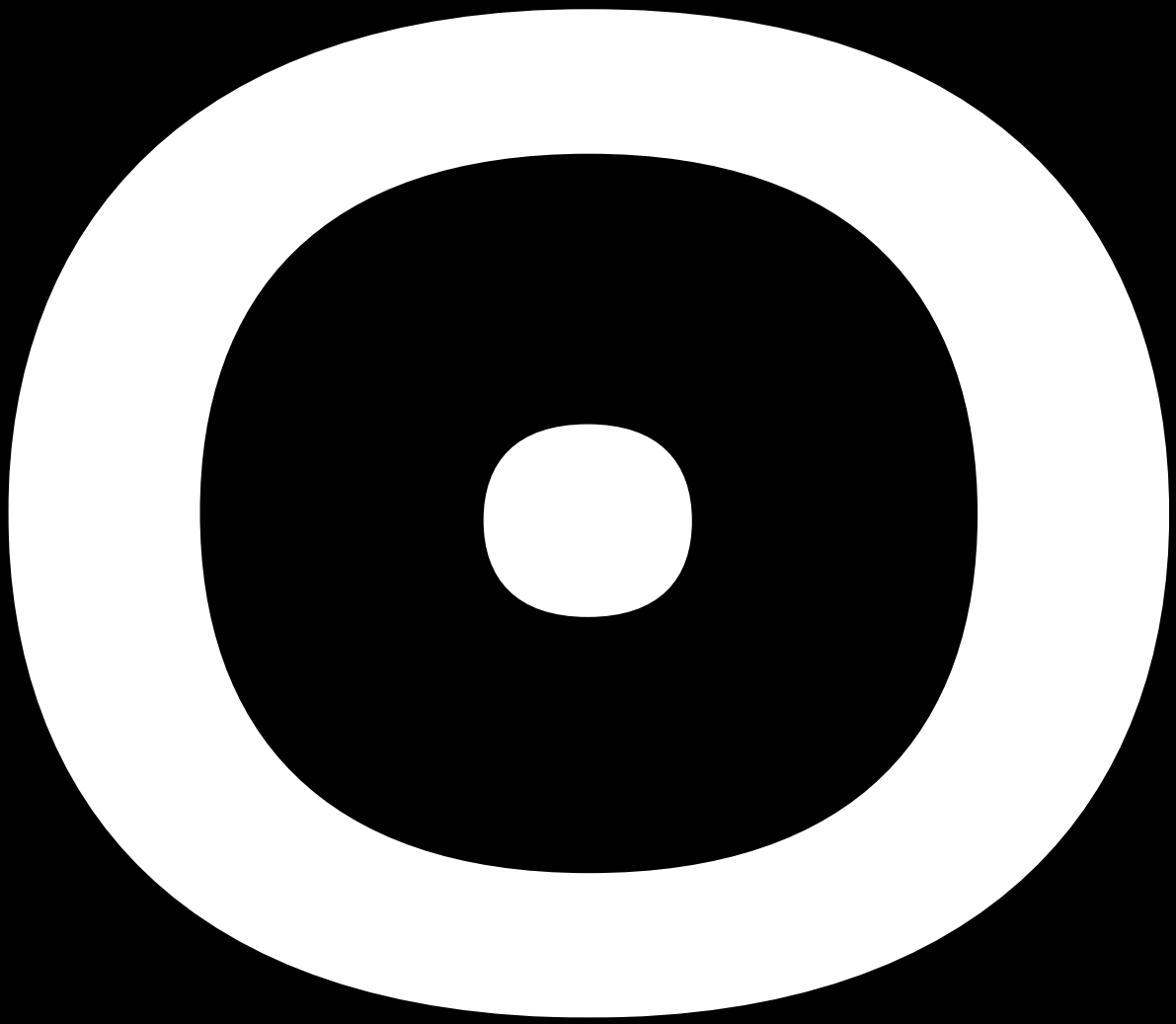
Rothesay



STEWARDSHIP REPORT 2025

Contents

Introduction 4

Message from the CEO 5

A. Organisation, Investment Beliefs and Stewardship 6

Our Organisation 6

Our Clients 6

Our business model and strategy 7

Our investment beliefs and stewardship strategy 8

B. Governance and Resources 11

Appropriate Resourcing of Stewardship activities 12

Systems and technology 13

C. Policies, processes and review 16

Our Public Stewardship Policies 16

Policy review to enable effective stewardship 16

Internal and external assurance in relation to stewardship activities 16

D. Conflicts of Interest 18

Rothesay's Conflicts of Interest Policy and its Application to Stewardship 18

Identification and Management of Conflicts of Interest 18

E. Dialogue with clients and/or beneficiaries 20

Methods Used to Share Information and Receive Feedback on Stewardship Activities 20

I. Integrating Stewardship and Investment 22

Identifying and prioritising stewardship activities 22

Geographic Considerations in our stewardship and investment approach 24

Asset Class Considerations in our stewardship and investment approach 25

Due diligence 27

II. Promoting Well-Functioning Markets 29

Rothesay's risk management framework (RMF) 29

Identification and Response to Market-wide Risks 30

Identification and Response to Systemic Risks 31

Rothesay's Contribution to Market Wide Policy and Engagement with Policymakers and Regulators 32

III. Engage 34

Rothesay's Engagement Strategy 34

Bilateral Engagement Activities 35

Rothesay's Escalation Approach 38

Collaborative Engagement 39

IV. Exercising Rights and Responsibilities 41

Variations in our Exercise of our Rights and Responsibilities 41

VI. Monitoring Service Providers 43

Our Approach to Monitoring Service Providers 43

Glossary 47

Introduction

Rothesay is the largest UK specialist pensions insurer, purpose-built to protect pension schemes and their members' pensions. Our main focus is to secure pension annuities for the future, providing certainty for our policyholders. Our careful approach to investment, prudent underwriting and service excellence mean we are trusted to provide pension solutions by the pension schemes of some of the UK's best-known companies including British Airways, Cadbury, the Civil Aviation Authority, The Co-operative, Morrisons, Smiths Industries and Telent.

Our participation in an active pension risk transfer industry means our business is on a strong growth path. This growth has increased the portfolio of assets securing the pensions we protect and has been supported by an increased headcount in London and our international offices in the US and Australia.

At the end of 2025, we managed over £73bn in assets, securing the pensions of over one million people, and paying out, on average, over £360m in pension payments each month. Our long-term approach and in-house asset management supports our ability to consistently identify and manage our principal risks including global climate risk exposure within our investment portfolio through active engagement over the duration of an investment. Our investment and stewardship strategy is shaped by the requirements of our regulators and the needs of our pension trustees, as well as a desire to effectively manage the risks that affect our business. Given specific regulatory focus, our management of sustainability risk receives particular attention within our case studies in this report. Our approach to the management of these risks allows us to achieve our primary goal of providing pension security to our policyholders.

As a pensions insurer, we may receive assets as part of a pension risk transfer transaction. On receipt of these positions, the assets are managed according to the same principles and processes as the investments we originate. We can diversify exposures across and within sectors, controlling position sizes through limits, and regular monitoring and oversight of investments. For more liquid investments, we can actively reduce exposure where we have credit or other concerns. Underpinned by sophisticated risk management, our expert in-house investment team is continually developing new ways to identify, monitor and drive predictable, dependable returns that minimise risk and create genuine security.

Alongside the stewardship of our portfolio, we focus on creating a positive impact through all our operations and for all our stakeholders, including our people and wider community. The Rothesay Foundation continues its mission to help improve the quality of life for older people in need in the UK.

The Financial Reporting Council (FRC) defines stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'. Our risk assessed, outcome driven approach as outlined in this document aligns with our purpose to support the future of our policyholders. This document considers the five disclosures and five of the six principles detailed in The UK Stewardship Code 2026. As Rothesay does not currently utilise external asset managers we do not report against Principle V, Selection and Oversight of Managers. Unless stated otherwise, all activities and data presented in this report refer to 2025.

This report aligns with the FRC's definition of clients and beneficiaries to collectively describe a company's customers and main stakeholders. Our clients include our individual policyholders, and the trustee boards that represent their interests during a pension risk transfer transaction. Rothesay generally uses the term policyholder to refer to the individual annuitants, both immediate and deferred, whose benefits are insured by Rothesay.

Message from the CEO

This is our fifth Stewardship Report, covering activities carried out in the year ending 31st December 2025. Within it, we are pleased to detail how stewardship and sustainability decisions have influenced the management of our investment portfolio throughout the year.

At Rothesay, we understand the clear link between our core investment objectives and the need to consider stewardship principles alongside sustainability-linked risks in our strategy and decision making. I am proud that our approach to the management of these risks and broader considerations allows us not only to achieve our primary goal of providing pension security to our policyholders, but also to provide wider benefits to our stakeholders, the environment and society.

An important part of our role as a good steward is to engage on any concerns with issuers, service providers and our industry peers. Through these engagements we seek to encourage transparent disclosures on sustainability-related risks and improved stewardship practices.

Our approach to stewardship continues to evolve. In 2025, highlights included our involvement in the Government's Sterling 20 initiative, the publication of our first Net Zero Transition Plan, and the launch of RothesayOne, our innovative policyholder administration system. We have also included examples of where we have applied our stewardship approach throughout the last year, and we look forward to sharing the further progress we make in 2026 as part of next year's report.

A. Organisation, Investment Beliefs and Stewardship

Disclosure A: *Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.*

Our Organisation

As a UK specialist pensions insurer our singular purpose is to secure pension annuities for the future, ensuring certainty to trustee boards and delivering good outcomes for all former pension scheme members that become our policyholders. We are engaged by the trustee boards of pension schemes who want to provide security for their defined benefit scheme members by transferring the annuities to pension risk management specialists, while also removing a potentially volatile liability from the company balance sheet.

We recognise the close link between effective stewardship and resilient long-term performance. Embedding good stewardship principles enables us to deliver good outcomes for our trustee board clients, policyholders, our people and our shareholders.

As an employer, we reflect our commitment to the highest standards of integrity, transparency and accountability in our cultural values. These are set out below. They are the values we operate by, and they translate directly into how we assess and measure individual and collective performance and behaviours. Critically, our values define our decision-making and how we interact with our stakeholders:

1. **Original & Creative:** We are always looking for new ways to create and enhance security for our policyholders, manage risk and deliver reliable returns for our investors.
2. **Collaborative & Diverse:** We actively value difference, treating everyone as an individual with equal opportunity to thrive in their career. This helps us create a stronger, more dynamic business today and for the long term.
3. **Dedicated, Genuine & Accountable:** Our commitment to our trustee board clients and their members is paramount. It guides us in all aspects of our business. Our people take personal ownership of Rothesay's success, and we reward hard work, dedication and accountability.
4. **Meticulous & Fast-paced:** We are meticulous in everything we do and expect the highest standards from colleagues. We are always pushing ourselves to be at the forefront of our industry and will accept nothing but the best quality work.

Our Clients

Initially, our primary relationship is with the trustee boards of defined benefit pension schemes across the United Kingdom. Once a contract moves from 'buy-in' to 'buy-out' our focus is on individual policyholders through our administration and servicing of their pension benefits. We strive to:

- Protect policyholder security, through effective management across all risks. This includes responsible stewardship of the investments supporting the pensions.

- Deliver good customer outcomes, with critical focus on the timeliness and accuracy of pension payments. Fundamentally, we should pay the right amount at the right time and communicate effectively with former pension scheme members in advance of their pension moving into payment.

These priorities inform all our actions, from our business model and investment strategy to our focus on service delivery.

Our business model and strategy

Creating innovative and bespoke solutions

In order to deliver long term value for our clients, we continually develop bespoke and innovation solutions for pension schemes. We pride ourselves on working collaboratively with our clients to find the best possible solution for them.

Underwriting and Execution

In preparing to take on a new block of annuitant liabilities, we achieve maximum pre-deal certainty for trustee boards and their members through our meticulous underwriting and due diligence. We model the benefits of policyholders at an individual level and project these benefits to maturity using our purpose-built systems, allowing us to measure, monitor and manage the associated risks in real time. As a result, we can more accurately estimate the cost of providing the insured benefits and holding the necessary risk capital. We scrutinise all new transactions to minimise risk while aiming to achieve returns for our investors that are sustainable. We have a long-term focus with the goal of releasing sufficient capital each year, as policies run off, to achieve returns for our investors and to be able to support the new contracts we have taken on.

Transition to an efficient, responsive platform

We have strategic partnerships with well-established pension administrators: WTW, Aptia UK Limited and Capita Pension Solutions, as well as an expanding in-house administration platform (RothesayOne). We use our own record of all member benefits and future payments to ensure a data transition to our administration partners that appears seamless to our new policyholders. High levels of automation and sophisticated technology ensure that our partners are fully integrated with our own systems in order to eliminate discrepancies and deliver excellent customer service. Our in-house administration solution integrates with our own technology platform to further streamline the administration process and improve the customer experience, and is a growing feature of our offering.

