

Rothsay
Protecting Pensions

Sustainability
Report
2022



Our purpose

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

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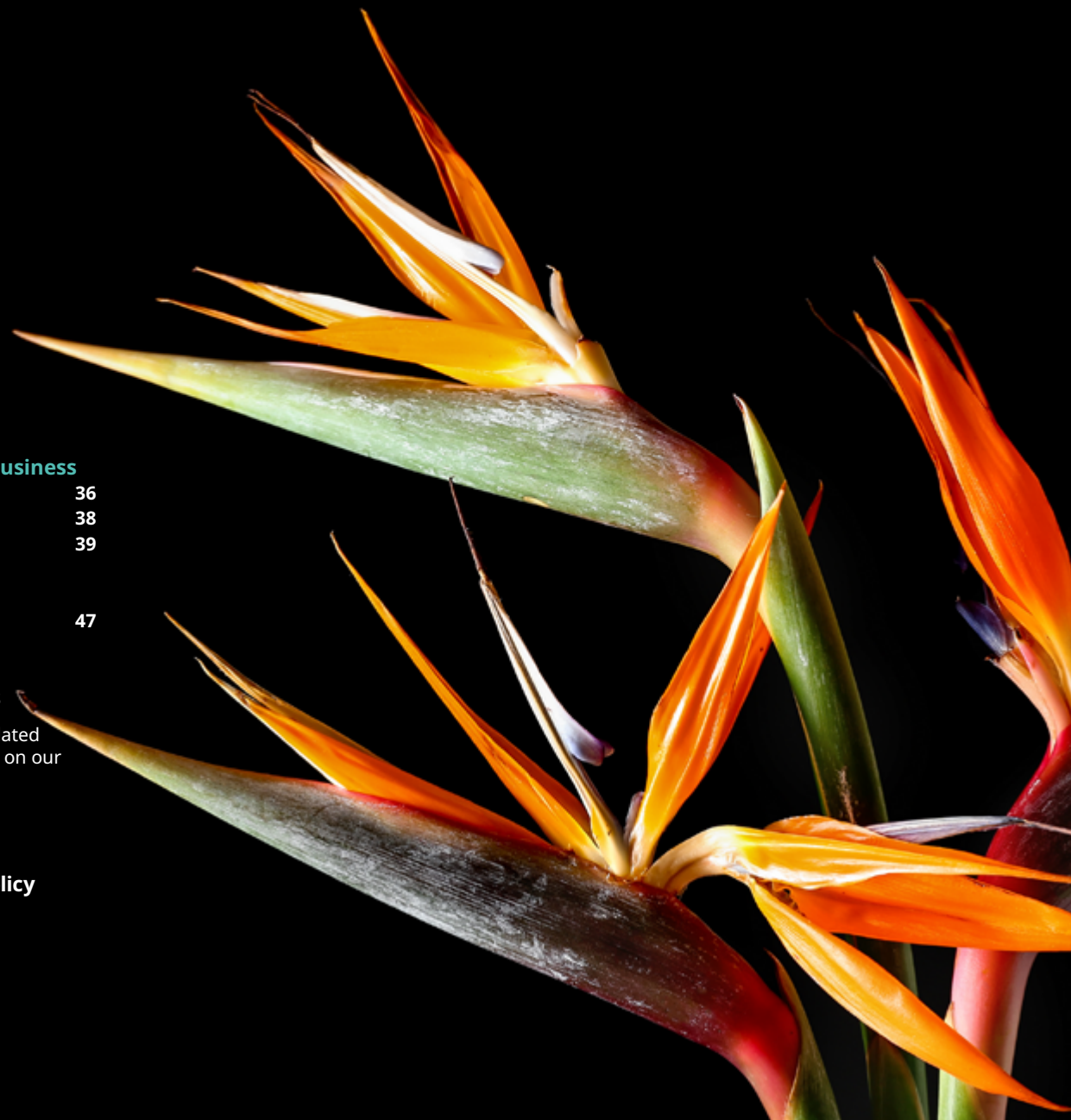
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> Other Relevant Documents

There are a number of other related documents which can be found on our website www.rothesay.com:

Climate Report	
Stewardship Code	
Responsible Investment Policy	



About Rothesay

Purpose-built to protect pension schemes and their members' pensions.

Over
£47bn
Managed assets

Who we are

Rothesay is one of the UK's largest specialist pensions insurers, purpose-built to protect pension schemes and their members' pensions. Our singular focus is to secure pension annuities for the future, providing certainty as well as genuine service excellence for all our policyholders.

Our careful approach to investment and prudent underwriting means we are trusted by the pension schemes of some of the UK's best known companies to provide pension solutions, including Asda, British Airways, Cadbury, the Civil Aviation Authority, the Co-operative Bank, National Grid, Morrisons, Post Office and Telent. Underpinned by sophisticated risk management, our expert in-house investment team is continually developing new ways to drive predictable, dependable returns that reduce risk and create real security.

We manage over £47bn in assets, secure the pensions of over 825,000 people, and pay out, on average, over £200m in pension payments each month. We are securing the future for every one of our clients and policyholders, while providing value to our shareholders over the long term.

ESG and our purpose

At Rothesay, thinking long-term is central to our purpose and we understand the clear link between our core investment objectives and the need to consider Environmental, Social and Governance factors within our approach.

Our approach to the management of these risks and broader considerations allows us to not only achieve our primary goal of providing pension security to our policyholders, but also provide wider benefits to our stakeholders, the environment and society.

Message from the CEO



At Rothesay, we see embedding sustainability principles across our business as a fundamental part of our commitment to providing our policyholders with security for the future.



Message from the CEO continued

We have decided this year to update the way we present Rothesay's non-financial Environmental, Social and Governance (ESG) reporting.

Our ESG report has been separated into two publications: this Sustainability Report and our Climate Report, that latter of which has been drafted in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Our Sustainability Report goes beyond our environment and climate-related activity, updating on our progress on a wider range of sustainability commitments and areas of focus that have occurred since our last ESG report was published. Reported metrics relate to YE2022 data unless otherwise noted. To support easy access to a more significant amount of ESG-related information, it will also be supported by a new section on our website devoted not only to our formal reports but also to the other company policies which support our sustainability strategy, such as our Responsible Investment Policy, and to the research and analysis that our team will produce over the course of the year ahead.

At Rothesay, we see embedding sustainability principles across our business as a fundamental part of our commitment to providing our policyholders with security for the future. We are therefore obsessive in our focus on creating a positive impact through all of our operations and for all of our stakeholders, including our policyholders, our suppliers, our people, our community and our investors.

