These factors have the potential to significantly impact the delivery of our Transition Plan and the viability of our Net Zero commitment. As outlined in our asset deep dives, it will be important for us to actively monitor, and where appropriate, engage relevant stakeholders (e.g. borrowers, policymakers etc.) to influence those elements which impact upon, or present risks to, our Transition Plan.

This section highlights where our plan has material dependencies, and where there are risks to the delivery of the Transition Plan based on factors outside of Rothesay's immediate control. Our approach to manage and respond to these is outlined in the implementation and engagement strategies for each of our asset classes. We have considered dependencies that will materialise over the short-term (up to three years), medium-term (circa. three to ten years) and long-term (up to 2050) time horizons.



Risks and interdependencies_{continued}

Public policy

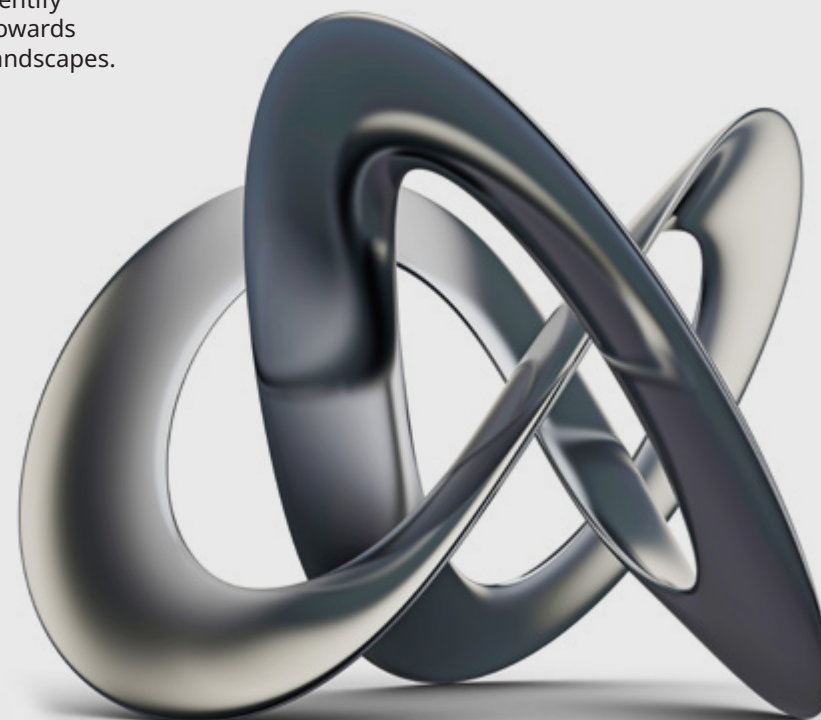
Government policies play a crucial role in ensuring the overall Net Zero transition of the economy. The move from fossil fuel to a low carbon economy is inherently complex, with technical and financial barriers to address and the need to balance long-term strategy appropriately against current economic challenges. Central government-led strategy is critical to identify and remove these barriers through policy such as planning consents, subsidies and tax incentives, phase-outs such as on fossil fuel-based cars and heating, and consumer education. Clear deadlines and consistent policy are essential to allow companies and supply chains to respond.

Given the long time horizon of the transition, material uncertainty remains regarding future policy direction or changes. Asset owners with large, well-diversified investment portfolios, like Rothesay, rely on governments to support and enable the wider economy to transition. We are particularly dependent on the UK, the US and other European countries where our portfolio is more heavily weighted.

Our transition plan assumes that existing government Net Zero commitments in countries in which we operate will be met, and that the appropriate level of policy will be put in place to achieve this. That is to say that strong policy action is taken over the short to medium term. However, at present, there is a significant gap between the policies that governments have adopted and committed to implement, and what is needed to reach Net Zero by 2050. For example, the UK Climate Change Committee's latest progress report identified

the need for additional investments in renewable energy and uptake of heat pumps. There is a risk that this gap remains unresolved beyond our time horizons, which may result in national targets not being achieved, posing a risk to our ability to fulfil our own transition commitments.

To mitigate those risks, we regularly monitor policy developments and engage with relevant government stakeholders to understand evolving priorities and emerging changes. Where possible, we will remain flexible, and plan to adjust our Transition Plan in response to changing policies, looking to identify reasonable ways we can continue to work towards our commitment under a variety of policy landscapes.