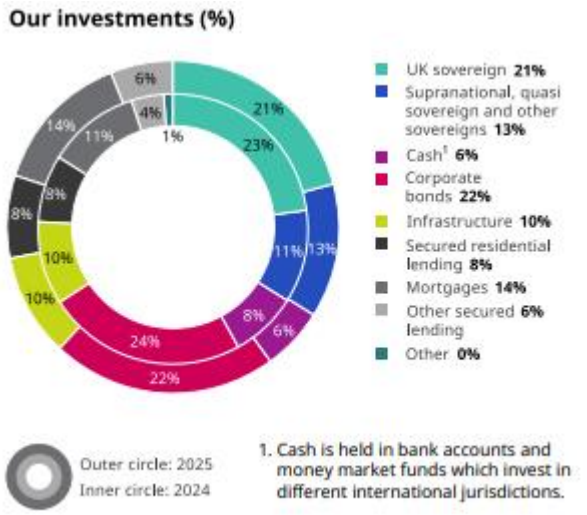
Invest the assets

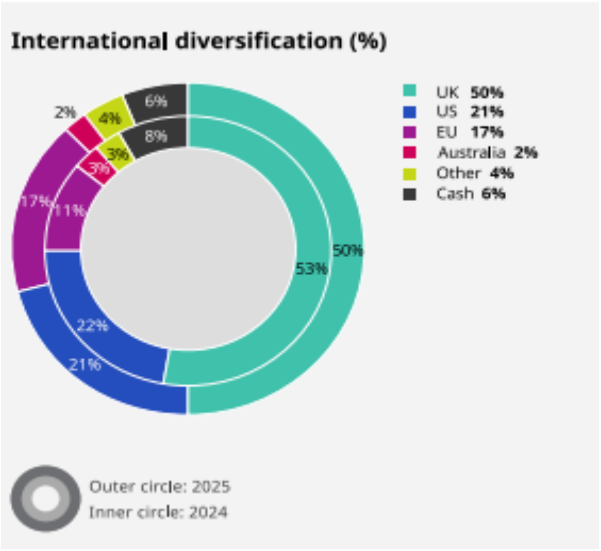
Our investment time horizon is focused on the long-term to align with client needs and cashflow requirements. Therefore, we seek to invest in assets: (i) where the cashflows that we receive in connection with that asset, match our liability cash flows (ii) which meet our sustainability objectives, and (iii) which provide an appropriate risk-adjusted return. To achieve this, we invest in investment grade bonds and loans. Rothesay's investment portfolio is focused on highly rated assets with over half of our rated assets having a rating of AAA or AA and it is made up of three diverse categories:

- **Supranational, Sovereign and Public Finance bonds** – This part of the portfolio includes assets that are available to meet collateral calls and cash requirements or may be awaiting redeployment. It also includes assets that back some of our very long-dated cash flows.

- **Corporate Bonds and Infrastructure Lending –** Given the scale of Rothesay's balance sheet, we invest in a diversified portfolio of corporate bonds, including regulated infrastructure such as water, energy and transportation.
- **Bonds and Loans Secured by Property –** These assets are bonds and loans secured against property, including equity release and other types of residential mortgages, and loans secured against commercial real estate. Structural features such as collateral, covenants and other security features mean that recoveries in the event of default are maximised, and credit risk minimised.

The following charts taken from our annual accounts provide a breakdown of our investment portfolio as of 31 December 2025 and 31 December 2024 by sector and geography.





That strategy supports us to maintain a stable portfolio and avoid losses due to default. We have built a strong capital surplus and provided security to our policyholders and bondholders. This is recognised by our Fitch and Moody's long term issuer credit ratings of A+/A2 respectively.

Our investment beliefs and stewardship strategy

Our investment beliefs comprise our fundamental priorities in delivering what we desire from the investments we make. Rothesay operates a prudent investment strategy. We seek to diversify exposure and actively manage risk. We are constantly looking for new ways to reduce risk and achieve the dependable returns that

create genuine security for our policyholders' pensions in the future. This is reflected in Rothesay's key investment objectives:

- **Policyholder security:** To ensure that liabilities to policyholders can be met in full and in a timely manner via conservative balance sheet and liquidity management.
- **Balance sheet stability:** To maintain financial strength and solvency capitalisation in order to produce stable cashflows from in-force business.
- **Value-driven investment:** To take a quantitative view of risk where possible and invest in a manner that enhances shareholder value on a risk-adjusted basis.
- **Focus on asset-liability management:** To invest assets in a manner appropriate to the nature of the policyholder liabilities in order to reduce risk exposure and to take advantage of illiquidity premium.
- **Safeguard reputation**: To implement investment principles and a governance process that appropriately takes into account factors that are harder to quantify such as sustainability and reputation risks.
- **Sustainability Targets**: To support the attainment of our sustainability and climate objectives through our investment principles and risk framework.

We believe that the effective identification and management of sustainability risk as part of stewardship activities is critical to the successful implementation of these objectives. We also see investing in sustainable opportunities, outlined in more detail below, as critical for ensuring we can deliver positive outcomes for all our stakeholders.

Long-term Investment Strategy

Our investment philosophy has been designed to match the nature of the liabilities we take on, and is based on making stable, low-risk, long-term investments with predictable cashflows. Our approach to investment is patient and measured given the long-term nature of the business we are in, and we continually analyse potential risks associated with those investments, including all relevant sustainability considerations.

Our in-house team is responsible for the management of Rothesay's asset portfolio (over £73bn at year end 2025). This allows us to proactively manage the composition of our investment portfolio and identify assets that match our liability cash flows. We strive to deliver an appropriate risk-adjusted return in line with our Responsible Investment and Stewardship Policy.

Our sophisticated systems enable us to continuously monitor our risks and adapt to changing market conditions. This ensures we can quickly identify, quantify, and react to emerging risks or opportunities within our portfolio.

Culture

Rothesay seeks to attract and retain the highest quality talent in the industry. The effectiveness of our risk management depends upon the high quality of our people and the strong risk culture and risk management practices.

We are committed to maintaining the highest standards of integrity, transparency, and accountability. Good conduct is fundamental to our purpose, strategy, and how we operate, and is also good business practice. A good culture is one where people do the right thing, feel empowered to speak up if something does not look right, and know they can rely on support from management. Training is conducted so that everyone appreciates Rothesay's risk culture and the part they play in maintaining standards and in managing risk effectively.

Rothesay's risk culture is set from the top down, with the Board and senior management ensuring that risk management is embedded throughout the organisation and demonstrating day-to-day how risk management informs decisions big and small. Risk management and conduct are an integral part of Rothesay's performance review process, ensuring that all Rothesay employees are held to the highest standards.

Employee Wellbeing

Rothesay understands that the wellbeing of our people has a direct impact on our performance. We therefore offer benefits to support the physical, mental and financial wellbeing of our employees and their families. Through our Employee Assistance Programme, employees have access to an extensive education hub and confidential external advice support on a range of wellbeing issues. Rothesay offers free memberships to additional wellbeing services and educational platforms.

In the case of workplace issues, our grievance procedure is designed to encourage a fair, consistent and speedy approach to resolving matters. Where issues cannot be dealt with through informal discussions with HR or managers, formal procedures ensure that grievances can be resolved in a swift and satisfactory manner.

Sustainability Commitments

For Rothesay, an integral component of effective stewardship is the management of sustainability risks and opportunities both within the investment portfolio and in the wider business. As such, Rothesay has set out a number of sustainability commitments that reflect our objectives for the integration of sustainability considerations within our investment decision-making and risk management framework, as well as our wider investment strategy.

1. We aim to transition our investment portfolio to Net Zero greenhouse gas emissions by 2050.[1]
2. We aim to reduce Scope 1 &2 Carbon Intensity of both our total portfolio and our Publicly Traded Corporate Debt (PTCD) sub-portfolio by 50% by 2030, with a baseline of 2020.
3. We actively seek out opportunities to match our long-term investment horizon with investments that support our sustainability strategy.
4. While investments in some climate opportunities are currently too speculative for our risk appetite, we are committed to supporting efforts to encourage low carbon opportunities and financing climate solutions.
5. We will incorporate broader sustainability factors, where relevant, into our investment analysis, stewardship approach, decision-making and engagement processes to appropriately consider social & governance and wider environmental factors, including climate change.
6. We recognise the investment required by high emitters to transition to a low carbon future. We will therefore seek opportunities to finance high emission companies where they have robust and credible transition plans, recognising that this may increase our Carbon Intensity (CI) in the short term.
7. We actively seek to engage with issuers currently misaligned with our commitments, rather than pursue immediate divestment.

In 2025 we published our Transition Plan which provides further guidance and details on actions to support our Net Zero goals.

[1] Our Net Zero commitment is science-aligned, focusing on taking actions that are consistent where possible with the Paris Agreement's long-term goal of limiting global warming to well below 2°C above pre-industrial levels and pursue efforts to limit it to 1.5°C

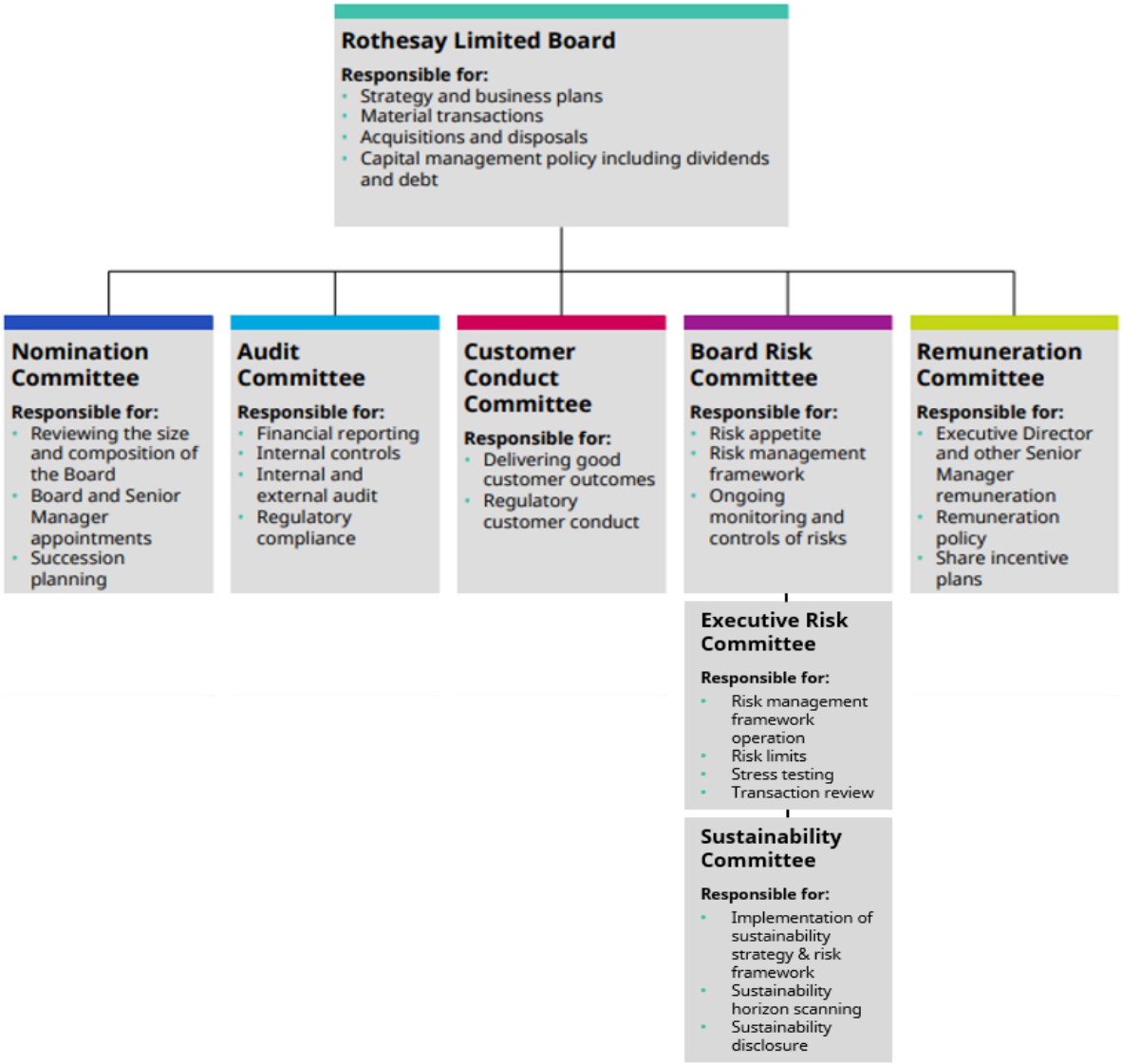
B. Governance and Resources

Disclosure B: *Describe how your resources enable effective stewardship.*

Our Governance Structure

Effective stewardship of our assets begins with a strong governance framework over every investment decision. At Rothesay, we structure our governance framework so that our strategy, purpose and values are clearly directed by our Board and are understood and acted on throughout the business. That approach, alongside robust management arrangements, systems and controls, supports us to effectively manage our risk profile and secure the future of every one of our policyholders.

The Board Committee structure is shown below:



The Board and its Committees comprise of a combination of Executives, Directors appointed by the shareholders of Rothesay Limited, and Independent Non-Executive Directors (INEDs) and meet on a regular basis.

Rothesay applies its risk management, internal control systems, and reporting procedures at a Group level (seeking to ensure that they are applied consistently across all entities in the Group) and at an employee level.

Rothesay's governance structure means that decisions can be made quickly and efficiently whilst ensuring that there is robust oversight. The Board is supported by the Audit Committee, the Board Risk Committee (BRC), the Customer Conduct Committee, the Remuneration Committee, and the Nomination Committee. Terms of reference for these Committees can be found at www.rothesay.com.

Appropriate Resourcing of Stewardship activities

Board Oversight

The Board is responsible for overseeing the delivery of the overall strategy of the Group and as part of this is also ultimately responsible for the business's approach to stewardship, sustainability and related risks and opportunities. Stewardship issues, including those related to sustainability and climate change, are embedded throughout our processes. Material elements are considered in our business planning, budget, and strategy activities to ensure appropriate stewardship strategy.