To do this, we structure our ESG strategy around three key pillars: investing our capital responsibly, committing to secure positive outcomes for our stakeholders, and running a responsible and sustainable business. In this report, we provide an update on our progress across each of these pillars and also set out our new commitments and policies. Highlights in this report include our new commitment to a 50% reduction in the carbon intensity of our corporate bond portfolio by 2030; our acceptance as a signatory to the Financial Reporting Council's UK Stewardship Code; our range of new employee benefits designed to foster an inclusive company culture which actively values difference; and the powerful campaigns our charitable foundation has delivered to help support thousands of vulnerable older people living in the UK.

We are proud of the progress we have made this year and of the transparency in which we communicate our climate and broader sustainability goals and programmes of activity. As always, though, we recognise that more can be done and remain committed to continuous improvement to develop and deepen positive change both within our business and the wider insurance sector.



Tom Pearce
Chief Executive Officer

25 October 2023

Highlights



Highlights continued

91%

of employees proud
to work at Rothesay

£5.6m

pledged to charity
in 2022 equivalent
to £14k per FTE

Cheer campaigns
with AgeUK and
Iceland Foods to
support pensioners
who rely solely on a
state pension and
benefits

Pension stability
provided to over

825,000

policyholders

Introduced
dedicated Fertility,
Men's Reproductive
Health and Women's
Healthcare
service

Our ESG pillars

At Rothesay, we seek to protect the future of every one of our policyholders and to provide them with long-term financial security.

In doing so it is our responsibility to carefully manage a wide range of uncertain risks and opportunities relating to ESG factors. In this report, we discuss how we build our ESG strategy around three key pillars: investing our capital responsibly, committing to secure positive outcomes for our stakeholders, and running a responsible and sustainable business.



Our ESG pillars continued

Investing responsibly

Rothesay is responsible for managing over £47bn of assets, held to secure the pensions of more than 825,000 policyholders. It is therefore crucial that we invest in assets that match our liability cash flows and provide an appropriate risk-adjusted return, as well as supporting our pathway to a more sustainable future.

Rothesay's in-house team considers material ESG factors as part of the investment process and our market-leading risk management systems give us an advantage in the monitoring and management of ESG risks. Paired together, this allows us to proactively switch to assets that are not only in line with our ESG goals, but also provide us with improved risk-adjusted returns.

[Read more from page 08](#)

Securing positive outcomes for our stakeholders

We are dedicated to protecting the future for our policyholders and delivering positive outcomes for all our stakeholders, including our policyholders, our suppliers, our people, our community and our investors. Given the long-term nature of our business, this means that we need to consider the impact that our decisions will have not only in the short term, but well into the future.

Rothesay's backbone is our team of employees, based in the UK, US and Australia, and we are committed to maintaining a culture that allows us to attract and retain top talent from across the industry.

[Read more from page 16](#)

Running a responsible business

At Rothesay we want to run our business in a sustainable manner. This means that we need to have controls and risk management frameworks in place that ensure that we can continue to navigate risk while creating new ways to deliver security to our policyholders. All of this is made easier by our governance structure, which is robust yet agile, allowing us to seek to ensure the stability and solvency of the business.

[Read more from page 34](#)

Aligning with UN SDGs

The UN Sustainable Development Goals (UN SDGs) are a set of 17 key themes that require urgent action before 2030, covering People, Planet, Prosperity, Peace and Partnership. At the beginning of each section of this report we have indicated where our actions throughout the year have linked to these goals. Please note that these are not exhaustive lists, but are the main goals that we have aligned with through our strategy.



Section

1

Investing responsibly



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Responsible investment

Our ESG investment approach

Given our responsibility to protect our policyholders, it is crucial that we invest in assets that match our liability cash flows and which provide an appropriate risk-adjusted return, as well as supporting our pathway to a more sustainable future. Rothesay's in-house team considers financially material ESG factors as part of the investment process and our market-leading risk management systems give us an advantage in the monitoring and management of ESG risks.



Rothesay has set out a number of ESG Commitments that reflect our objectives for the integration of ESG within our investment decision making and risk management framework, as well as our wider investment strategy. These include, but are not limited to:

- **We will incorporate broader ESG factors into our investment analysis and actively engage with issuers currently misaligned with our commitments.**
- **We will transition our investment portfolio to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures.**
- **We will actively seek out opportunities to match our long-term investment horizon with investments that support our ESG risk strategy.**

As a signatory to both the UN-convened Net-Zero Asset Owner Alliance and the UN Principles for Responsible Investment, Rothesay is committed to fostering knowledge-sharing and supporting both national and international efforts towards transitioning to Net Zero.



Further information can be found in our Responsible Investment Policy at rothesay.com

Good stewardship

Rothesay subscribes to the Financial Reporting Council's definition of 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".



Good stewardship continued

We understand the clear link between our core investment objectives and the need to consider stewardship principles alongside Environmental, Social and Governance (ESG) risks in our strategy and decision making.



As outlined in our investment objectives, Rothestay's investment decision-making seeks to take a quantitative view of risk where possible and invest in a manner that balances policyholder security with shareholder value on a risk-adjusted basis. This ensures that our investment strategy is aligned with the best interests of our clients and shareholders.

A key part of effective stewardship is the identification, assessment and monitoring of financially material ESG risks and opportunities. There is a strong alignment of interest between measuring and managing ESG risks and our primary purpose of safeguarding our policyholders given that both require a complex measurement of the likelihood and extent of financial impacts caused by uncertain developments over extended (30 years and beyond) timeframes.

The in-house investment team, alongside dedicated ESG analysts, considers financially material ESG factors as part of the investment process and these factors are formally documented in all committee papers for new investments in order to allow for educated discussion prior to an approval decision. We are also aligning our investment portfolio with the Paris Agreement's goal to limit global warming to 1.5°C above pre-industrial levels and are committed to supporting a low carbon economy in which the UK achieves carbon neutrality by 2050. Further information on this activity can be found in our Climate Report.

ESG factors have always been captured within our risk management frameworks. This includes screening for compliance with regulatory requirements for new investments (e.g. bribery and corruption or Modern Slavery Act) and proactive surveillance of news flows for material controversies, considering their impact on financials, rating, spread or reputation. Where ESG issues are current and material, issuers are added to a watchlist. In 2022, we further formalised such activities within our broader ESG framework alongside our existing climate scorecard. In addition, we have expanded the screening process for issuers to include an assessment of their degree of alignment with the UN Global compact and an investigation into the existence of controversial activities. It is important to note that we view these data points as an input for our ESG assessment of a particular potential investment, rather than driving an automatic outcome.

We have become a signatory to the Financial Reporting Council's UK Stewardship Code 2020 and will publish an annual Stewardship Report.



Further information on our stewardship approach can be found in our latest report at rothesay.com

Good stewardship continued

Case study

Social Housing

During 2022 there was heightened scrutiny of social housing providers due to failures in accommodation standards, especially around issues of damp and mould.