Risks and interdependencies^{continued}

Borrowers

In addition to government action, the decarbonisation of the economy will also rely heavily on corporate action through companies' investment in low emission technology, adoption of low emissions business models and other sustainable practices in line with Net Zero pathways. As an asset owner, Rothesay's Transition Plan has a significant dependency on our borrowers' own transition plans and the actions they pursue to deliver these over the short to medium term. We closely monitor the current emissions and expected emissions trajectories of our borrowers, in order to help us understand whether we are on track to meet our public commitments and proactively engage where necessary.

Our Transition Plan assumes that our borrowers are committed to and will achieve their current transition ambitions. However, similarly to government policies, given the long time horizon in question there is significant uncertainty over whether and how companies will achieve their targets, and how those targets may change over our time horizons.

In addition, as we acknowledge above, our borrowers are also subject to, and dependent on, government policies which will impact their own transition journey. Government policy changes which may impact our borrowers include adjustments to subsidies for energy performance improvements in residential or commercial properties (EPC ratings) or gas boiler phase-outs encouraging the installation of heat pumps for residential homes over the medium and long term.

This results in the risk that our borrowers may fall short of their stated targets or alter their transition plans (e.g. delaying the introduction of less carbon-intensive technologies), potentially influenced by external factors. To effectively monitor and report on the transition progress of our portfolio, we rely heavily on our borrowers to provide us with all necessary transition data, including GHG emissions and energy consumption metrics. However, we also understand that such data may have limitations (e.g. relating to accuracy or completeness), and that these limitations could also hinder our ability to assess our borrowers' transition progress effectively.

To mitigate the risk of our borrowers falling behind on their transition plans, we directly engage with selected borrowers (based on materiality of our investment and emissions contribution) to encourage and support alignment with climate goals and advocate for improved transparency. Additionally, we continue to advocate for the importance of reliable climate data, to ensure that our investment decisions are informed by accurate evaluations of risks and trajectories.



Risks and interdependencies_{continued}

Specific industry guidance and frameworks

For asset owners to support the transition effectively, we rely on up-to-date guidance and frameworks to support objective analysis of the emissions performance of our investments and their contribution to the transition. This places a reliance on industry alliances and relevant organisations (e.g. Partnership for Carbon Accounting Financials (PCAF), NZAOA) in the short to medium term to provide up-to-date emissions and Net Zero accounting frameworks and methodologies for the various types of investments which we hold.

Methodologies and frameworks are continuously refined and inconsistencies can emerge between guidance providers and methodologies before consensus on best practice is reached. A good example of this is the lack of formal guidance on accounting principles to measure Net Zero for asset owners. We tackle these challenges by maintaining active participation in industry discussions and regulatory initiatives. By contributing to the development of frameworks and guidance, we help to ensure that emerging standards support effective investment decision-making. Wherever possible, we seek to apply the most up-to-date standards in our internal monitoring and public disclosures.

The need for a just transition

Our Net Zero strategy must also consider the wider context in which we are operating. In supporting a “just” Net Zero transition we are conscious that our climate investment decisions must be made while considering wider sustainability risks, such as impact on employment, community disruption and company oversight. This acknowledges that the costs of transition should not solely fall on individuals and a well-managed strategy and governmental policy is needed for a just transition to occur.

This is exemplified by one of the underlying assumptions of this Transition Plan which states that we will continue to invest in the residential property asset class despite its high dependency on policy actions outside of our direct control that may mean it does not decarbonise in line with expectations. Given the importance of mortgage lending in supporting a robust housing sector and the general economic well-being of society, we see it as important to maintain our support of this asset class.



Carbon Credits

Our strategy

Our CO₂ removal strategy is designed to prioritise emission reduction measures with removal mechanisms utilised to compensate for residual emissions that cannot be eliminated immediately.

Currently, we only pay to remove our operational emissions, as in line with our strategy, we want to see decarbonisation at source within our portfolio before using offsets of any kind for residual emissions. We focus on high quality carbon offsets by reference to factors such as Permanence, Additionality, Verifiability and Exclusivity, whilst ensuring the avoidance of social and environmental harms. Traditional carbon removal credits via afforestation have historically been our favoured option for offsetting our emissions; going forward we will be investing increasingly in high quality tech-based removals which have greater Permanence and Verifiability.