Sustainability topics are a regular item at Board and sub-Committee meetings. Material presented largely falls into three categories: general information designed to educate and ensure a broad understanding; specific sustainability and climate information that supports and solicits investment and business decisions; and Rothesay's climate-related metrics, alongside progress against our targets (for business operations and the investment portfolio). Performance versus our sustainability targets is shared at each Board Risk meeting, with the more strategic discussions occurring as appropriate, and at least twice a year.

Management Oversight

At the heart of Rothesay's asset risk management are our Investment Committee, BRC, and the Executive Risk Committee (ERC), which all consider and, if satisfied, approve investment in new assets. Transactions presented in these forums are required to address sustainability issues (including climate change) and these considerations are as important as other traditional credit matters. The executive team also discuss strategic elements of stewardship and sustainability risk management, including topics such as portfolio targets, exclusions, portfolio strategy, evolving regulations and disclosure requirements, and developments in client and stakeholder expectations.

In addition, a bi-monthly Risk Management Information Pack is shared with ERC and BRC members. This pack includes:

- A Credit Watchlist which contains issuers where Rothesay has concerns relating to the long-term value of assets. This can include concerns around governance practices, regulatory compliance and sustainability issues.
- Carbon Intensity performance of our portfolio vs targets / Key Risk Indicators.
- Percentage of market value allocated to higher climate risk investments, as outlined by our climate framework that identifies entities most exposed to climate risks.
- Exposure within our portfolio to investments linked to fossil fuels & renewables or climate opportunities, in line with TCFD recommendations.

The PRA requires that Senior Management Functions be nominated to take overall responsibility for identifying and managing the risks from climate change and at Rothesay this role is held by the Chief Risk Officer.

Sustainability Committee

Day-to-day responsibility for the implementation of Rothesay's climate change risk has been delegated to the Sustainability Committee (SC), a sub-committee of the ERC. In line with Rothesay's philosophy of ensuring that climate considerations are not confined to one team, the SC draws senior membership from across the business and is chaired by the Chief Risk Officer. This ensures that the projects undertaken by the group have wide support, knowledge gained is readily transmitted back to the business units of the members and concerns are raised at the highest level rather than addressed in individual business units.

The SC meets quarterly and has duties including the development of a Net Zero Transition Plan, monitoring of financial risks from climate change, and development and oversight of our external engagement strategy. It is also responsible for identifying and monitoring emerging sustainability-linked risks and opportunities through horizon scanning. Outcomes from the SC are regularly reported to the BRC, Senior Executive Committee and Board.

Membership of the SC includes:

- Chief Risk Officer (chair)
- Chief Auditor
- Head of Communications & Public Affairs
- Head of Sustainability Risk

The SC has developed a few sub-groups, comprising members of the Sustainability team, and other business experts. The purpose of these sub-groups is to help co-ordinate and drive the key strategic climate-related projects for Rothesay, involving the relevant business areas, and ensuring adequate and appropriate resource. This includes projects relating to scenario analysis, data processing and automation, and Net Zero transition planning, and involves experts from teams including asset origination, risk, finance, legal, and IT.

Sustainability Team

We have a dedicated Sustainability Team managed by our Head of Sustainability Risk, who reports to the Chief Risk Officer. This team acts as the central hub supporting the coordination of company-wide activity related to sustainability. Our analysts advise on sustainability strategy and frameworks, manage sustainability disclosures, and monitor relevant channels for evolving requirements and best practice.

The team also provides input to trade decisions and investment committee memoranda, advising on any material sustainability considerations. This ensures stewardship principles are widely considered and consistently applied for new investments. The analysts within this team have multiple years of sustainability experience, on top of wider experience in credit, risk management and consultancy, as well as relevant professional qualifications such as the Chartered Financial Analyst Institute Certificate in ESG (environmental, social, governance) Investing.

Systems and technology

Throughout its history, Rothesay has invested in building its own in-house technology platform which allows us to navigate and manage risks across our business and enhance our stewardship capabilities. Our technology offers real time financial reporting, analysis, risk and capital management and portfolio management. Rothesay's senior executive team is therefore provided with highly granular daily balance sheets and detailed risk positions through end-to-end integration of assets, liabilities and regulatory analytics, allowing the business to react quickly and decisively to rapidly changing economic conditions. The result being we can

provide our policyholders with the highest level of pension security while taking advantage of opportunities in real time.

Protecting personal data and sensitive information

Information security underpins Rothesay's stewardship capabilities. Guided by our Chief Information Security Officer (CISO) and supported by specialist teams covering Security Governance, Technology & Information Risk Management, Data Protection, Security Operations and Security Engineering, we work continuously to protect the confidentiality, integrity and availability of the data entrusted to us.

We operate a dedicated Technology Risk Committee, which receives regular risk management information on privacy, data protection, security incidents, vulnerabilities, and vendor information security posture. Rothesay's Board Risk Committee also receives regular updates on Technology Risk and from the CISO on the group's information security posture, key cyber threats, and control improvement plans to ensure we keep pace with threats.

Our Data Protection Officer (DPO) and dedicated Data Protection Team are responsible for: ensuring Rothesay handles, uses, and protects personal data appropriately; defining and operating privacy-related processes; and supporting alignment with applicable data protection laws and regulations, and related regulatory guidance.

Our Data Protection Policy defines the legal grounds for data processing and the process for individuals to exercise their rights under data protection laws. The Policy also sets the overall data retention and deletion policy objectives. The Data Retention and Disposal Standard explains how the business will meet the policy and after what period personal data will be deleted. Retention periods are documented within our Record of Processing Activities. We disclose relevant personal data to third party data controllers to manage our business. Our data protection notices outline the controllers with whom we share data. We do not rent or sell data to third parties.

Rothesay maintains a 24/7 Security Operations Centre to proactively monitor for threats and react to security incidents in real-time. We also maintain a comprehensive Security Incident Management Framework, and associated response plans, which include clear incident response roles and responsibilities.

We have continued to invest in our systems and capabilities to protect ourselves and our policyholders. Information security controls include a secure virtual desktop environment with vulnerability and patch management, identity and access management (including Multi-Factor Authentication MFA), strong encryption, data loss prevention, secure web filtering, and endpoint detection and response (EDR) solutions. Remote access and authentication to these desktops is monitored by the 24/7 SOC for potential malicious activity.

Rothesay's implementation of policies, procedures, and controls are externally certified, annually audited, and continuously improved. These are externally assured maintaining ISO 27001 and ISO 22301 accreditation.

Creating a cyber-aware company culture

Security and data protection awareness is embedded in day-to-day life at Rothesay. Every colleague—including contractors—must complete annual training, pass the associated assessment and take part in regular phishing simulations. Frequent threat briefings, informed by global intelligence sources, help staff recognise and report suspicious activity quickly and confidently.

Helping our policyholders avoid scams

We have a dedicated guide on our website (www.rothesay.com/policyholders/scams) to help our policyholders protect their data and privacy from scammers. This includes details on how Rothesay will, and will not, contact our policyholders as well as links to external support guides and websites from Age UK, MoneyHelper and the FCA ScamSmart service. In addition, Rothesay engages in several programmes that detect and respond to the illegal use of our branding, logos, and content for malicious purposes.

Securing our supply chain

The information and data security posture of Rothesay vendors is assessed via Rothesay's Third-Party Assurance Framework (TPAF) prior to on-boarding suppliers and business partners. This is a core part of initial due diligence and then regularly thereafter as part of ongoing vendor risk management. For vendors that process personal data, Data Protection Impact Assessments are completed in line with regulatory guidance.

External Service Providers

In pursuit of our stewardship duties, Rothesay utilises a range of third-party data sources. Examples include, but are not limited to, Bloomberg and CDP for climate emissions data, Planetrics (part of SLR Consulting) for climate scenario analysis, MSCI for wider controversial activities exposure screening, and S&P for Know Your Customer screening.

In order to assess the suitability and accuracy of the data and services we use, we obtain services from multiple providers to check for consistency. Where the numbers provided by one vendor exhibit material disagreement with those of another or with our independent research, we bring it to the attention of the relevant third-party and seek to ensure our data source is the most appropriate.

C. Policies, processes and review

Disclosure C: *Describe your stewardship policies and processes, and how you review them.*

Our Public Stewardship Policies

We have embedded our stewardship approach across our activities and therefore our policies. We have a number of public policies that are directly related to our stewardship approach and investment strategy. These are:

- Corporate Social Responsibility Policy (CSR)
- Responsible Investment & Stewardship Policy (which includes our position statements)
- Modern Slavery Statements published on our website.
- The Group Financial Crime Policy, which sets out Rothesay's commitments to financial crime prevention including predicate offences such as modern slavery, human trafficking, bribery and corruption.

Policy review to enable effective stewardship

As set out in our Policy Framework, which applies to all internal and external policies, formal policies that sit within the purview of the Board or Board Committees are reviewed regularly (typically at least annually). This process is necessary to keep them aligned with our internal strategy, risk appetite, external standards and/or industry good practice, and regulatory requirements. All colleagues receive training on policies including during induction and as part of regular refreshers on content and where to access policies.

Our Policy Framework

Policies are recorded on a policy log, owned by our Company Secretariat (CoSec). This outlines when each policy was last approved and the deadline for the next review (usually annual). Before each round of Board and Board Committee meetings, this log is reviewed to identify which policies are due for review. Policy owners are notified of the need to review a policy to ensure it remains aligned with our stewardship approach.

Non-material amendments, such as minor language changes, may be approved by a delegate of the policy's approver (e.g. where the policy approver is a Board Committee, the relevant Board Committee Chair). Substantive amendments must be approved by the relevant policy approver (e.g. the Board or a Board Committee). Where the need for a new policy is identified, it will be added to the policy log.

We continue to consider and document our sustainability risk exposure and resilience within the Own Risk Solvency Assessment (ORSA), including on our climate screening and scenario analysis modelling.

Internal and external assurance in relation to stewardship activities

Rothesay's approach to its internal and external assurance processes is driven by the key objectives of the business and informed by industry best practice and expectations. As a result, we have a well-established process for assurance focused on allowing the rapid, informed decision-making that enables Rothesay to conduct its activities.

Rothesay has a risk management framework (RMF) which is aligned to the 'three lines of defence model'. The mission of the Risk Function is to safeguard the interests of policyholders, balance risk with sustainable growth and shareholder value, and to foster and protect Rothesay's embedded risk culture over time through

independence and challenge. The RMF ensures that accountabilities and responsibilities are clearly agreed and documented, and that there are appropriate checks and balances, including segregation of responsibilities.

Our existing governance structures provide mechanisms through which our stewardship practices and sustainability strategy and reporting are reviewed and evaluated by senior colleagues at Rothesay, including the CRO and Chief Financial Officer. This process involves challenge from senior colleagues around completeness and accuracy of information, including requests for evidence of verification, and suggestions for improvements and/or clarifications to ensure content is clear for the audience. This helps ensure that our processes and reporting for stewardship are fair, balanced and understandable.

Examples of Internal Assurance

Compliance: The compliance team undertakes regular reviews of our policies, commitments and practices, and works alongside the Legal and Sustainability teams to monitor evolving sustainability related regulations. We have formalised our internal assurance approach such that a member of the Compliance team also sits as a member of the SC.

Operational Risk: The Operational Risk function reviews our investment and risk management processes, including the robustness of internal controls around climate data.

Internal Audit: Provides the Board and Executive with comprehensive, independent, objective assurance over governance, risk management and internal control including in relation to our stewardship approach and sustainability data and disclosures. As the result of an internal audit of the adequacy and effectiveness of the controls in place governing the sustainability framework, we enhanced our data collection resilience for climate reporting. The Chief Auditor also sits as a member of the SC.

External Assurance of our reporting

There is a significant level of internal oversight across the Group to provide assurance over our investment policies and practices related to stewardship and the success with which they are being implemented. Nevertheless, we have also engaged external consulting and legal support from Clifford Chance to provide independent assessments of our approach to sustainability and stewardship reporting including adherence with the new Financial Conduct Authority (FCA) anti-greenwashing rule.

The importance of high-quality sustainability and stewardship reporting to ourselves and our stakeholders, led to a decision to seek independent limited assurance over selected Key Performance Indicators (KPIs) as to the accuracy of the data presented in our 2025 Climate Report (published April 2026).

D. Conflicts of Interest

Disclosure D: *Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.*

Rothesay's Conflicts of Interest Policy and its Application to Stewardship

Rothesay has a well-embedded Conflicts of Interest Policy that provides the business with guidance for identifying, avoiding, disclosing, and managing circumstances that may give rise to conflicts of interest. This supports our ability to consistently put the best interests of our clients first.

Our policy defines a conflict of interest as:

"A set of circumstances or situation where the Group and/or its employees are subject to multiple competing influences that could adversely impact decision-making and outcomes."

Potential conflicts arise in two ways:

- **Business conflicts:** the competition of legitimate influences on the Group's business, for example (i) between Rothesay's primary stakeholders; (ii) in the Group's third-party relationships; (iii) with a person linked by control; and (iv) with and between its clients or customers.
- **Personal conflicts:** the competition between interests of an employee, the Group or its clients and potentially harmful influences rooted in personal interests or relationships. Examples include personal decisions driven by the prospect of financial gain or increased social status.

Rothesay's business encompasses a range of activities, including liability transactions in respect of bulk purchase annuities, funding arrangements with mortgage lenders and originators, real estate investments, and other broader fixed income investment activities. These activities give rise to some potentially competing interests and therefore our activities must carefully consider the conflicts of interest they may present.