As a result of this, we increased our engagement with the social housing providers in our portfolio to better understand their current processes and improvement plans in relation to property conditions. This included enhancing the information we collect on housing stock age, incidents of issues reported and how and when they planned to rectify known issues. Discussing policies and procedures put in place by the entities around minimum standards allowed us to identify how our issuers compared to each other in this area.

We continue to engage with issuers in this sector to highlight our expectations and encourage improved behaviour, where it might be needed. We will monitor this area across our portfolio, with a focus on any policy development that will strengthen action in this area.

Engagement and escalation

Engagement with issuers to encourage more sustainable practices that yield long-term financial returns is an important aspect of our approach to ESG management.

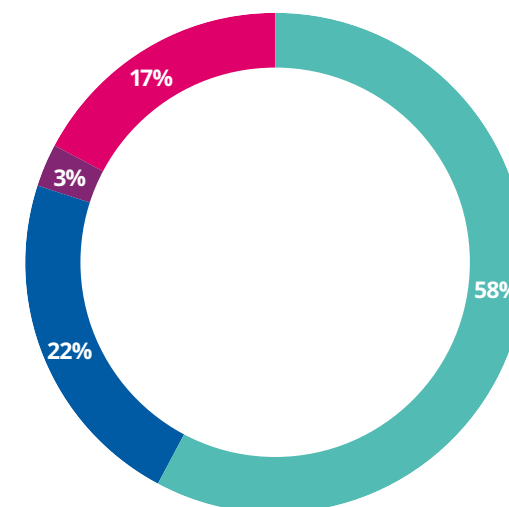
We are dedicated to delivering positive outcomes for all our stakeholders and given the long-term nature of our business, we utilise engagement to ensure we maintain an appropriate understanding of risks to which our borrowers are exposed. In addition, as a signatory of both the United Nations Principles for Responsible Investment (PRI) and Net Zero Asset Owner Alliance (NZAOA), Rothesay has committed to responsible engagement with firms in our portfolio.

As we do not use external asset managers, all our engagement is coordinated by our dedicated ESG analysts and conducted in collaboration with members of our Credit Risk and Asset Management teams. Our bilateral engagement approach is predominantly focused on specific, direct engagement with the most material corporate issuers within our portfolio. In 2022, we recorded 36 specific engagements relating to ESG topics. These predominantly focused on climate interactions to align with our NZAOA commitment to engage with entities with the greatest climate relevance, and so 75% of engagements focused on environmental factors.

We also engage with our counterparties, for example, with money market funds to identify their alignment with The Sustainable Finance Disclosure Regulation (SFDR). In 2022, the majority of our funds are Article 8 Aligned.

We acknowledge that in the context of being a debt-only investor, our escalation approach is restricted by the more limited mechanisms and influence we can bring to bear with relevant issuers. In many cases, it can be challenging to accurately assess whether lack of responsiveness to our engagement reflects entity views on ESG issues or prioritisation of more material stakeholders.

ESG Theme of Engagement (%)



Climate	58%
Social	22%
Governance	3%
Combined	17%

Reducing portfolio emissions

In our first ESG report, published in 2021, we set out our Pathway to Net Zero strategy.

This is our comprehensive plan to achieve net zero emissions across our business by 2050 and the first milestones we will need to reach on the way. These commitments included the following:

- **Net zero by 2050**
Rothesay is committed to transitioning our investment portfolio to net zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement.
- **20% reduction by 2025**
We aim to reduce the Scope 1&2 Carbon Intensity of our total portfolio by 20% over the five years beginning with the baseline set in 2020. We also aim to reduce the Scope 1&2 Carbon Intensity of our publicly traded corporate debt sub-portfolio by 20% over the same timeframe.

We define Carbon Intensity as the $tCO_2e/\$m$ revenue, which reflects the total amount of greenhouse gas emissions produced by a company per annum, divided by their earnings.

This year we have added a 2030 target for our publicly traded corporate debt sub-portfolio which aims for a 50% reduction in Scope 1&2 Carbon Intensity vs our year end 2020 baseline. This is in line with NZAOA guidance and reflects the global need to halve emissions by 2030 to have any hope of meeting 1.5°C alignment with little or no overshoot.



Reducing portfolio emissions continued

Transition planning

The rate of decarbonisation exhibited by our portfolio varies markedly between asset classes and geographies and reflects a wide array of challenges. During 2023 we started work on a Net-Zero Transition Plan which accounts for these variations and considers the levers that may prove influential in accelerating that rate. This will inform our long-term planning and intermediate portfolio goals and targets. We aim to publish this plan in 2024.

Exclusions

Our responsible investment strategy takes a case-by-case risk-based approach, which naturally excludes investments with significant ESG risks. However, there are two areas where we have explicit exclusions in relation to our investment appetite. In 2021 we published our Responsible Investment Policy, reflecting our thermal coal exclusion policy, which prevents our financing of new mines or electricity generation plant that predominantly produce or use thermal coal. Where issuers have coal exposure, we actively target those with clear plans to have minimal coal exposure by the commonly accepted coal exit timeframe of 2030 in OECD countries, and focus our stewardship on supporting these outcomes. The latest version of our policy includes an exclusion for controversial weapons. We recognise that climate and ESG risk management is evolving rapidly. Our exclusions manage exposure to entities with inadequate decarbonisation paths, which face higher policy and sentiment risk, and will not support our decarbonisation targets. We will continue to position our exclusion strategy to ensure we protect our policyholders and manage our

long-term ESG and climate commitments, recognising our risk management framework naturally minimises investment in contentious issuers.

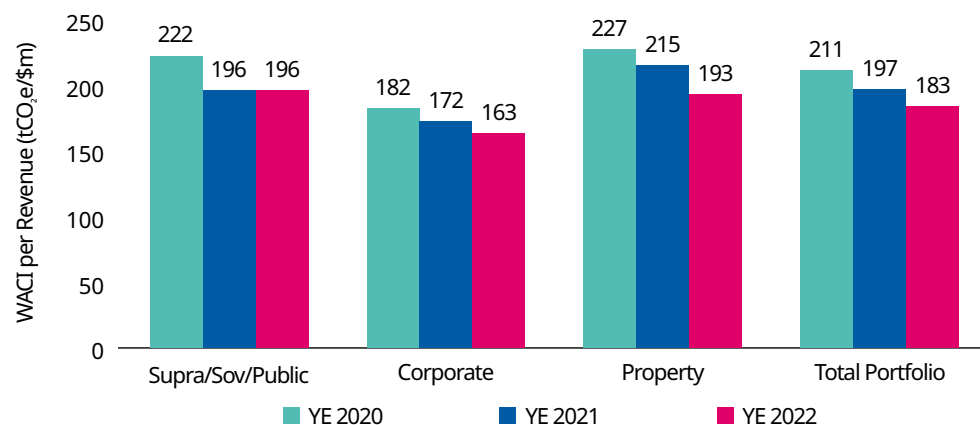
Our progress

Rothesay reports the Carbon Intensity of our investment portfolio on a revenue basis, covering Scope 1 and Scope 2 emissions for the constituent issuing entities. For Rothesay, these make up the bulk of our Scope 3 emissions and we analyse them independently from the rest of the emissions with which the firm is associated.