Offsetting our operational emissions

Since 2021, Rothesay has worked with Climate Impact Partners (formally Natural Capital Partners) to assess our operational emissions. Against this we have purchased offsets verified by the Verified Carbon Standard. We also have a partnership in place with Climeworks, purchasing permanent removal credits in a portfolio comprising of Direct Air Capture, Enhanced Rock Weathering, Bioenergy with Carbon Capture and Storage (BECCS), Biochar and some afforestation/ reforestation. Further details on our offsets are listed in our annual Climate Reports.



Section 4

Appendix



Glossary

The multitude of terms and acronyms used in climate and sustainability discussions can often be challenging to understand. Rothesay is committed to ensuring our disclosures are clear, and not misleading. This glossary clearly sets out Rothesay's definition for each term and how these should be interpreted.

Term	Definition
Absolute Emissions	The total emissions of greenhouse gases (GHG) a company emits in a year. The various GHGs have different warming potentials, so they are converted into CO ₂ equivalents so total emissions can be compared appropriately across companies.
BAU	Business as usual.
Carbon Footprint	The total greenhouse gas emissions produced by an individual, entity or activity, expressed in CO ₂ equivalent (CO ₂ e). This can be expressed in terms of Notional Value or Market Value.
Carbon Intensity (CI) – general	Absolute emissions will vary reflecting the size of the company, as well as their specific operations. Carbon Intensity measures are used to adjust for company size, to better compare this “dirtiness.” There are different measures of Carbon Intensity.
Carbon Intensity (CI) – revenue basis	Carbon dioxide equivalent emissions per million dollars of revenue (CO ₂ e/\$m): This metric measures the carbon efficiency of a company's economic output.
Carbon Neutral	Carbon dioxide emissions are balanced by carbon removed through activities such as carbon sinks or permanent carbon removal technologies such as direct air capture.
Carbon Offsets	An action intended to compensate for the emission of carbon dioxide into the atmosphere as a result of industrial or other human activity, especially when quantified and traded as part of a commercial scheme.
climate material	Lower case usage: Indicates an entity/sector/activity that has a greater likelihood of having a significant impact on our exposure to climate risk. Climate material (lower case) is used to indicate the broader approach to materiality assessment.
Climate Material	Upper case usage: Indicates an entity/sector/activity that after review under Rothesay's sustainability framework has been deemed to have significant exposure to climate risk. Entities deemed to be climate material (upper case) have specific characteristics that increase exposure climate change impacts and require additional monitoring.
Climate Scenario	A hypothetical but realistic representation of future environment constructed to support investigation of the potential impacts of climate change.
Climate opportunities/ Climate solutions	Lower case usage: General term to discuss activities that relate to efforts to mitigate and adapt to climate change such as adoption of low emission energy sources, development of new products/services to support climate transition and building resilience.
Climate Opportunities	Upper case usage: Indicates an entity/sector/activity that after review under Rothesay's sustainability framework has been deemed to meet criteria of specifically financing green opportunities, such as renewable energy investments, low carbon energy and verified green bonds.
CO₂e	Carbon dioxide equivalent – greenhouse gases (GHGs) all have varying warming potentials and therefore in order to report one metric, other GHGs are converted to CO ₂ equivalent.
Engagement	Interactions and dialogue conducted between an investor and a current or potential investee (e.g. company), or a non-issuer stakeholder (e.g. an external investment manager or policymaker) to gain information or influence investee practice or disclosure.
EPC	Energy Performance Certificate. Document that provides information on the energy efficiency of a property. Also gives a rating ranging from A (best) to G (worst).