Identification and Management of Conflicts of Interest

As an example of controls in place to manage conflicts, the following internal processes and rules exist to manage conflicts of interest between Rothesay and its employees' trading activities when Rothesay is simultaneously in receipt of confidential information held because of Rothesay's liabilities business:

- The Compliance Function maintains a list of entities (the restricted list) in relation to which we judge the firm to be in possession of material non-public information (MNPI). Generally, where we make this judgement, it is because of our liability dealings with corporate pension schemes or investment activities including market soundings on new issues.
- Trading in securities of issuers who are on our restricted list is prohibited.
- Approval is required prior to trading securities of issuers on our conflicts list for whom we hold confidential but not material non-public information. All employee personal account dealing in equity and corporate debt instruments must be submitted for pre-trade approval.

From time-to-time Rothesay's asset risk management function may wish to engage with issuers who are included in either the conflicts or restricted trading lists in order, for example, to obtain more detailed

information about their carbon emissions or a potentially controversial activity that they are required to monitor. A conflict could arise if the Bulk Purchase Annuity Business Development team believed such engagement would limit their ability to effectively negotiate a liability side transaction with the issuer's pension scheme. We mitigate this conflict by having a clear separation between the Risk teams (who are responsible for our issuer engagement activities and report to the CRO), and the Business Development Team (who report to the Chief Executive Officer (CEO)).

Rothesay takes the following approach for all conflicts of interest:

1. Identification of potential/perceived conflicts of interest.
2. Avoid or manage the conflict of interest.
3. Disclose conflict of interest.
4. Review conflicts of interest.
5. Annual conflicts of interest training and attestation.
6. Specific Conflicts of Interest Policy subject to annual review.

The annual training emphasises the fact that one of the less obvious conflicts that employees may face is that between the natural inclination to steer clear of difficult situations and the requirement to report breaches whenever they are noticed. We strive to create an unthreatening atmosphere in which the reporting of errors made, or obstacles encountered, is not stigmatised.

Rothesay's Compliance Function prepares conflicts of interest-related reports for Senior Management and its Business Controls Committee. In addition to metrics such as conflicts self-reported by employees, reporting may include specific examples of conflicts that have arisen. The Executive Risk Committee, Business Controls Committee and Audit Committee are responsible for the oversight and mitigation of conflicts of interest.

Rothesay's business groups, when considering new transactions with related parties (e.g. shareholders), will seek approval from Rothesay's Executive Risk Committee where conflicts of interest are analysed in detail and decisions are taken to implement specific actions to manage or avoid transactional conflicts. Examples of actions may include making sure pricing of a financial instrument is at arms-length or that approval is sought from Rothesay's Board.

From time to time, Rothesay may receive confidential information in relation to its assets. That information could, in certain circumstances, be considered Inside Information. Receiving Inside Information can, where Rothesay holds related public bonds positions, conflict with the firm's risk management activities in public markets. Rothesay has established procedures and organisational arrangements to either limit the dissemination of Inside Information or restrict trading as necessary. These arrangements have been put in place to avoid impairing Rothesay's ability to carry out ordinary course risk management activities in public markets.

We encourage and require employees to raise potential conflicts of interest so that they can be properly assessed and considered, including seeking the approval from relevant senior management who may be closer to the issue. For the most part, requests by employees to conduct personal account trades in listed securities are approved but occasionally they will be rejected. Potential conflicts could arise where employees disclose outside business activities, private investment activities, gifts & entertainment offers, personal relationships or other areas of concern. Requests are usually approved and/or noted after appropriate consideration.

E. Dialogue with clients and/or beneficiaries

Disclosure E: *Describe how you maintain a dialogue with clients and/or beneficiaries*

Methods Used to Share Information and Receive Feedback on Stewardship Activities

Individual Policyholders

For most of the individual annuitants benefitting from Rothesay's services, their most important requirement is that their pension be paid in the correct amount at the correct time. Where our pension administration is outsourced to specialist third-party providers, we shadow in our own systems the payments made by the third parties and make a careful reconciliation. In order to minimise the risk to the timeliness of payments, our process ensures that our payor bank accounts are fully funded well in advance of the date that pensioner payrolls are due to be made and resiliency testing is undertaken.

Our commitment to deliver excellent service continues to be recognised by the Pension Administration Standards Association (PASA), the independent body dedicated to driving up standards in pension administration. Rothesay prides itself on the quality of service that it provides and has developed robust governance to support this objective. This includes monitoring customer satisfaction as part of our Alternative Performance Measures (APMs). Policyholder feedback surveys are sent to all policyholders following interaction with them (apart from complaints or bereavements). In 2025, 96% of customers rated our service as either good or excellent.

In 2025, we launched RothesayTalk as a forum for us to speak to our policyholders directly and receive valuable feedback on how we can improve our services to ensure the long-term sustainable value of their policies. Questions and feedback on our stewardship activities and sustainability practices are encouraged in this forum.

Part of our stewardship role on behalf of individuals is to ensure not only that their pensions are secure but also that their personal data is well protected. We directly employ a team of over a dozen people dedicated to information security. We not only strive to ensure the security of our own processes but also engage with all our material suppliers to understand whether they could represent a security weakness. All employees are trained in the aspects of information security pertinent to their roles, for example in making secure file transfers to external parties.

Trustee Clients

While for individual policyholders our stewardship principles may be a matter of interest, pension trustee boards are required by their regulator to make their own climate related disclosures and therefore they rely on us to provide them with Rothesay's climate related disclosures from which they can glean the data they need.

Pension trustee boards typically seek information from us on our sustainability risk management approach as part of their process to select an insurance partner. At that stage we engage directly, sharing key elements of our framework, including stewardship, targets and exclusions, while aiming to understand their priorities. This exchange of information is used to guide enhancements to our sustainability framework over time.

On an ongoing basis, we report on our risk management processes relevant to stewardship and our sustainability investment strategy annually in both our financial statements and dedicated sustainability reporting suite. We strive to produce accurate and granular information on our approach. This allows pension fund trustees to check that Rothesay's approach meets the pension scheme's own stewardship objectives.

Rothesay has chosen to run a single matching fund that backs the liabilities of all our clients in a consistent manner, allowing us to manage all of our assets in alignment with the stewardship and investment policies we have set for ourselves. In our Responsible Investment & Stewardship policy, we outline our investment strategy and any exclusions we have put in place. Our approach is guided by our client needs. However, as we only run a single fund, we cannot always accommodate conflicting sets of exclusions for different clients. Likewise, for consistency and simplicity of communication, we must limit the number of metrics we report and can only set a single target for any given metric.

Rothesay is a participant in the Accounting for Sustainability (A4S) Bulk Annuity Sustainability Survey (BASS). The BASS was designed to reduce the inconsistency in the questions asked and level of detail required by trustee advisors and consolidate core elements of individual advisors' surveys into one annual process. Not only does this help to improve efficiency and the level of information available for comparing insurer responses but also allows for comparable feedback to be provided to Rothesay on our sustainability practices. This feedback also provides a valuable insight into our clients' priorities and, therefore, guides our stewardship strategy.

I. Integrating Stewardship and Investment

Principle 1: *Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.*

Identifying and prioritising stewardship activities

Our approach to the identification and management of risks during the investment process is guided by our Risk Management Framework where stewardship considerations, such as sustainability, are fully embedded. Rothesay directly manages its investments, allowing for a customised asset-by-asset approach to managing risk. Treatment of risks pertinent to successful stewardship is based on a materiality approach, with heightened scrutiny triggered as the risk increases. Our materiality assessment reflects regulator, stakeholder and client priorities, the scale of potential financial or reputational risk to us as well as the impact an investment has on the environment or society. This approach means we prioritise the assessment of climate-related risks due to systemic and long-term consequences that will not be fully felt within a normal financial assessment horizon. In contrast, wider sustainability risks are often more evident in the present, and so may be assessed and escalated where material, in line with our established credit risk management frameworks.

Rothesay's approach to stewardship, investment and sustainability integration is outlined in our Responsible Investment & Stewardship Policy, which requires the application of clear risk management processes at the point of purchase and throughout the life of all our investments. To support this, Rothesay has a Sustainability team, including dedicated Sustainability analysts, to support the analysis of issues and facilitate the embedding of our stewardship approach and sustainability-related considerations across the business.

Prior to investing in an asset, Rothesay will conduct various levels of due diligence to determine the likelihood of it generating an acceptable return for the risk taken, with risk being quantified according to our granular internal model for capital. This is dependent, among other things, on credit ratings. In the case of externally rated bonds, our risk identification process is designed to check whether the verdict of the relevant External Credit Assessment Institutions aligns with our internal risk assessment.

Effective stewardship is integrated across all aspects of our business model including in the management of our liabilities. As part of our long-term aim to provide our policyholders with a safe and secure pension, we manage longevity risk through unfunded collateralised longevity swaps. Under these longevity swaps, Rothesay retains the assets and pays a series of reinsurance premium amounts over time based on expected longevity and receives a series of reinsurance claim amounts based on actual experience. This allows us to hedge our longevity risk without undue counterparty risk exposure. We manage the remaining counterparty risk of both our reinsurance and banking counterparties in line with our approach to managing the credit risk within our asset portfolio. Where risks are deemed to be sufficiently material, counterparties may be added to the Credit Watchlist, which places restrictions on further new business. [2,]

[2] Issuers and counterparties placed on the Watchlist undergo additional monitoring, ensuring that additional controls are implemented, and concerns are reported and escalated to all relevant stakeholders.

Case Study – Reinsurance Counterparty on Our Credit Watchlist

A reinsurance counterparty of Rothesay announced a significant transaction that required a material increase in the company's leverage to fund the acquisition. Our credit risk team had noted concerns around an increasingly aggressive growth strategy and also flagged a history of volatile prior performance of the acquired business. Rothesay engaged with the counterparty's management to get a clear idea of the integration strategy and whether performance concerns were both accurately priced into the deal, and within the company's risk management appetite.

The engagement also involved discussion among internal senior stakeholders, and the decision was taken to add the counterparty to the Credit Watchlist ahead of the deal close. The team continues to monitor financial results closely for evidence of mispricing. Strategic updates on execution of the deal and subsequent integration are discussed frequently with counterparty management in order to understand the evolving risk and ensure that any deterioration in credit quality can be identified and escalated at an early stage.

Material Sustainability Issues

Our process for the identification, assessment and management of sustainability risks relies on a broad range of credit and sustainability factors. From a climate perspective, our framework considers physical, transition and liability risks. From a broader perspective, we consider, within our assessment of risk, involvement in commonly accepted controversial activities and material social and governance factors, such as human rights, diversity & inclusion and Board oversight. We utilise quantitative indices (e.g., the Carbon Intensity of the portfolio) to manage our overall portfolio, sector, and individual issuer exposures to sustainability risks. High Carbon Intensity issuers are considered in terms of their decarbonisation pathway and the impact on our climate commitments to support responsible stewardship through management of our risk.

As above, this is supplemented by sector and thematic deep dives on material topics to understand and manage our exposure, while our sustainability data provider supports portfolio screening for exposure to certain controversial products, or UN Global Compact violations. As with our counterparties, where sustainability-related issues are current and deemed sufficiently material, issuers may be added to the Credit Watchlist as per the existing risk framework. The assessment of relevant sustainability factors also forms part of the credit due diligence process for limit increase requests for existing issuers.

A key factor in ensuring long-term sustainable value for our policyholders is our ability to manage our portfolio to Net Zero by 2050. In 2025, we published our first Net Zero Transition Plan as part of our commitment to transparency for all our stakeholders, ensuring we can communicate progress towards our climate commitments with greater granularity of data, remain sensitive to evolutions in policy direction, and be accountable for our progress over time. 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. This allows us to implement strategic actions to further improve our risk approach and ultimately make more informed investment decisions.

As part of the development of our Transition Plan, we recognised the investment required to transition to a low carbon future and, therefore, seek opportunities to finance high emission companies where they have robust and credible transition plans, recognising that this may increase our climate metrics in the short term.

Case Study – Modelling of a High Carbon, Transitioning Entity

As part of the work for our initial Transition Plan we identified a utility issuer that, despite having a carbon intensity materially above the total portfolio average, had a robust plan to reach Net Zero by 2050 and was taking actions aligned with this target. By modelling out what their emission reduction pathway could look like under a number of scenarios and the impact on our portfolio, we were able to gain comfort in our exposure to this entity despite the elevated risk from this high-emitting issuer.

Our Transition Plan models projected emissions out to 2050 for issuers in our portfolio, and adjusts these emissions based on the credibility of their own stated emission reduction targets.

Geographic Considerations in our stewardship and investment approach

Rothesay has a single fund and therefore it is not necessary to consider differences across funds. Our investment strategy for this fund is focused on investments in Organisation for Economic Co-operation and Development (OECD) countries. This reflects the management of our portfolio to protect policyholder interests and align with our stewardship goals, due to the robust regulatory frameworks and transparency of these jurisdictions.

Country and Sovereign Limits

Whilst Rothesay's investment portfolio is focused on highly rated assets in the UK, US, EU and Australia, as our business grows, geographic diversification plays an increasingly important part of Rothesay's risk management approach and stewardship goals. To manage geographic concentration risk in our portfolio, Rothesay assigns and monitors country limits to all jurisdictions we invest in. These limits are typically assigned by our Board Risk Committee, and our credit risk team maintains, reports on and monitors these limits on an ongoing basis. In the rare event of a breach of a country limit, a number of escalation procedures, for instance escalation to the Executive and Board Risk Committees, are in place dependent on the nature of the breach.

In addition to our country level limits, Rothesay has also established Sovereign limits, which are maintained to represent risk appetite for exposure to central governments of selected countries. These are set by Rothesay's Executive Risk Committee (up to respective Country Limits). Rothesay also maintains lower delegated limits for EU sovereigns to facilitate day to day activity while controlling concentration and duration risk. This also features an EU wide aggregate limit.