Our baseline Carbon Intensity value, for our portfolio at year end 2020, was 211 tCO₂e/\$m revenue. We have seen good reductions in this value over the last two years, with the current value at year end 2022 being 183 tCO₂e/\$m revenue.

It should be noted that the last three years have seen a number of large macroeconomic events such as COVID-19 that will have had significant impacts on issuer emissions and revenues. All of this reinforces the need to set and monitor targets over medium to long-term time periods and ensure that issuers have the ability to implement and carry out their emission reduction plans before we take action.

In the industry there are a wide range of climate metrics that can be reported to support climate risk assessments and as our approach to assessment and reporting evolves, we will introduce additional portfolio metrics as internal and external expectations develop. An overview of these metrics is available in the Data and Metrics section of our latest Climate Report.



Investing in opportunities

To protect the future for each one of our policyholders, and provide them with long-term financial security, Rothesay takes a prudent approach to managing ESG risks, recognising the uncertainty they can introduce over a long time horizon.

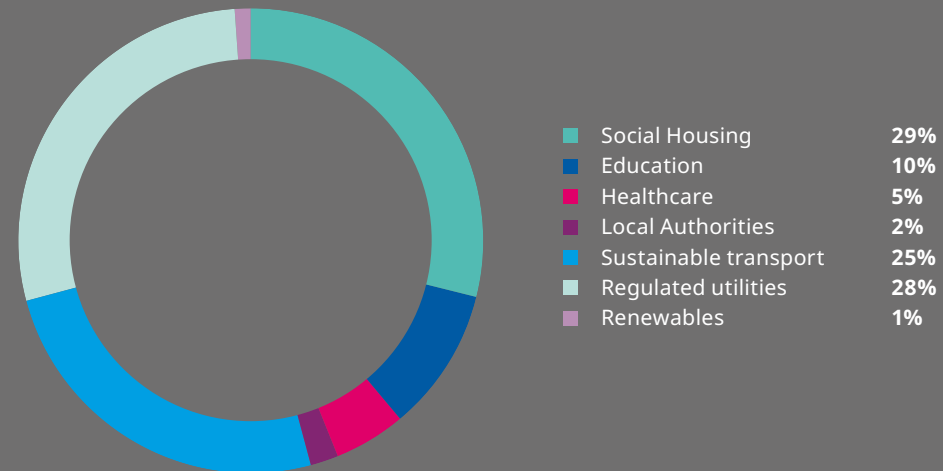
A key tenet of our strategy is investing our capital responsibly; it is critical that we invest in assets which match our liability cash flows, which provide appropriate risk-adjusted returns, and which support our pathway to a more sustainable future. Given the long-term nature of our business, we consider the impact of our decisions well into the future to ensure we deliver positive outcomes for all our stakeholders, including our policyholders, our investors, and our society.

To support this, Rothesay have invested £13.8bn in opportunities deemed to be sustainable investments. We consider sustainable investments to be investments in companies and sectors which can generate real social value, which are in alignment with one or more United Nations Sustainable Development Goals, and where the proceeds can be explicitly earmarked for sustainable or social purposes.

Investments currently meeting this definition include:

- Social Housing
- Education
- Healthcare
- Non-Profit Foundations
- Local Authorities
- Sustainable transport
- Regulated utilities
- Renewables

£13.8bn of sustainable investments



As leading investors in this space, we continue to value the positive contributions our financing can provide and seek to continuously enhance our involvement and mature our approach in this area.

Section

2

Positive outcomes for our stakeholders

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Our people

The commitment and quality of our people are integral to Rothesay's success.

Rothesay's culture has been built by employing very talented people who take pride in their work and are able to take ownership of what they do. Our people do what it takes to be amongst the best in our industry and we have always trusted our employees to work in the way that lets them achieve that.

Our cultural values



Our culture and brand

We are committed to maintaining the highest standards of integrity, transparency and accountability. That commitment is reflected in our cultural values and the way in which we live those values in our performance, behaviours and our everyday decisions and interactions.

We make our values visible and known to all employees in line with best practice. We also extend this high standard of expectations to entities with whom we work, across our supply chain.



Our people continued

396

permanent employees,
including **12** in Rothesay
Asset Management US,
an increase across
Rothesay of **10%**
from 2021

Growing our business

Our business has continued to grow and, as at the end of 2022, Rothesay had 396 permanent employees, an increase across Rothesay of 10% from 2021.

To meet the demands of a growing business, we have continued to recruit, with particular focus on the following areas:

- **Technology** – to support the re-platforming of our risk management systems and to ensure Rothesay is at the leading edge of automation.
- **Pricing** – to increase the capacity of our new business underwriting team.
- **Risk and compliance** – to support the sustainable growth of the business.

We continue to promote internal opportunities and encourage internal mobility across the business. In 2022, we supported our first international moves from London to New York.

Year-on-year increases in graduate numbers continue to strengthen our capability pipeline for the future. We also sponsor a number of apprentices, internships and work experience programmes on an annual basis.

As part of our work experience programme, we offered expenses paid places to pupils from Newham Collegiate Sixth Form Centre, a local school serving pupils in a disadvantaged part of east London.

Engaging our employees

In 2022, we continued to focus on strengthening our internal communications capability and delivering events to increase the ways we bring our employees together and share key business updates. We have continued to ensure that there is regular communication from all parts of the business. Our monthly employee newsletter keeps people connected and we have elevated our employee Town Halls into events staged at the British Museum. We have also introduced Lunch with the CEO events, giving small groups of employees an opportunity to pose questions and talk directly with our CEO, Tom Pearce. Ideas and feedback are captured so that they influence future actions in support of our people strategy. We also introduced a new Rothesay Speaker Series for all staff with speakers including Lord Mervyn King and Lewis Pugh.



Our people continued

94%
employment
engagement survey
participation rate
(2021: 92%)

In 2022, our annual employee survey was again run using an external consultancy in order that we can use benchmarking data to better interpret the results. We received an outstanding response rate of 94% (2021: 92%), with 91% of employees saying that they were proud to work at Rothesay (2021: 92%). The results showed a modest reduction in engagement score to 72% (2021: 74%). The results were discussed with the Board and we have identified a number of focus areas for improvement for 2023.

Our office space in London is configured in a way that means that all our UK-based employees can work collaboratively together in one location. This prevents functional silos – an integral part of the Rothesay culture. The Chairman, members of Board and Executive Management have frequent, informal interaction with Rothesay's employees. Company-provided breakfasts and evening get-togethers are regularly held throughout the year, supporting our cultural focus on connectivity and internal networking.