Glossary

continued

Term	Definition
ESG	Environmental, Social and Governance – a set of standards measuring a business's impact on society, the environment, and how transparent and accountable it is. Environmental factors focus on how an entity considers the environment, social factors focus on how an entity considers societal impacts, including employees, communities and stakeholders, and governance factors focus on an entity's operational approach and leadership.
EVIC	Enterprise value including cash. EVIC is defined as the company enterprise value without deduction of cash (EVIC) of the respective issuer. When data is sourced from Bloomberg this is calculated as Market Capitalisation + Enterprise Value Components + Cash and Marketable Securities. For other companies this corresponds to the total company equity and debt.
Financed Emissions	The emissions associated with our investments, in line with the GHG Protocol Scope 3 Category 15 definition.
Financed Emissions – reductions	Refers to the value of emissions that Rothesay are directly financing going down during the stated time period. This may be driven by a number of factors, and it does not necessarily refer to a genuine reduction in greenhouse gases being emitted by an entity.
Greenhouse Gas (GHG) Emissions	Gases that contribute to the greenhouse effect by trapping heat in the Earth's atmosphere.
Implied Temperature Rise (ITR)	A forward-looking temperature alignment metric that indicates how companies and investment portfolios align to global climate targets. It compares an entity's/ portfolio's projected greenhouse gas emissions against a specific carbon budget and calculates an estimated overshoot or undershoot. This overshoot or undershoot is expressed in °C.
Market Value	In respect of a financial instrument or investments, the price at which it is reasonably expected that it can be bought or sold in the open market in normal conditions.
Net Zero	A state in which the human derived GHGs going into the atmosphere (anthropogenic emissions) are balanced by their removal out of the atmosphere (carbon sinks/removal).
Notional Value	In respect of a financial instrument or investments, its total face value or amount, for example the principal amount outstanding of a loan or bond.
Paris Aligned	Actions and financial flows that are consistent with the Paris Agreement's long-term goal of limiting global warming to well below 2°C and pursuing 1.5°C above pre-industrial levels.
Physical Climate Risk	Risks resulting from climatic events including acute and chronic impacts. Acute risks include droughts, floods and wildfires. Chronic risks include rising temperatures, sea level rise and an accelerating loss of biodiversity.
Publicly Traded Corporate Debt Portfolio (PTCD)	A sub-portfolio of our total portfolio comprised of listed issuers with an ISIN and reported data in the Corporate category (excluding Secured Financing) together with the REITs component of the Property category.
Scope 1 Emissions	Measured in tCO ₂ e annually. Direct emissions that occur from sources controlled by the entity in question. For example, emissions from a gas-fired boiler on company premises.

Glossary

continued

Term	Definition
Scope 2 Emissions	Measured in tCO ₂ e annually. Indirect emissions largely associated with the purchase of electricity by the entity in question to operate their business and buildings including purchased electricity, municipal heating and cooling. Scope 2 emissions can be calculated as Location based – operational emissions using an average emissions intensity for the energy system on which energy consumption occurs (e.g. the emissions intensity of the local electricity grid) – or Market based – operational emissions using actual energy consumption of an entity (e.g. giving credit for renewable energy or green electricity tariffs sourced by the company).
Scope 3 Emissions	Measured in tCO ₂ e annually. Emissions that are the result of activities elsewhere in the value chain of the entity in question. These include emissions produced indirectly, through purchased goods and services, business travel, employee commuting, and investments. The Scope 3 emissions of one entity are the Scope 1 & 2 emissions of other entities.
Sustainability	A dynamic process that guarantees the persistence of natural and human systems in an equitable manner.
Sustainable	An activity that causes, or is made in a way that causes, little or no damage to the environment and therefore able to continue for a long time.
Temperature Alignment	A forward-looking metric that attempts to convey the future trajectory of greenhouse gas emissions of a given entity or portfolio in terms of its estimated global temperature rise.
Transition Climate Risk	Risks associated with the requirements for an entity to manage and adapt to changes related to reduction in greenhouse gas emissions and transition to a low carbon economy.
Transition Plan	A transition plan sets out an organisation's approach for how it will align all its activities to Net Zero.
Weighted Average Carbon Intensity (WACI)	WACI can be considered at a company, sector or portfolio level. It is a measure of a portfolio's exposure to carbon intensive companies, where each position is weighted reflecting size of position in our portfolio.

Organisations

Term	Definition
IPCC	The Intergovernmental Panel on Climate Change (IPCC) – an intergovernmental body of the United Nations. Its job is to advance scientific knowledge about climate change caused by human activities.
NZAOA	UN-convened Net-Zero Asset Owner Alliance – a member-led initiative of institutional investors committed to transitioning their investment portfolios to Net Zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C.
PCAF	Partnership for Carbon Accounting Financials – a partnership that has developed standards for financial institutions measuring their investment-linked greenhouse gas emissions.
SBTi	Science Based Targets initiative – SBTi is an organisation established to support companies to set emission reduction targets in line with the reductions required to limit global temperature rise to 1.5°C. SBTi provides assurance that entities' targets are aligned with prevailing scientific goals for the relevant sector.

A large, stylized graphic of an eye, composed of concentric circles and a central pupil, rendered in shades of gray, occupies the right half of the page.

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