A number of sovereign limit changes were implemented in 2025, including small new sovereign limits assigned for three European sovereigns and small limit increases for another three European sovereigns. These were subject to Executive Risk Committee approval.

Sustainability Considerations: Regional Differences

Consideration of environmental and social concerns is also regularly included in regulatory and legislation expectations, encouraging public reporting and responsible business practices of companies operating in these regions. Rothesay's investment portfolio is focused on highly rated assets in the UK, US, EU, and Australia.

Expected decarbonisation pathways vary based on jurisdiction. This variation acknowledges differences in available resources, existing infrastructure and economic conditions, which may impact the approach taken by a region to decarbonise. To reflect geographic differences appropriately, we undertake comparisons of peers within specific sectors and geographies to understand leaders and laggards not just within sectors globally, but

also within operating regions. However, we ensure we consistently align with the Stewardship Code principles regardless of jurisdiction.

Different expectations also form part of our engagement approach. For example, for UK and European companies, we expect more advanced transition risk management, with greater investment in green technologies and wider adoption of science-based targets, given decarbonisation progress to date. For jurisdictions where decarbonisation faces more significant challenges, we prefer to invest in shorter duration and liquid bonds which allow us to divest if our expectations are not met in line with our target dates.

In addition, geographic considerations are central to the appropriate identification and management of physical risk. This is most material for investments tied to locations with elevated exposure to physical risks such as flooding or wildfire and includes corporates with operations concentrated in susceptible regions. The exact nature of this risk will vary dependent on specific location of each asset. In 2025, we took steps to improve our understanding and monitoring of our portfolio's exposure to physical risk. This involved the onboarding of a new physical risk data vendor to complement our existing flood risk data capabilities, allowing us to better quantify physical risk across a broader range of hazards at the asset-level on our property and fixed assets. This involved a rigorous vendor selection process, details of which can be found in Principle VI.

Asset Class Considerations in our stewardship and investment approach

As mentioned above, Rothesay has a single fund and therefore it is not necessary to consider differences across funds. However, inherent differences between asset classes require the acknowledgement that there is not a one-size fits all approach for integration of stewardship considerations. Rothesay invests principally in fixed income assets (via bonds, loans and direct lending), which ultimately aims to provide liability matching efficiency. We maintain a list of eligible asset classes which fall into one of the three categories above, and any new asset class must be approved by the Board Risk Committee. Limits are placed on each asset class in order to manage concentration risk within the portfolio. These limits are expressed as a percentage of total net assets and are set by the Board Risk Committee.

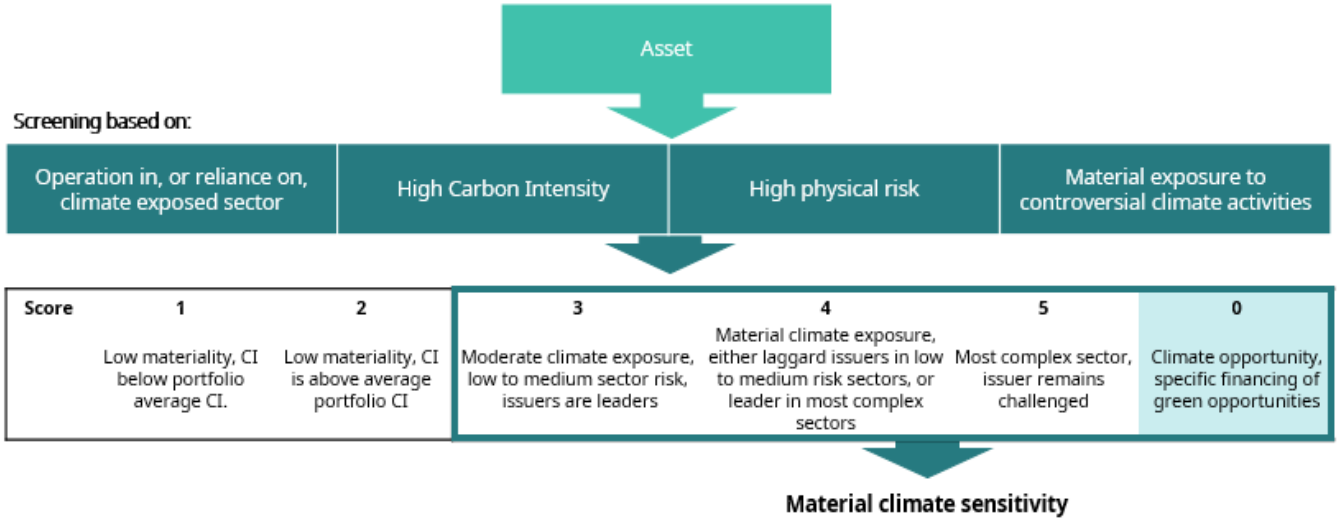
While we seek to create a holistic framework across our activities, the below highlights some of the differences in our approach to ensure risks are appropriately identified and managed.

We also consider the overlay of physical climate risks from a geographic location where issuers or asset classes have fixed geographic footprints.

Corporates & Infrastructure

As part of our sustainability analysis, we use a climate scoring approach to identify and assess entities with elevated exposure to climate risk for which more detailed analysis is undertaken. A score is allocated to all issuers within the portfolio based on materiality of climate risks. Screening is based on whether an issuer operates in (or has a significant reliance on) a climate exposed sector, has a high Carbon Intensity, is exposed to significant physical risks and/or has material exposure to a controversial climate activity. Scores provide a quick and easy way to understand climate exposure within our portfolio and are updated as issuer performance evolves. They also provide an additional lens through which to identify priority issuers with which to engage on climate issues.

Our climate scorecard uses materiality criteria to trigger additional review as outlined below:



Issuers that do not reach the materiality threshold are scored 1 or 2 based on Carbon Intensity only. Climate Material issuers are ranked between 3 & 5, based on the intersection of:

- a sector score reflecting the challenges climate poses in terms of long-term demand and available abatement technology.
- an issuer score which reflects effectiveness of the issuer's response & management of transition risk.

Climate Opportunity issuers are scored 0 based on financing for verifiable sustainable activities such as renewable energy or waste management investments.

In addition, our sustainability framework also screens for controversial products, defined as activities/products that are deemed as having greater levels of associated sustainability risks based on their perception and/or impacts. Wider sustainability risks are also considered where deemed material as part of our investment process, such as bribery and corruption and impacts on community, labour rights and biodiversity.

Case Study – Our Material Climate Score Data

Using the outlined framework, at YE 2025, 11.4% of in-scope portfolio issuers (MV basis) were allocated a material climate score. Our slight YoY increase in this number (up from 11.2% YE24) is consistent with our portfolio commitments, as we expect to see short-term fluctuations given our portfolio growth and strategy to deploy capital to carbon intensive industries with credible plans for transition as part of our long-term goals. The majority of these issuers continue to be assigned a score of 3 and a large portion of our exposure is within the utilities sector, reflecting the considerable opportunity for decarbonisation in this sector.

A key tenet of our stewardship approach is investing our capital responsibly in assets that match our liability cash flows, provide appropriate risk-adjusted returns and support our pathway to a sustainable future. In particular, this involves funding the provision of critical infrastructure, especially in the UK. At 2025 year-end, Rothesay was invested in £19.8bn of opportunities deemed to be sustainable investments, which we consider to be investments in companies and sectors aligned with one or more United Nations Sustainable Development Goals and where the proceeds can be explicitly earmarked for sustainable or social purposes.

Public Finance

Our exposure to public finance encompasses a wide array of high-quality and long-dated investment opportunities spanning sectors such as higher education, US non-profit healthcare, and government-linked investments across infrastructure and local authorities. Many of these investments have relatively low carbon emissions, which reduces their transition risk, and many provide critical facilities or vital social benefits. Where entities have fixed market locations, such as US non-profit healthcare, we consider potential physical risk and demographic shifts as part of our assessment.

Project Finance

The limited purpose associated with a project finance asset allows specific assessment of its sustainability positioning, including physical risk for any fixed assets, and transition risk. Aspects of climate change, such as policy risk, may impact the long-term assumptions of stable revenue and cost base, especially for projects in climate intensive sectors or regions. In addition, transactions are often illiquid and long dated. Therefore, for this asset class our assessment puts additional importance on the underlying asset, alongside evidence that the project has priced in potential additional sustainability-linked costs and has feasible, credible transition plans to indicate how they align with our climate commitments.

Property

Our approach recognises that the value of assets linked to properties within the portfolio may be impacted by the physical risk associated with location, as well as transition risk arising from policy actions. We have historically targeted high-quality properties, resulting in naturally stronger EPC performance, and this remains a critical element of our risk assessment for new investments.

Of the asset classes in which we invest, property is one of the most exposed to physical risks. Due to this, specific property screening for flood risk is undertaken as part of standard direct lending activities. Our financial exposure to climate risk stemming from property lending that passes our screening tests is estimated by conducting scenario analysis for both physical changes and changes to energy efficiency rules. Where Rothesay funds the origination of mortgages in the UK, our lending criteria specifies the type of properties that are acceptable, including factors such as construction, location, and environmental perils such as flood risk.

Sovereigns

Our liquidity strategy calls for large holdings of Gilts, and our investment in Gilts and UK sovereign guaranteed bonds account for more than 70% of our sovereign exposure. The only other material exposure is to the US, which is also driven by our interest rate and liquidity management strategy. We have limited ability to alter our investment approach to these sectors as they support our liquidity needs, but to support climate outcomes in this asset class we led the Net Zero Asset Owner Alliance (NZAOA) initiative to promote disclosure and assessment of sovereign emissions and strategy.

Due diligence

Alongside the analysis undertaken by credit and trading, our Risk, KYC Operations and Compliance teams support and conduct “know your customer” due diligence on borrowers new to the firm using a risk-based approach in line with relevant legal and regulatory requirements and expectations.

All due diligence includes the consideration of factors relevant to effective stewardship, where this may either have a reputational impact or regulatory compliance implications. The factors considered depend on the sector concerned. We acknowledge that specific disclosure requirements relating to sustainability are currently still in

their infancy, with those surrounding climate change being the most developed while those on wider sustainability themes are yet to be implemented in the UK.

However, there are several areas of existing legislative and regulatory requirements that drive how we consider proposed investment opportunities including the Modern Slavery Act 2015, various legal and regulatory requirements relating to Financial Crime, UN Guiding Principles on business and human rights and OECD guidelines.

Due diligence undertaken by KYC Operations and overseen by Rothesay's Money Laundering Reporting Officer (MLRO) is critical in identifying risks associated with financial crime. Having an open and constructive dialogue between the business, assessment teams and second line control functions helps to effectively assess the spectrum of risks involved in a relationship, both at its outset and thereafter on an ongoing basis.

Typical indicators of increased financial crime risk include:

- Complex and opaque ownership structures
- A nexus with high-risk jurisdictions, particularly those on Financial Action Task Force (FATF) 'black' or 'grey' lists or where reputable agencies have expressed concerns about a country's anti-money laundering and terrorist financing controls.
- Government involvement or connection to individuals including Politically Exposed Persons (PEP).
- Adverse media indicating historic or current bribery and corruption issues or other similar financial crime issues.

II. Promoting Well-Functioning Markets

Principle 2: *Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.*

Rothesay's risk management framework (RMF)

Rothesay has an embedded risk management framework (RMF) that adheres to the 'three lines of defence model' and ensures that every employee knows how they contribute to the effective identification, management, mitigation and monitoring of all types of risks including market-wide and systemic risks.

First line: Day-to-day risk management is delegated from the Board to the CEO and, through a system of delegated authorities, to business managers. Rothesay also makes the distinction between:

- the risk-taking functions, including investment and new business origination; and
- the control functions, whose responsibility it is to ensure the integrity of Rothesay's operations and reporting. These include operations, finance and legal.

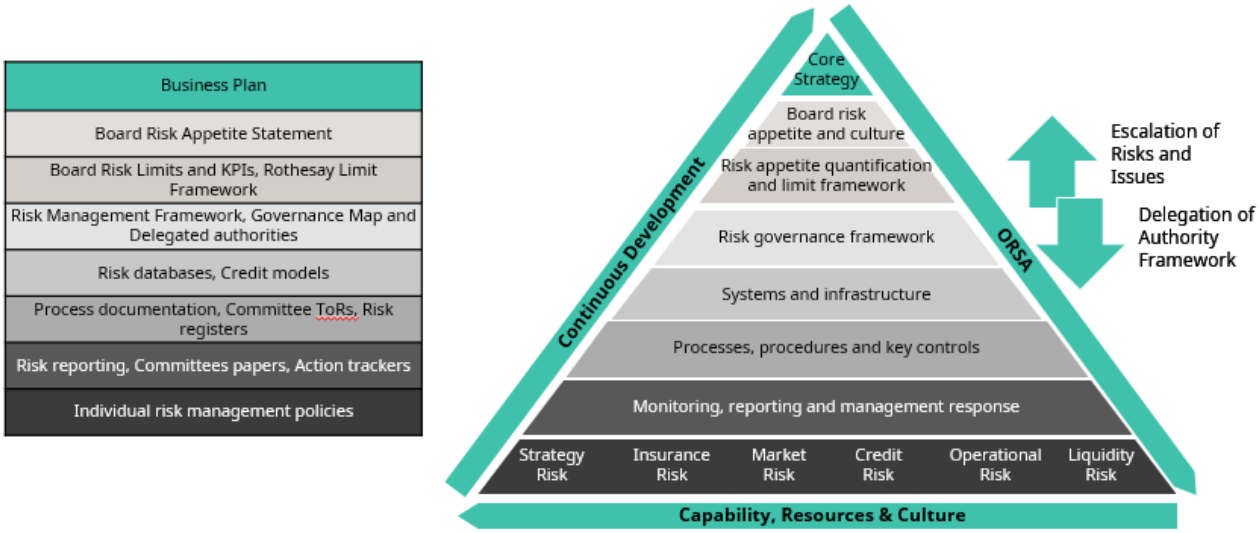
Second line: Design and maintenance of the risk management framework as well as risk oversight is provided by the CRO, his team and risk management committees. The Chief Compliance Officer and his team report to the General Counsel as part of the Legal and Compliance Function, as does Rothesay's Data Protection Officer.