Employee turnover has increased to 9.5% (2021: 7.5%), which is still relatively low compared to the market.

91%
employees proud
to work at Rothesay
(2021: 92%)

Investing in our people

Rothesay is committed to employee development. We invest in employees gaining a range of professional qualifications and we offer a comprehensive learning and development programme covering both technical and professional skills. Our people are encouraged to own their career development and select their learning activities from the programmes which have been tailored to Rothesay's requirements. This includes a compulsory ESG training module for all employees to support business-wide understanding and engagement with Rothesay's ESG strategy. We are also pleased with the success of our Coaching Clinics, where any employee can book a single or a series of sessions with our professional coaches, at a time when they need additional support either with a personal career question or with a task that is in focus. This year, we added project management fundamentals to our portfolio to build project management capability within our teams. All our learning offers are delivered through our trusted external development partners.

To support career progression, our Manager Fundamentals Programme runs twice a year and individuals join a cohort to complete a series of modules on best practice that also includes individual coaching. All our managers are expected to provide employees with continuous feedback and coaching conversations throughout the year. Mid-year and end-year reviews provide an opportunity for employees to reflect on their achievements, give and receive 360-degree feedback, including on ways in which they have helped support ESG initiatives and targets, and to set objectives to drive their career forwards.

Our people continued

Our one year graduate programme provides junior hires with the training, support and responsibility required to allow them to contribute meaningfully to the business from day one.

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. In 2022, to add to our financial wellbeing benefits, Rothesay increased the employer contribution to the defined contribution scheme and introduced an additional employee 2% matching benefit for employees with salaries up to £75,000 taking the maximum total contribution to 15%.

Health and wellbeing benefits include private healthcare for employees and their families, regular health assessments for employees and their partners, subsidised gym membership, fertility support, free flu jabs and free access to Headspace, an app which provides meditation and mindfulness tools. We also introduced new critical illness and dental benefits that went live in 2023.

Through our Employee Assistance Programme, employees have access to an extensive education hub and phone support on all wellbeing issues. Rothesay also provides free membership to Work Life Central, another education and webinar platform to help working parents and carers.

In the office, our exclusive gym is available 24/7 to all employees and in partnership with our fitness provider. Employees may use their gym subsidy to attend regular classes and personal training sessions, and book massages. Our workstation assessments, and use of ergonomic chairs and stand-up/sit-down desks ensure employees can tailor their work environment to meet their needs. We also provide fresh fruit for free every day, healthier snacks such as sugar free and plant-based options in vending machines, and non-dairy milk alternatives in the coffee machines.

We have 13 employees externally trained as Mental Health First Aiders by MHFA England. They sit across our business and are available to everyone as a point of contact for discussions on all mental health issues, whether it be something an individual is personally experiencing or whether they have concerns for someone else. Trained MHFAs are enabled to have an initial conversation with a colleague and guide them to the relevant help that they need.

Flexible working

The pandemic has shown us the benefits of working remotely but also its limitations. We continue to believe in the exceptional value of our people being together face-to-face and we feel strongly that being in the office at Rothesay is exciting, fun and conducive to doing our best work. Acknowledging the importance of flexibility, in 2022, Rothesay formally introduced an element of flexible working for all employees. Different teams and roles have different needs and dynamics so, for this reason, our flexible working model necessarily varies team-by-team.

Case study

New Benefit: Fertifa

Earlier this year, we launched a specialist benefit with Fertifa, a dedicated Fertility, Men's Reproductive Health and Women's Healthcare service supporting employees globally.

Rothesay has engaged with Fertifa to provide access to unlimited one-to-one clinical advice and support throughout our employees' fertility, family forming, menopause, men's reproductive health or women's health journeys. Rothesay's Fertility Support Policy ensures that certain fertility treatments will be partially reimbursed up to a lifetime allowance maximum of £40,000 for any employee, and the administration of this allowance will be completed confidentially by Fertifa. Additional paid leave is also provided to people if they or a partner are receiving fertility treatment.

Our people continued

82%

of our employees
agreed or strongly agreed
with the statement
**“My co-workers
respect my thoughts
and feelings”**

(2021: 85%)

Diversity and inclusivity

As a founder-led business, Rothestay has been committed to creating a culture that actively values difference from day one. Our policies are designed to ensure that our people are not to be disadvantaged in any way as a result of age, race, gender, disability, socio-economic background, religion or belief, sexual orientation, gender reassignment, marriage and civil partnership or pregnancy and maternity. We recognise that people from different backgrounds and experiences can bring valuable insights to the workplace and enhance the way we work.

We have formed a diversity and inclusion (D&I) Executive Working Group. This working group takes senior responsibility for forming and delivering our D&I strategy as we go forward. In addition, Board Director Angela Darlington is now Rothestay's first independent Board sponsor for D&I. Our D&I initiative encourages employees to share their views on D&I within Rothestay and to provide more detailed personal information so that we can better track our progress in promoting D&I within our business. Part of this promotion is in the form of internal D&I-themed forums which seek to promote inclusion and highlight issues facing minority groups.

In the 2022 employee engagement survey, 82% of our employees agreed or strongly agreed with the statement “My co-workers respect my thoughts and feelings” (2021: 85%) and 79% agreed with the statement “We have a work environment that is accepting of diverse backgrounds and ways of thinking” (2021: 73%).

We encourage all employees to provide us with their D&I data on a confidential basis so that we can track progress in relation to diversity and inclusivity

over time. Such data includes gender, race, sexual orientation, religion, nationality, disability, whether the person is a carer and socio-economic background.

In 2022 we held lunchtime sessions focused on trans inclusion, neurodiversity and socio-demographic background. Alongside these sessions, we have widened our policy suite to cover fertility support, trans and non-binary employees and neurodiversity.

We encouraged voluntary notification of preferred pronouns in recognition that for some, making pronouns visible is important for inclusivity and celebrated key events on the international diversity calendar.

We continue to look at ways of identifying a more diverse range of talent for the long term. We believe in taking practical steps to drive this outcome, and to regularly communicate our commitment to supporting all our colleagues. During 2022, we again participated in the #10,000BlackInterns programme. We have introduced a specific emergency back-up family care benefit and formalised a neonatal leave policy to support employees in times of need.

We offer training and support to new parents and their managers and all employees taking extended parental leave are offered one-to-one coaching to support their return to work.

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.

Our people continued

Remuneration policy

In addition to the various benefits offered, remuneration packages combine a base salary, cash and equity bonuses (via the deferred equity award plan), and a share incentive plan.

Under the Rothesay share incentive plan, the Remuneration Committee can award all eligible UK employees free shares (up to a value of £3,600). Steps are then taken to ensure that overseas employees receive a similar award. The Committee approved such an award at the end of each of 2019, 2020, 2021 and 2022, thereby ensuring that all employees benefit from the longer-term success of Rothesay.