The Executive Risk Committee is chaired by the CRO and consists of relevant senior managers working within a delegated risk management framework. This committee reviews all material new investment, hedging and liability transactions.

Third line: Internal Audit provides the Board and Executive committees with comprehensive, independent assurance over governance, risk management and internal control.

The RMF informs and is directed by Rothesay's business strategy. Risk management considerations are integral to setting business strategy, as we seek to optimise our risk-adjusted returns and create shareholder value whilst also meeting the expectations of our clients and other stakeholders. The RMF ensures both clear ownership and strong oversight of all of Rothesay's risks, both quantifiable and non-quantifiable.

Despite the successful operation of our risk management framework in 2025, we are constantly reviewing and improving the entire framework to ensure that it continues to provide the insights to ensure effective risk-based decision making at all levels of the organisation.



Identification and Response to Market-wide Risks

Rothesay's capital strength, embedded value, liquidity, and profitability are all directly affected by changes in interest rates, currency rates and inflation often in a complex, interacting and non-linear fashion. We regard it as vital to always know our sensitivity to these factors and the firm's integrated pricing, capital, and risk management system, inherited from Goldman Sachs and further developed in house, is our key competitive advantage in this regard. All assets and liabilities are captured within the system, along with all the relevant real time market data.

Each day comprehensive risk reports are computed allowing the traders to execute trades of the correct size to maintain the sensitivity of our primary metrics in line with the course set by senior management. These trades are largely done in the market for interest rate and cross-currency swaps all of which are undertaken with Collateral Support Agreements which, in turn, require us to manage our liquidity as carefully as our capital. To this end, where we are required to provide collateral to a counterparty, we have sought to agree arrangements which permit us to post as wide a selection of our assets as possible rather than being restricted to cash and Gilts to manage liquidity risk.

The other stakeholders with whom we work, where our dealings have the potential to affect the quality of the way the financial system functions, include market counterparties, reinsurance counterparties, pension scheme trustees, advisors and sponsors, and investors in Rothesay both current and potential for debt and equity.

Our Approach to Understanding and Managing Market-wide Risk

The Rothesay Asset-Liability Committee meets each morning to discuss the behaviour of the markets and to decide upon any adjustments to our risk positions that may be warranted. This results in our dealings with the market having an incremental rather than a dominating impact on the flows experienced by our counterparties. We execute market trades in a manner that is respectful of our counterparties and indicative of our desire to be a long-term participant with whom other institutions want to trade.

In our dealings with reinsurers, we work with them to maintain the integrity of the market by being fully transparent with respect to the actuarial data we hold and by providing mutual credit support to all treaties via carefully tailored collateral arrangements. These arrangements are designed to allow both parties the flexibility

to use assets as collateral from an eligibility pool that is broad enough to minimise the risk of forced sales of illiquid assets which, in turn, could spark a wider sell-off.

During the negotiations that surround Rothesay's eventual acceptance of the liabilities of a new pension scheme, we aim to maintain our reputation for integrity, living up to our promises, and providing total clarity as to the process and any potential pitfalls. Behaving in this way gives scheme advisers the confidence that we will do so in future and helps to keep the pension risk transfer market functioning smoothly.

Identification and Response to Systemic Risks

Many of the issues we addressed here in our reporting for 2024 continued into 2025. We have chosen not to reproduce this content, which instead can be found on our company website in our 2024 Stewardship Report. Instead, the below outlines some new examples of systemic risk impacts to markets and how Rothesay's stewardship approach has supported positive outcomes for the business and contributed to the well-functioning of markets.

Implications of Global Policy Shifts

Risk Identification

The introduction of higher US tariffs on a broad range of imported goods, together with responsive measures by some trading partners, increased uncertainty around the global economic outlook during 2025. The risk of a prolonged period of trade fragmentation had the potential to weaken global growth, increase inflationary pressures through higher import costs and disrupt established supply chains. These developments also created uncertainty for financial markets, with the potential for increased volatility across interest rates, credit spreads and foreign exchange markets as investors reassessed economic growth and monetary policy expectations.

Rothesay Response

Rothesay continued to monitor the evolving trade environment and assessed the potential implications for both the asset portfolio and liability profile through regular stress testing and scenario analysis. While our predominantly investment-grade, diversified portfolio and long-term investment horizon reduced our direct exposure to trade-sensitive sectors, we reviewed concentrations in industries that could be disproportionately affected by tariffs and weaker global trade to ensure appropriate asset stewardship. We also considered the potential impact of higher inflation and changing interest rate expectations on collateral requirements, liquidity and hedging programmes, ensuring that sufficient liquidity resources remained available under severe but plausible market stress scenarios. Our disciplined investment approach, focus on high-quality assets and robust risk management framework helped ensure that the business remained resilient throughout periods of heightened market uncertainty

Fragmented Global Climate Policy

Risk Identification

The global climate policy landscape became increasingly fragmented during 2025, with different national governments adopting differing approaches to climate regulation, transition pathways and disclosure requirements. This was most notably exemplified at COP30 in Brazil where global leaders were unable to reach any consensus on the future of fossil fuels. This heightened uncertainty for investors by creating diverging transition risks across sectors and geographies. Inconsistent policy implementation has the potential to affect long-term investment values, particularly for carbon intensive industries and assets exposed to changing regulatory or physical climate risks.

Rothesay Response

Rothesay continues to undertake scenario analysis to consider how different, highly uncertain climate-related risks may affect our business; reviewing results against our qualitative judgement and then refining our risk management approach where appropriate. In 2025, upon review of our suite of climate scenarios, we deemed the NGFS scenario, Fragmented World, to be our central case. This scenario allows us to assess the impact on our portfolio of delayed and divergent climate policy ambition, consequently leading to high physical and transition risks. We also supplement formal quantitative scenarios such as NGFS with narrative-based scenarios, allowing a more nimble and nuanced assessment of this risk, for example conducting a review of the impact of changes to the Inflation Reduction Act to our energy generation investments. In this case a reversal of policy impacted companies constructing US offshore wind generation.

Operational Resilience

Risk Identification

2025 saw a number of high-profile cyber events impacting firms, and this remains one of the most significant potential risks for UK financial service providers. We are simultaneously cognisant of the increasing reliance on third party technology in the financial sector. Disruptions affecting critical financial market infrastructure or key service providers have the potential to significantly reduce market confidence, impact critical services and create broader financial market instability.

Rothesay Response

Rothesay continues to invest in our operational risk and resilience capabilities across all three lines of defence in order to ensure we can prevent, respond to and recover from unexpected operational disruptions and limit any impact on our customers. Our dedicated Technology Risk Committee monitors and responds to evolving risks in this space. Furthermore, we operate to high international standards, including maintaining ISO 27001 and ISO 22301 accreditation and have continued to invest in our systems and capabilities to protect the firm and our policyholders.

Rothesay's Contribution to Market Wide Policy and Engagement with Policymakers and Regulators

We continue to actively monitor the political and regulatory landscape. Where appropriate, we engage with the UK Government or respond to consultations to ensure our interests are protected for the benefit of our policyholders and wider stakeholders. For Rothesay, the growing importance of the pension industry to the UK economy and our increasingly important position within the industry provides us with the opportunity to engage on a broader range of issues which support the Government's economic growth agenda.

Case Study – Sterling 20

As part of our commitment to working with the Government to unlock even greater volumes of domestic capital for our sector while continuing to provide the highest levels of pension security for our policyholders, in 2025 we were pleased to join the Government's Sterling 20 initiative. This group represents 20 of Britain's largest pension providers and insurers and is actively working with the Government and City of London to co-design investment products and overcome barriers to investment faced by our sector. We believe this will enable the UK's largest asset owners to deploy capital more effectively into critical infrastructure and national priorities which are so vital for economic growth.

We also maintain an open, transparent and constructive relationship with our regulators, engaging constructively with the FCA on key regulatory initiatives and matters impacting our policyholders and have regular ongoing interaction with the PRA on all material matters relating to the business, led by the CRO.

III. Engage

Principle 3: *Signatories engage to maintain or enhance the value of assets.*

Rothesay's Engagement Strategy

As part of our mission to provide security to our policyholders, engagement to encourage practices aligned with our stewardship principles and that yield long-term financial returns continues to be an important aspect of our approach. Given the long-term nature of our business, we utilise engagement to ensure we maintain an appropriate understanding of risks to which our borrowers are exposed over time. Our engagement covers a broad range of stakeholders including a particular focus on issuers within our investment portfolio alongside pension scheme trustee boards, industry groups, regulators and policyholders.

Engagement with issuers within our portfolio forms a central ongoing part of our business as usual (BAU) risk management with discussions seeking insight on topics such as an issuer's exposure to evolving macro or credit risks, operational risk and cyber risk. We also engage where issuers are asking consent for changes to terms and conditions which require review and approval by the Waivers Committee, to support our appropriate response to information. This activity forms part of our well-established process of identifying, managing and monitoring risks on a continuous basis and allows Rothesay to make rapid informed decisions to manage our portfolio in line with our business objectives.

As discussed in Principle II, on an ongoing basis, we have interactions with the PRA, FCA and the Government on a broad range of industry, market and sustainability-related activities. These interactions are often carried out through industry group discussions. This includes ongoing engagement with the UK Government around stewardship themes including their Net Zero Strategy, with topics including implications for our industry and how we can meaningfully support this transition.

Interactions with the PRA focus on material matters relating to the business, led by the CRO, including relevant consultations such as HM Treasury's Review of Solvency II. Based on the discussions relating to this review, we continue to take action to continue to evaluate new ways in which we can invest in UK infrastructure, clean energy and other forms of productive finance and monitor this data point into our Risk MI pack. We engage constructively with the FCA on key regulatory initiatives and matters impacting clients. We do this both directly and via trade associations. Details of these discussions are inherently non-public given their nature.

On at least a yearly basis, we also directly engage with most consultancy firms responsible for advising our corporate pension scheme trustees, as well as responding to surveys on the topic. Through these actions, we have been able to understand trustees' priorities and concerns, allowing us to develop more useful disclosures. We conduct our own brand awareness surveys, alternating annually between pension trustees and external consultants.

We conduct daily engagements with issuers as well as stakeholders such as regulators and industry groups to allow us to understand and respond to incoming challenges and opportunities. Directors and management also have ad hoc meetings with pension scheme trustee boards throughout the year on a range of stewardship related topics.

Bilateral Engagement Activities

Rothesay's approach to effective stewardship is underpinned by constructive, bilateral engagement with issuers in our portfolio. As a long-term investor, we seek to build collaborative relationships with borrowers, sponsors and operating partners, recognising that regular dialogue is an important mechanism for understanding evolving risks, influencing outcomes and protecting long-term value. Engagement is therefore embedded throughout the investment lifecycle, from initial due diligence and transaction structuring through to ongoing monitoring and, where required, active management of changing circumstances.

This approach is particularly important in our longer dated, more illiquid investments, where direct lending relationships provide opportunities for meaningful engagement. We work closely with counterparties to discuss business plans, monitor asset performance, review capital expenditure and respond proactively to market developments. Often this can lead to enhancements in the value of the asset we hold by providing the necessary assurance that risks are being appropriately managed by our counterparties.

Case Study – Engagement resulting in increased investment in CRE asset.

Rothesay extended a loan secured by a premier 5-star hotel in one of the most visited cities globally. The loan proceeds were used to fund an initial refurbishment programme needed to reposition and confirm the asset's ranking in the local hospitality market. During the delivery of the improvement plan, the sponsors made the strategic decision to expand the original capex plan and reconfigure the asset to increase its value even further.

Rothesay proactively engaged with the borrower to agree a new delivery programme and adapt loan covenants to accommodate the increased investment into the asset while preserving the ultimate protections afforded to lenders.

Where circumstances change, Rothesay works towards solutions that balance the interests of all stakeholders, while maintaining appropriate protections for policyholders and preserving the long-term value of our investments. In cases where a mutually beneficial outcome cannot be achieved, we may seek an orderly exit or resolution that protects investment value and avoids unnecessary destruction of asset value, reflecting our focus on long-term outcomes rather than short-term intervention.

Case Study – Engagement to Exit a Retail Asset Loan

Rothesay's commercial real estate book is proactively managed by a dedicated team of professionals comprised of asset originators, asset managers, pricing and credit risk teams, which enables us to protect the value of our investments.

Prior to the onset of Covid-19, Rothesay extended a long-term loan secured by a high quality retail asset in a premier global retail market. The traditional retail market subsequently started to re-position given the rise in e-commerce, a trend that was only accelerated by the pandemic, and saw significant reductions in retail CRE asset values, globally. Notwithstanding the fact that Rothesay's loan had been underwritten at a relatively prudent loan to value ratio, subsequent property revaluations in these new market conditions led to leverage increasing in the final years of the loan. With a year ahead of financing, Rothesay and the sponsor engaged in several rounds of negotiations with a view to maximising value and returns across the capital stack.

This engagement allowed Rothesay to exit its position without incurring a loss while allowing the asset to be re-positioned for re-development, thereby protecting long-term value for our policyholders whilst ensuring a positive outcome for the borrower.

In addition to our standard engagement activity, we also have a specific Sustainability Engagement Strategy to consider our portfolio wide sustainability objectives. These engagements are often focused on climate change in line with our specific commitments in this area.

Rationale for our Sustainability Engagement Approach

As mentioned, given the nature of our business, our approach to sustainability-specific engagement remains focused on specific and direct communication with the most material corporate issuers within our portfolio. We have chosen to undertake this approach to responsible engagement as it ensures our efforts can be appropriately resourced, focused on material factors where we can have the most influence and support our specific climate strategy and broader risk management approach. It also contributes to our signatory obligations as a member of both the Principles for Responsible Investment (PRI) and NZAOA. As we largely do not use external asset managers, all our engagement with issuers is coordinated by members of our Credit and First Line teams.

Our stewardship approach continues to focus on climate risk, given the unique challenges and forward-looking assessments required to manage and mitigate this risk. We utilise a risk and impact-based approach to our engagement with issuers in order to focus on engagement with issuers where it could make the most impact to the mitigation of our risks. In relation to broader sustainability factors, triggers for engagement include involvement in controversial activities, deterioration in performance and headline risk.

In conjunction with our wider engagement strategy, Over the course of 2025 we actively engaged with 29 issuers in our portfolio on climate-related topics. This was predominantly conducted in the utility industry as this is a sector where we view there to be material opportunities to decarbonise and, consequently, where engagement could have the most impact. This does not include broader policy and regulatory engagement activities which are ongoing throughout the year. We assess the impact of our engagement activities on a multi-year basis to review behaviour change against raised actions, responsiveness, and impact on credit fundamentals on a case-by-case basis.

Main Engagement Objectives

a) to build knowledge (engagement for information): engagement focused on understanding an issuer's current position, key challenges, and climate plans, to validate our internal climate score.

b) to encourage action (engagement for change): engagement focused on encouraging an issuer to take specific action such as the production of best practice aligned disclosures and declaration of more ambitious, science-based targets.

As outlined in our previous Stewardship Report, we have a clear process for the identification of issuers as part of our climate engagement framework. We engage with at least 20 distinct climate material issuers each year. In 2025, criteria for priority engagement included:

- High contribution to the Weighted Average Carbon Intensity (WACI) of our PTCD portfolio at issuer level;
- Misalignment with our positions on thermal coal exposure and controversial oil and gas;
- Climate Material issuers with no Science-based Targets Initiative (SBTi) target;
- Evidence of backtracking or reduced ambition of targets; and
- Elevated vulnerability to nature-related risks

The utilisation of these criteria helps ensure our engagement is focused, with a specific desired action by the issuer (e.g. greater granularity of disclosure, commitment to setting science-based targets, commitment to publishing a transition plan). Outputs from this engagement have also supported our understanding of the potential decarbonisation pathway of our portfolio.

Case Study: Understanding the coal exit strategy of a utility issuer

As part of a liability transaction, Rothesay inherited a position in a US utility company. At the time of transfer the issuer was identified as being misaligned with our thermal coal exit policy, which states that, where issuers currently have thermal coal exposure, we actively target those with clear plans to minimise exposure by the commonly accepted coal exit timeframes of 2030 in OECD countries.

We actively engage with issuers with higher coal exposure to promote coal exit plans in line with these timelines and the continued inclusion of an issuer in our portfolio is dependent on their engagement response and the development of clear targets.

In 2025, as part of our routine assessment of issuers with thermal coal exposure, we identified a change in the language around the issuer's coal strategy. We engaged with the issuer to understand what this change in language meant in practice for their coal exit date, which provided assurance that this issuer has moved forward their timelines and that these plans were credible and robust. We were, therefore, able to remove this issuer from our sell list and our understanding of their transition planning materially improved, allowing us to more confidently model their Net Zero path.

Among our asset classes, public corporate bonds permit the greatest number of engagement channels and hence ability for Rothesay to request specific information and communicate our expectations on best practice, particularly with regards to climate-related targets and transition planning. Within our property asset class, we

have continued to engage with Social Housing entities and their regulator to support disclosure on material issues and to better understand specific risks for this sector, for example fire safety and EPC ratings, and are working with third parties to improve the emissions and physical risk data available on our mortgage portfolio. We actively utilise industry groups as a form of engagement with regards to our public finance investments and this engagement primarily focuses on greater granularity of disclosures by municipal issuers, recognising their disclosure standards lag their corporate peers.

Rothesay's Escalation Approach

As outlined above, we take a materiality-led approach to determine the prioritisation of issues to consider and escalate. Per our Responsible Investment & Stewardship Policy, our preferred approach to encourage improvement in behaviour is through engagement rather than immediate divestment.

The most common concerns that we escalate further relate to the governance concerns, provision of data, lack of ambitious emission reduction targets and fossil fuel exposure, especially when compared to an issuer's industry peers. As previously mentioned, we have often successfully obtained additional disclosure from companies simply by addressing a more senior individual. In addition, we will escalate queries relating to any ambiguity within the business plan with regards to its transition to a low carbon economy. We actively monitor and escalate our engagement upon the release of news surrounding a controversial activity or a change in business mix that comes into conflict with Rothesay's stewardship ambitions. Examples include M&A activity that creates concerns around governance, a change in fossil fuel usage for a utility, changed involvement in activities commonly seen as controversial or revision to targets.

Variations in Escalation: Asset Class and Jurisdiction Considerations

In the context of being a debt-focused investor, our escalation approach is restricted by the more limited mechanisms and influence we can utilise with relevant issuers, particularly within our publicly traded corporate debt and public finance portfolios. While there are occasions when issuers are unresponsive to our attempts to engage with them, it is more common for our concerns to be addressed at least in part either in writing or via a call with management meaning further escalation is not required. It is often challenging to determine whether our activities alone, including from escalation, result in a direct outcome or to accurately assess whether the lack of responsiveness to our engagement reflects an entity's own views on sustainability issues or its prioritisation of more material stakeholders. In those cases where our escalation actions elicit no response from the issuer, we continue making further attempts to engage in future year and, in some cases, review our position.

Rationale and Objectives for Escalation

In 2025, we made no material changes to our escalation approach with the same rationale in place for why initial engagement may be escalated.

As outlined previously, we monitor responsiveness to enable us to consider how we may choose to escalate in scenarios where we receive a continued non-response. In cases, where our escalation receives no response from the issuer, we continue to attempt to engage and record where non-engagement occurs. Level of responsiveness is one of the data points shared with internal stakeholders to track our activity.

For sustainability-related engagement themes, a lack of engagement after escalation is considered within our internal climate score methodology, which is an input for investment appetite / decisions, and introduces a requirement for a follow-up engagement attempt to be made within next 12-months (unless the point of

concern is otherwise resolved). Where actions are not being closed and without clear improvement plans, we may further consider taking escalation actions, such as explicit requests for additional disclosure, inclusion of sustainability covenants for bilateral loan positions or ultimately adjusting our holdings. This persistence has been successful and to date we have never had more than 2 years of non-response from any of the issuers we have contacted.

The liquidity of our corporate bond portfolio allows for us to reduce or not increase our holdings where an entity's progress indicates growing unmanaged risk, recognising the challenges and opportunities they face, and considering their responses to our engagement. In cases where engagement confirms that a position we hold is outside of stated policy, this will be escalated to SC and ERC for discussion and the entity noted as misaligned with our Responsible Investment & Stewardship strategy. A plan will be established specifying a timescale over which the position must be reduced.

Case Study – Sell Down of Thermal Coal Exposed Names

Our Responsible Investment and Stewardship policy states, where issuers are misaligned with our position on thermal coal generation, in the first instance we will engage with these issuers to promote coal exit plans in line with outlined expectations on a regular basis.

A number of issuers in our portfolio either proved non-responsive to repeated engagement attempts or no evidence was obtained of the development of clear targets to support the required reduction in coal exposure and they were subsequently added to our sell list. In 2025, we divested from all but one of these names and are continuing to look for opportunities to divest our remaining exposure ahead of our 2030 deadline.

Collaborative Engagement

Along with our bilateral engagement approach, we seek to participate in some collaborative engagement efforts. We generally conduct this through formal industry groups focused on specific areas, where we determine there is relevance to our business and that anti-trust concerns are absent. We are particularly keen to join groups whose goal is to influence and assist sectors that are not yet mature in their sustainability reporting approaches and could benefit from combined industry experience to support better adoption. We are also keen that the groups reflect the interest of debt holders, as many well-established collaboration initiatives are predominantly equity led. This ensures that our collaborative engagement has a genuine impact.

As outlined above, our strategy in this area is shaped by the requirements of our regulators and the needs of our pension trustees, alongside a desire to effectively manage the risks that affect our business.

Our participation in industry groups such as the Association of British Insurers (ABI), the PRI, the NZAOA and the Climate Financial Reporting Forum (CFRF) allows us to collaborate appropriately with peers and participate in specific initiatives seeking to enhance industry best practice, or sector and issuer action. In addition, through these collaborations we are able to consider, and where appropriate reflect, industry perspectives when developing our own stewardship approach.

Case Study – Association of British Insurers & UK Productive Finance

Rothesay continued to participate in the ABI Investment Delivery Forum and other activity to bring together major insurance and long-term savings firms with government, regulators and other stakeholders to help unlock insurance investment in UK productive assets. This activity supports the delivery of the industry's £100bn productive finance pledge by identifying barriers to investment, improving the pipeline of investable opportunities and supporting practical solutions that enable long-term capital to be deployed into assets that contribute to UK economic growth and the Net Zero transition. Through this engagement, Rothesay has been able to support greater clarity and consistency in the identification and reporting of productive assets and, in turn, enables greater investment in large-scale, long-term debt for example social housing, utilities and transport.

Case Study – Climate Financial Risk Forum Nature Handbook

As an ongoing member of the Nature workstream of the CFRF, Rothesay supported the drafting of its Second Handbook on Nature: Developing an Approach to Nature Risk in Financial Services, which was published in October 2025. This handbook seeks to provide guidance to banks, insurers and asset managers to understand, assess, and manage nature-related risks alongside climate risks. This engagement utilised Rothesay's internal knowledge to support the creation of market best practice in relation to the practical and proportionate steps financial institutions can take to manage nature-related risks.

IV. Exercising Rights and Responsibilities

Principle 4: *Signatories actively exercise their rights and responsibilities.*

Variations in our Exercise of our Rights and Responsibilities

As outlined in our responses to previous principles, our business model does not use asset managers to exercise rights and responsibilities on our behalf. All this work is performed in house, with oversight by the Waivers Committee.

We note that, as a debt focused investor, the occasions and degrees to which we are able to exercise rights and responsibilities are often limited. However, in certain asset classes, for example project finance and property, we encounter more frequent opportunities to review such activities and take action where appropriate.

For most corporate actions that require bondholder consent it is straightforward for the asset management team to determine the measures that offer the most favourable outcome in terms of asset value and hence value to Rothesay stakeholders. We will invariably vote to adopt those measures.

For example, many of the bonds and loans in which we invest have, embedded in their documentation, various requirements and restrictions upon the issuer that are designed to limit its undertaking of risky activities and to require it to rebuild financial buffers in the event of poor performance in various business metrics. Failure by the issuer to take the necessary steps will typically lead to it being prevented from paying dividends and ultimately, once defined thresholds have been breached, allow the lender to commence default proceedings.

Case Study – Commercial Real Estate Loan Covenants

Rothesay's commercial real estate loan book is managed by our in-house teams across origination, pricing and credit risk, which enables us to protect the value of our investments. We proactively look to secure and document cash trap and default financial covenants that afford lenders the opportunity to preserve value and take early steps should asset performance deteriorate throughout the loan term. These covenants are tested on a quarterly basis with enforcement action taken swiftly in the case of a breach.

Occasionally an issuer will contact us because it is aware that a threshold is close to being breached either passively due to market forces or because it wishes to undertake a beneficial activity that will, as a side effect, lead to a temporary breach. In such circumstances the issuer asks us to waive our right temporarily to trigger a default and offer either a proposal for remedying the situation or other protections and payments. It is the job of Rothesay's Waivers Committee to consider these requests and to either deny or accede to them or instead suggest a compromise position.

Case Study – Social Housing Loan to Bond Conversion

As part of the consent process for a significant merger involving one of our social housing issuers, Rothesay exercised its right as a loan holder by engaging constructively with the issuer. Through this consent process, we agreed to convert our existing loan holding into a publicly issued bond, delivering benefits for both parties. For the issuer, it removed the amortisation with the existing loan and established an additional benchmark issuance on its public bond curve, supporting its long-term funding strategy and market access. For Rothesay, the conversion improved the liquidity of our investment portfolio and enabled us to extend the maturity of the investment, thereby providing a better match for our long-dated liability profile. This demonstrates how Rothesay actively exercises our rights to achieve outcomes that support both the long-term interests of our policyholders and the financial objectives of our issuers.

In making these decisions the committee must weigh the desire to be a cooperative lender that supports the businesses in which Rothesay has invested with the requirement that we act prudently to maximise the chances that our loans are repaid, and the interests of our policyholders preserved. Most commonly we find that offering the flexibility to the borrower that allows them to make a good business decision in combination with our accepting a higher coupon or other improved terms leaves both parties better off.