The Remuneration Committee is responsible for ensuring that Rothesay's remuneration policy appropriately rewards and incentivises our people.

Rothesay's remuneration policy is intended to:

- promote sound and effective risk management;
- align individuals' incentives with multi-year performance;
- discourage excessive or concentrated risk-taking;
- allow Rothesay to attract and retain proven talent; and
- align aggregate remuneration with the performance of Rothesay as a whole and encourage teamwork.

This is achieved by ensuring that variable remuneration is linked to performance across a range of financial and non-financial metrics. The Chief Risk Officer provides input to the annual appraisal process, and profit metrics are not considered when evaluating the performance of staff whose primary responsibility is the control of risk.

Considerable attention is paid to non-financial matters in assessing performance, including policyholder experience, operational risk management, compliance, conduct, teamwork and contributions to the firm's effort to combat climate change.

The Remuneration Committee retains an independent expert adviser from FIT Remuneration Consultants LLP to provide benchmarking, independent input and industry insights. That consultant generally attends meetings of the Remuneration Committee.

Gender pay gap

The table below provides a summary of our gender pay gap data:

	2022 Mean	2022 Median	2021 Mean	2021 Median
% by which hourly pay is lower for female employees than male	23%	23%	28%	28%
% by which bonuses are lower for female employees than male	51%	44%	53%	55%

The table shows some improvement between 2021 and 2022. We are also proud of our 42% female Board representation, compared to our overall company female representation of 31% which reflects improved participation of women at the highest level of our company's decision-making. In common with many other organisations, our gender pay gap arises as a result of having a higher number of men in senior roles than women. Low turnover of staff and three year deferred pay structure means that organic progress in closing the gap is likely to take time. For a more detailed discussion of this topic and information on the actions we are taking to address it, please see our separate Gender Pay Gap Report.

Our policyholders

There's one thing Rothesay must always do, regardless of everything else – and that's pay the benefits of our **825,000** policyholders.

However they come to us – buy-in or buy-out, or from another insurer – it's this obligation that we prioritise above all others.



Our policyholders continued

30

seconds

80% of calls to our
call centres are
answered in under
30 seconds

As a business, Rothesay is designed to protect pensions even through the most difficult times, something which has been more important than ever during the recent economic turmoil.

We also know it's not enough to simply pay benefits. It's also vitally important to be there for our policyholders, especially in huge life-event moments like retirement and bereavement. That's why we are proud to deliver demonstrably excellent customer service, focused on real care in every detail.

This combination of secure and certain income alongside genuine service excellence means our customers can be reassured that their pension is in safe hands.

Supporting vulnerable customers

We are proud of the fact that all of our policyholders are treated as individuals and we have strong governance in place to help ensure we follow best practice in this area. We are actively engaged with the Association of British Insurers (ABI) and are a member of their Vulnerable Customers Working Group.

We have continued to develop our vulnerable customers model, working closely with both the Alzheimer's Society and Cruse Bereavement Support. The Alzheimer's Society's Dementia Friends programme is an initiative intended to change people's perceptions of dementia and in 2022 the Society provided a Dementia Friends session to our people. We have also been working with the Society on the power of attorney process.

Access to finance – enabling flexibility with small pots

During 2022, we restarted our “small pots” initiative under which pensioners with relatively small annuities (benefit value of less than £10,000) are offered a one-off opportunity to take a lump sum payment. This initiative has been discussed with the Financial Conduct Authority (FCA) and is overseen by our Customer Conduct Committee.

Reliable service delivery

Not only do we ensure that all of our processes are designed to achieve “good customer outcomes”, we also seek to exceed the standards and guidelines set out by the FCA, the Pensions Regulator and the ABI. We are currently reviewing all our communications and customer-related management information as part of ensuring that Rothesay is compliant with the new Consumer Duty regulations coming into force in July 2023. Our commitment to administration continues to be recognised by PASA, the independent body dedicated to driving up standards in pension administration, and we were reaccredited with PASA's Gold standard in January 2022. We are also a member of the Institute of Customer Service, an independent, professional body for customer service.

We have now introduced the SignVideo service for all our deaf or hard of hearing customers. SignVideo is a video relay service that connects customers to fully qualified, registered NRCPD (National Register of Communication Professionals working with Deaf and Deafblind People) interpreters who are able to relay conversations with our customer service team.

95%

positive

Policyholders rating
our service “good”
or “excellent”

Our policyholders^{continued}

As noted earlier, we follow a strategic outsourcing model and partner with industry experts for the provision of administration services – Capita Pension Solutions, WTW and Mercer. Our third-party administration partners have all moved to hybrid working and continue to respond well to this new way of conducting business. Through our administration partners, we have over 250 dedicated staff providing our core services, including administration, payroll and UK-based contact centre services.

At the end of 2021, around 350,000 policyholders transferred from Prudential to Rothesay. The administration of these policies was originally being carried out by Diligenta, Prudential's third-party administrator. Our focus in the second half of 2022 was planning for the smooth transition of the administration of these policies to Capita, which took place successfully in early 2023.

We have continued to invest in automation and efficiency projects to ensure we have a robust control environment to manage existing and future business without compromising our high service levels and our continued commitment to our policyholders. We assign new third-party contracts in a way which is intended to deliver a high-quality customer service and takes into account factors such as transaction timing, scheme complexity, membership size, potential business pipeline, ongoing projects and cost.

We continue to roll out online access for our policyholders, allowing them to access policy and payment information, view the personal data we hold in relation to them and update certain personal data.

Given the profile of our policyholders as well as the “small pots” initiative referred to below, over recent years the number of policyholders has fallen despite a net increase in liabilities from new business. The change in the number of policyholders can be seen in the table below.

We continue to manage our third-party administrators through a series of proven, robust governance processes, including service level agreements which are amongst the most challenging in the industry. We constantly measure performance for quality, accuracy and timeliness, and maintain stringent internal governance to ensure standards are maintained. All of our processes have contractual service level agreements where we strive for the end-to-end process to be as short as possible whilst maintaining quality and accuracy. This ensures we maintain excellent customer service levels across case work with over 90% of targets being met.

Our complaint levels continue to be low with just 1.37 complaints received per 1,000 policyholders (2021: 1.40 complaints per 1,000) of which 0.47 complaints per 1,000 policyholders were upheld in the customer's favour (2021: 0.51 complaints per 1,000).

Our administrators escalate all complaints to the in-house Operations team immediately for review and sign-off of the response. Where policyholders express dissatisfaction or make complaints, we undertake a full root cause analysis, and this helps ensure that we learn from each and every one.

Rothesay policyholders¹

	2022	2021
Number of policyholders at 1 January	837,721	847,839
Increase in respect of new business	29,751	12,146
Reduction in respect of deaths and member options	(42,006)	(22,264)
Number of policyholders at 31 December	825,466	837,721

¹ Policyholder estimates are based on analysis of data available at end of November. Part of the reduction in respect of deaths and member options for 2022 reflects late reporting of 2021 movements.

Our policyholders continued

Prior to the Consumer Duty becoming effective on 31 July 2023, Rothesay undertook a successful assessment of its readiness for its implementation via a project sponsored by the Chief Compliance Officer and Deputy Chief Operating Officer, and championed by Terry Miller, Rothesay's Board-level Consumer Duty Champion. In particular, Rothesay's strategic and cultural purpose is consistent with the Duty, and its governance structure, product governance arrangements and customer-focused policies will support embedding and monitoring post-implementation. It is intended that the Board will review and agree an assessment of Rothesay's compliance with the Consumer Duty annually.

Pension trustees

Rothesay provides pension de-risking solutions to the trustees of over 200 pension schemes. During 2022, Rothesay assisted nine pension schemes to de-risk their liabilities, resulting in new business premiums of £3.3bn. We aim to deliver certainty to trustees and members whatever the operating environment by performing detailed due diligence up front so that all parties are clear as to the risks that are being insured or bought out and then by working with the trustees and their administrators to make the data cleaning process and conversion from buy-in to buy-out as seamless as possible.

We believe in playing our full part in supporting the evolution of the defined benefit pensions industry as more and more schemes approach their end game.

During 2022 this has involved over 150 hours of participation in meetings, discussions, webinars, conferences and other presentations, mostly face-to-face, on the topic of how best to engage with the bulk annuity market. This has covered a wide range of industry participants including over 40 individual events with consultancies, lawyers, independent trustee firms, pension schemes, sponsors, other pensions professionals and organisations with which we partner with such as PensionsChair, the Association of Member Nominated Trustees and Pension Trustees Circle.

Other activity during 2022 included:

- Publishing the third of our "Journey to Buy-out" guides. These guides bring together a wide range of industry experts to explore the issues and processes associated with reaching buy-out.
- Holding an inaugural networking event focused on the Next Generation of the Bulk Annuities Market. This was aimed at the more junior associates in the bulk annuities market and explored important leadership skills, how to drive change, and how to succeed in the bulk annuity market.
- Contributing to other industry publications, including the DLA Piper "De-Risking Best Practice Guide".
- Writing an article for Insurance Asset Risk magazine about Rothesay's commitment to the UN-convened Net-Zero Asset Owner Alliance and our own Pathway to Net Zero plan.

During 2021, we decided that we would start to undertake the administration of pension buy-ins in-house, rather than outsourcing this activity. We are doing the work in-house for ten schemes and work continues to in-source more such activity, including for some existing buy-ins where conversion to buy-out is not envisaged in the next few years. Doing the work in-house ensures that we can build and maintain close working relationships with our pension scheme counterparties and their administrators and allows us to leverage our risk management systems to minimise discrepancies and ensure that we fund our clients accurately and on time.

Every two years, Rothesay undertakes a regular survey of trustees. Individual trustees are asked a series of questions by an independent facilitator who then produces a report summarising the results. The survey was last undertaken in 2021 and Rothesay undertook a number of actions in response.

In addition, Executive Directors and management of Rothesay have ad hoc meetings with pension scheme trustees throughout the year.



Our community

We are committed to actively engaging with our local community as part of our commitment to creating a positive impact through our activities on the environment and for society. Through engaging in initiatives that seek to support the long-term prosperity of our community we can create positive social impacts.



Our community continued

£5.6m
pledged to
charitable causes
(2021: £3.9m)

Charitable giving

In 2022, we pledged over £5.6m (2021: £3.9m) to charitable causes, including making a £500,000 donation to the International Committee of the Red Cross in response to the terrible conflict in Ukraine.

We established the Rothesay Foundation in 2020 with the aim of supporting organisations that seek to improve the quality of life for older people, helping them to live their lives in a happy, safe and fulfilling way. Last year, our foundation ran the hugely successful Summer Cheer campaign (see case study).

Rothesay supports Tax Help for Older People, a charity service providing free, independent and expert help and advice for older people on lower incomes who cannot afford to pay for professional tax advice.

On an annual basis we support an employee-nominated charity of the year. In 2022, employees chose Brain Tumour Research. There were a number of employee-run fundraising events, and in total employees donated over £37,000 to Brain Tumour Research in 2022.

We encourage our employees to support charities personal to them through our matched giving policy, which gives everyone an annual matched allowance of £1,000. In response to the Ukraine conflict, we introduced an additional 3-for-1 matching for donations of up to £200.

In addition to the funds raised for the Charity of the Year, over £100,000 was given to a wide range of charities by our people, including through Give As You Earn and use of CAF. We are proud that so many people have engaged in fundraising and social events designed to give back to the community. We have increased the number of volunteer days employees can use in 2022 to two, and in 2023 intend to partner closely with charities to give our people more opportunities to donate their time to the communities which matter to them.

We are a corporate partner of the British Museum and support a number of other charities.

Sanitary products in bathrooms

Rothesay has always freely provided sanitary products in our bathrooms. In November 2022, we switched provider to Hey Girls, who donate 100% of their proceeds to eradicating period poverty and lobbying for period dignity in the UK. In addition, for every product sold, Hey Girls will donate a product to women's centres, food banks, homeless shelters and youth groups around the UK. All their products are vegan, organic, and made with sustainably sourced bamboo and cotton, wrapped in biofilm which will completely biodegrade within six months. We are proud to be able to provide environmentally friendly products as well as doing our part to help reduce period poverty in the UK.

£500,000
donation to the
International Committee
of the Red Cross
in response to the
terrible conflict
in Ukraine

Our community continued

Supporting vulnerable older people

Cheer campaigns with AgeUK and Iceland Foods

We know that there are rising levels of poverty in the UK's pension-age population, particularly in cities and large urban areas where the cost of living is often much higher. We also know that many of the most vulnerable older people are not in contact with AgeUK and do not claim all of the benefits to which they are entitled.

In August 2022, the Rothesay Foundation expanded its partnership with Iceland to support some of the 1.7m pensioners who live in poverty in the UK and rely on the state pension and benefits for their income.

The "Summer Cheer" campaign was rolled out across 269 Iceland stores, giving pension-age residents who are living independently, or with a carer, who rely solely on a state pension and benefits, a £30 voucher for food and other essentials. The areas were selected as the places where there are some of the highest numbers of pensioners living in material deprivation in the country.

The campaign followed the pilot community campaign in the London borough of Lambeth across nine stores (the "Winter Warming" campaign), which helped older people in the area who are managing on low incomes to enjoy Christmas.