As part of our trade due diligence for less liquid private placements and bilateral loans, we review prospectus and transaction documents to ensure all terms align with our investment principles and that relevant stewardship themes are identified. This includes utilising both internal and external legal expertise to review structure and specific terms. Where applicable, we seek additional information and clarity and may do this either in writing or during investment calls with borrower management.

When documenting bilateral loans, we take the opportunity to include appropriately restrictive covenants that bolster Rothesay's financial security.

VI. Monitoring Service Providers

Principle 6: *Signatories monitor and hold to account stewardship service providers.*

Our Approach to Monitoring Service Providers

The Business Controls Committee (BCC), chaired by the Chief Operating Officer (COO), is responsible for the implementation and monitoring of the Vendor Management Policy. The Policy is designed to ensure that the legal, regulatory, information security, reputational, commercial, operational, and financial risks associated with third party relationships are appropriately managed. Critical and strategic vendors are subject to periodic reviews, which consider the quality of service provided, operational performance, and financial risks, including sustainability-related risk factors. Regular dialogue is maintained between the vendors and relevant business areas as part of ongoing operations.

Rothesay does not employ any external asset managers except those who manage our cash which is held at banks or rapid access money market funds, and small investments received as part of pension risk transfer transaction.

Our suppliers

Rothesay's procurement spend spans a wide range of companies and sectors, from professional services, marketing, and goods such as IT systems and desktop hardware and software. Our spending generates a positive economic impact in the marketplace and supports the development and growth of our suppliers and companies that supply them.

We closely monitor the performance of our suppliers through regular meetings with them and on-site reviews and audits. The management of suppliers is overseen by relevant committees, which conduct a formal review of our critical suppliers at least annually. This review considers areas such as service delivery performance, adequacy of controls, data protection and information security, and alignment with relevant regulation. This also includes a review of their sustainability performance and a requirement on the supplier to confirm their commitment to ensuring their business is free of slavery.

All new suppliers are fully checked against our onboarding criteria. Vendors are asked to attest to our Supplier Code of Conduct as part of onboarding. We also require suppliers to confirm their commitment to ensuring that slavery and human trafficking are not present in any part of their business. We do this at the outset of the relationship and then on an ongoing basis.

As required annually by the Modern Slavery Act 2015, we have published a statement on our website describing the steps taken by Rothesay to ensure that slavery and human trafficking is not taking place in any part of our business or in any of our supply chains. The statement notes that we expect our suppliers to ensure fair employment practices. For example, we require our cleaning suppliers to pay their personnel, who work at our premises, a salary which is equivalent to (at least) the London Living Wage. Our most recent statement can be found here (*https://www.rothesay.com/media/tbsfvcxi/modern-slavery-statement-2025.pdf).*

The Solvency II Directive (2009/138/EC) ("Solvency II"), PRA Rulebook and FCA Handbook include regulations in relation to the outsourcing of what it defines as "critical or important" functions. Rothesay classifies outsourced functions as "critical or important" if they are essential to the operation of the Group, i.e. the Group

would be unable to deliver essential services to policyholders or other key external stakeholders without the function.

Critical and important suppliers are subject to heightened approval processes and annual reviews which span not only their financial and operating performance but look closely at areas such as cyber security to ensure our policyholders' data is protected. We also consider any environmental risks associated with the goods or services procured and look at suppliers' emissions, climate targets and physical risk vulnerability both now and across the lifetime of our relationship with the supplier.

Pension Administration Service Providers

From the point of view of our policyholders, the companies in our supply chain with whom we work most closely are those performing pension administration. We have historically engaged the services of three third party administrators (TPAs), Capita Pension Solutions, Aptia UK Limited and WTW, to perform these duties on our behalf. These duties include making payments to pensioners, tracking life events that affect pensions (e.g. divorce, retirement and death) and being the first point of response for policyholder queries. We take reasonable steps to satisfy ourselves that these companies pursue stewardship goals that are compatible with our own. This primarily relies on their public disclosures, supplemented where appropriate by wider information sources including news flow and ESG rating platforms such as MSCI. We track performance and note areas of poorer performance in comparison to peers. To the extent we are unable to source satisfactory information, or where we need more detail on a particular issue to appropriately determine materiality, the Rothesay team engages directly with our contacts at the companies.

In 2025, we launched RothesayOne, an innovative policyholder administration platform developed in partnership with Brightwell and Procentia, to complement our existing TPA model. This new platform puts policyholders at the centre of Rothesay's operations by delivering outstanding customer service and meeting the growing demand for self-service and digital capabilities.

Case Study – Launching RothesayOne

RothesayOne is our new pension administration platform, which has been built within Rothesay's own technology infrastructure with a core aim of improving policyholder servicing and strengthening the oversight of service delivery. This model gives us direct access to the underlying policy data, allowing for real-time reporting on the schemes administered within the RothesayOne platform rather than relying solely on third party reporting. Real-time reporting dashboards allow our teams to monitor service performance on a day-to-day basis, identify trends, and respond quickly when issues emerge. Sentiment analysis on policyholder calls provides an additional layer of monitoring which gives us insight into call quality and policyholder outcomes, as well as response times and volumes.

This oversight capability is central to how Rothesay holds our outsourced providers (such as Brightwell) to account. Rather than waiting for retrospective reporting cycles, we have continuous visibility into how administration is being delivered and how our vendors are performing. RothesayOne also feeds into business continuity planning, giving Rothesay the operational insight needed to maintain oversight and respond effectively should disruption occur. As Rothesay continues to grow, this scalable and data driven approach to monitoring helps ensure administration quality is maintained.

For our policyholders, we aim for this to translate into a market leading service which will give them greater confidence their pension is being looked after and ensure we provide an excellent customer experience. The platform's online self-service tools (which includes a full end to end online retirement process) give policyholders the option to manage their pension at a time that suits them, while our administration team remains on hand for anyone who prefers or needs direct support. This combination of oversight and choice ensures policyholders consistently receive the highest standard of service.

RothesayOne has been designed to increase automation by combining leading vendors from the market with Rothesay technology, all provisioned within a Rothesay technology environment for added information and data security. This automation and increased data availability allows us to more directly monitor the quality of service provided to our policyholders and quickly identify any issues as they arise.

Case Study – Leveraging AI to enhance oversight of stewardship providers

To strengthen our oversight of service quality, Rothesay has invested in Genesys, a leading telephony platform used by our RothesayOne administration team. Genesys applies AI driven sentiment analysis to live calls, giving real-time insight into call quality and helping identify where additional support may be needed during any interaction. It also surfaces relevant knowledge to administrators live as calls happen, supporting with clear responses without delaying the policyholder. This technology also gives Rothesay direct visibility into how administration is delivered on individual calls, rather than relying on retrospective reporting or a sample of calls for quality assurance. Administrators remain in control of every interaction with the AI assisting their judgement rather than replacing it, providing assurance to our policyholders that a real person is handling their call while at same time leveraging technology to improve the quality of the services provided.

Specific sustainability service providers

In pursuit of our duties of stewardship, Rothesay utilises a range of third party data sources. Examples include, but are not limited to, Bloomberg, CDP, Planetrics, and MSCI.

The sustainability data universe is continuing to evolve, with better coverage, new metrics, and improved methodologies. As part of this, we continue to review the third party data providers we use with reference to our own needs going forward alongside developing our internal capabilities. For example, we continue to monitor the development of nature-related datasets, as a topic area receiving increasing attention, to understand potential future use cases. We also understand that engagement is an important part of working with service providers and look to provide feedback and have open conversations with all our sustainability data providers. As discussed in Principle I, in 2025, we took steps to improve our understanding and monitoring of our portfolio's exposure to physical risk, beyond our existing flood risk assessment capabilities, as we continue to diversify our geographic exposure to residential property. This involved the onboarding of an additional physical risk data vendor to allow us to better quantify physical risk across a broader range of hazards and geographies at the asset-level on our property and fixed assets.

Case Study – Enhancing our ability to assess physical risk

We routinely review and look to enhance our capabilities in assessing physical risk to match our deployment strategies across jurisdictions and asset classes. In 2025, we went to market to partner with a physical risk data vendor to broaden our physical risk capabilities, focusing on expanding geographical coverage and hazard type. We reviewed 8 vendors over a three-stage review process, including an extensive questionnaire informed by CFRF's *A Risk Professional's Guide to Physical Risk Assessments* (Session 5), eventually short-listing two for a cross-team three-week trial. Senior executives were able to provide feedback and cross-business context following a product demo. Following approval from across the business, we onboarded Climate X's Spectra tool, an interactive physical risk SaaS platform that will enable analysts to build expertise by directly engaging with the data. We expect this to be a rapidly developing area of research and will continue to engage with vendors and industry groups like CFRF to stay abreast of the latest updates and ensure we have access to the most appropriate data and analytics to effectively manage physical risk across the business.

One of the reasons for using multiple data providers is to check consistency. Where the numbers provided by one vendor exhibit material disagreement with those of another or with our independent research, we bring it to the attention of the relevant third party and seek to ensure our data source is the most appropriate.

We do not believe that a lack of data is a good excuse for lack of action and do our best to make reasoned estimates as a substitute when emissions information is not published by issuers or recognised data providers.

Glossary

Term	Definition
Annuity	A series of regular payments made to an individual until their death. Payments may be indexed.
Carbon Intensity (CI - revenue basis)	Carbon dioxide equivalent emissions per million dollars of revenue (CO2e/$m). This metric measures the carbon efficiency of a company's economic output.
Clients and Beneficiaries	A person, company or group to whom a firm provides or intends to provide a service. For Rothesay this includes a range of stakeholders including our individual policyholders, and the trustee boards that represent their interests during a pension risk transfer transaction.
climate material	Lowercase 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 assessment of materiality.
Climate Material	Uppercase 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 (uppercase) have specific characteristics that increase exposure to impacts from climate change and required additional monitoring.
Climate Scenario	A hypothetical but realistic representation of the future environment constructed to support investigation of the potential impacts of climate change.
climate opportunities / climate solutions	Lowercase 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 and development of new products/services to support climate transition and build resilience.
Climate Opportunities	Uppercase usage - Indicates an entity/sector/activity that after review under Rothesay's sustainability framework has been deemed to meet the criteria of specifically financing green opportunities, such as renewable energy investments and low carbon energy.
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 CO2 equivalent.
Corporate Social Responsibility	Management approach concept that seeks to encourage high standards of ethics and professionalism and positively impacts society through its culture and business processes.
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 policy maker) to gain information or influence investee practice or disclosure.

Escalation	Escalation in the context of stewardship is the approach an investor takes if initial stewardship approaches are unsuccessful at achieving its objectives over a given period. Escalation differs by asset class and issuer type, but generally involves the use of increasingly assertive stewardship tools and activities, including reducing or exiting an investment.
ESG	Short for Environmental, Social and Governance – is a set of standards measuring a business's impact on society, the environment, and the transparency and accountability of their governance framework. 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.
Green	The concept that some activities are beneficial for the physical environment, based on an assessment against an appropriate set of criteria or benchmarks.
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/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.
Infrastructure	Investments in infrastructure such as water, energy and transportation.
Material ESG / Climate Factors	ESG factors with a substantial impact on the current and future financial, economic, reputational, and legal prospects of an issuer, security, investment or asset class. This term may also refer to factors related to significant impacts on people or the planet. At a corporate or issuer level, the disclosure of a material ESG factor would be reasonably expected by investors, as its omission, misstatement or obscuring could reasonably be expected to influence decisions that investors make on the basis of that reporting.
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).
Own risk and solvency assessment (ORSA)	An assessment to the risk to which the business is exposed as well as solvency forecasting in a range of scenarios, including consideration of the stresses that could jeopardise Rothesay's business plans.
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.
Policyholder	Rothesay generally uses the term policyholder to refer to the individual immediate and deferred annuitants whose benefits are insured by Rothesay regardless of whether the insurance is provided under a bulk annuity (where the contract is with the pension scheme) or a reinsurance policy (where the contract is with the insurance company).

Responsible Investment	The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.
Science-Based Target	A target, usually relating to emission reductions, which has been developed in line with scientific pathways to keep global warming below 2°C from pre-industrial levels.
Scope 1 Emissions	Measured in tCO2e annually. Direct emissions that occur from sources controlled by the entity in question. For example, emissions from a gas-fired boiler on company premises.
Scope 2 Emissions	Measured in tCO2e 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 (for example the Emissions Intensity of the local electricity grid) - or Market based - operational emissions using actual energy consumption of the entity (for example giving credit for renewable energy or green electricity tariffs sourced by the company).
Scope 3 Emissions	Measured in tCO2e 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 and 2 emissions of other entities.
Stewardship	The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
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 are therefore able to continue for a long time.
Sustainability Risks	An environmental, social or governance (ESG) event or impact that could cause a negative impact including financial and reputational.
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 plan that sets out a company's approach for how it will align 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
A4S	Accounting for Sustainability – an organisation that seeks to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.
CFRF	Climate Financial Risk Forum – a financial services industry imitative, jointly established by the FCA and PRA to enhance the financial services industry's ability to manage climate-related risks and opportunities.
FCA	Financial Conduct Authority – the UK regulatory body that regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers.
FRC	Financial Reporting Council – a non-departmental public body that is responsible for the regulation of auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
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.
PRA	Prudential Regulation Authority – the PRA is the UK regulatory body responsible for prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
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.
TCFD	Taskforce for Climate-related Financial Disclosures - an international initiative established by the Financial Stability Board (FSB) in 2015 to develop recommendations for disclosing climate-related financial risks and opportunities in various sectors of the economy.
UN PRI	The UN Principles for Responsible Investment - an international organisation that works to promote the incorporation of environmental, social, and corporate governance factors (ESG) into investment decision-making.

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