The Summer Cheer campaign ran for seven weeks from 1 August until 16 September, providing over 80,000 eligible pensioners with a £30 Iceland gift voucher. As a result of the campaign, over 80,000 pensioners were also provided with AgeUK's information guide on financial advice following research showing that, despite record levels of poverty, over 770,000 pensioner households are still missing out on Pension Credit payments – worth £1.5bn every year.

We intend to use this information in the future to work more widely to bring support to those who need it the most. For example, following the Summer Cheer campaign, the Rothesay Foundation has now launched a pilot with AgeUK under which Summer Cheer participants are offered access to a dedicated advice line providing a free, confidential benefits check to ensure that they are claiming all of the benefits to which they are entitled. Early feedback suggests that, on average, a successful AgeUK benefit check identifies entitlement to an extra £2,000 of benefits per person each year.



Iceland

AgeUK

Our community continued

Taxation

Rothesay's tax strategy is designed to ensure compliance with the tax laws of those countries in which Rothesay operates (primarily the UK). Any tax planning undertaken has commercial and economic substance and has regard to Rothesay's corporate responsibilities and brand and the potential impact on shareholders, policyholders and other stakeholders. We do not undertake planning that is contrived or artificial. Rothesay has zero tolerance for tax evasion of any kind.

Rothesay makes a significant tax contribution in the UK, with £387m remitted to UK tax authorities in 2022 (2021: £431m). Rothesay had an effective corporation tax rate of 16.1% during 2022 (2021: 19.0%). The reduction in Rothesay's effective tax rate has been driven by the increase in the UK rate to 25% from 1 April 2023, which has resulted in a revaluation of our deferred tax balances from 19% to 25%, therefore increasing the deferred tax asset for future reversals and reducing our effective tax rate. Other taxes include property taxes, employer payroll taxes and irrecoverable indirect taxes.

Taxes paid	2022 £m	2021 £m
Corporation tax	78	229
Other taxes	16	15
Taxes collected	293	187
Total remitted	387	431



Our community continued

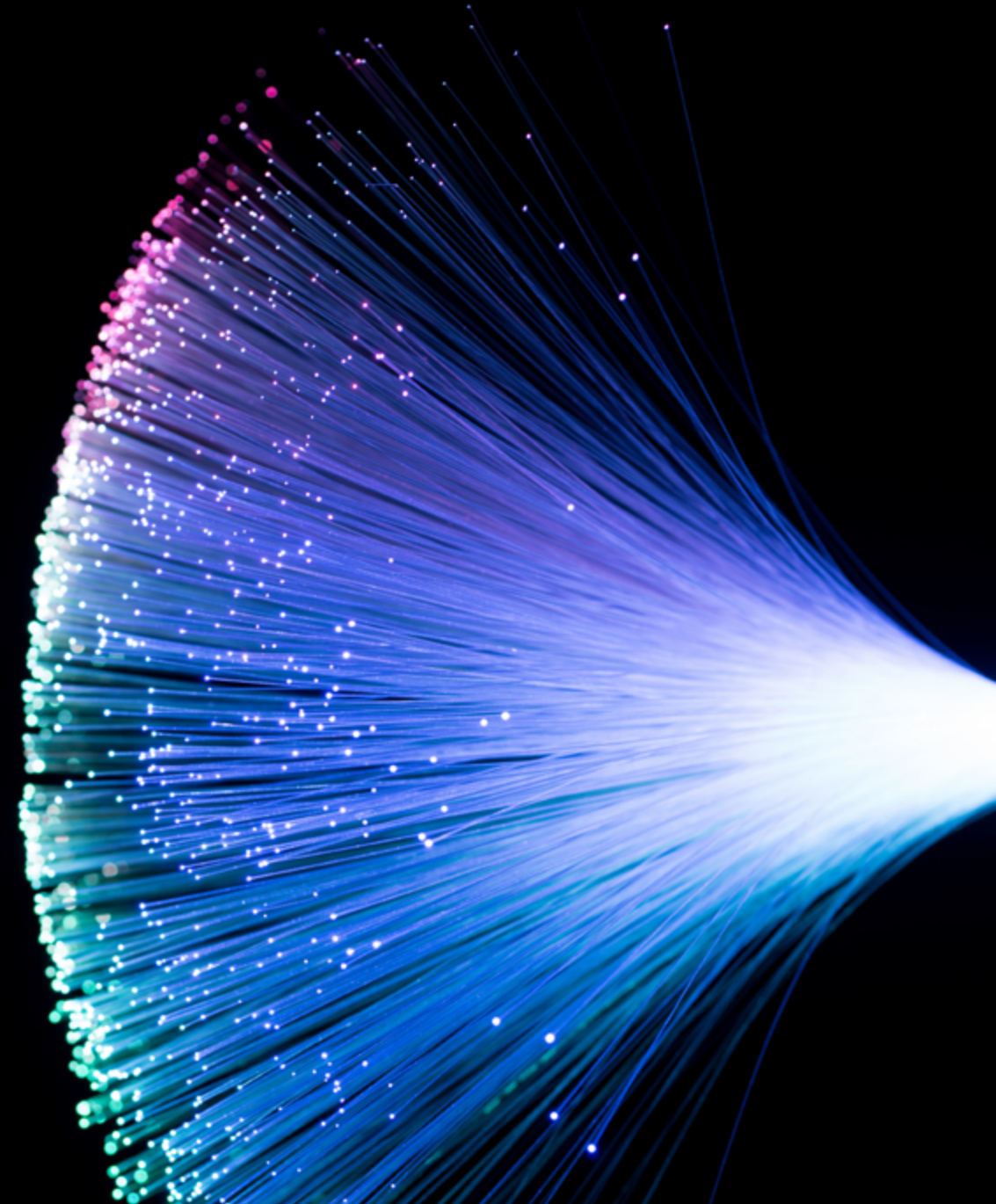
Supporting the future of British tennis

Rothesay is proud to be an official partner to the LTA, supporting the future of British tennis and helping with the LTA's vision to open up tennis to more people of any age, ability and background. As the LTA's exclusive pensions partner, Rothesay is helping to secure the future of British tennis as the title sponsor of the Rothesay Open, Rothesay Classic and Rothesay International.



Our suppliers

Rothesay's spend on third-party providers spans a wide range of companies and sectors, from our business partners to professional services, marketing and goods such as IT systems and desktop hardware and software.



Our suppliers continued

Our spending generates a positive economic impact and supports the development and growth of our suppliers and companies that supply them.

We have introduced a number of elements into our vendor management process to ensure material ESG risks are considered in this activity. We are phasing in a Supplier Code of Conduct, starting with new vendors and our most critical existing vendors, which asks our vendors to conduct their activities in line with good business conduct. This includes making sure they respect human rights, promote decent working conditions and improve sustainability across the supply chain.

As required annually by the Modern Slavery Act 2015, we publish 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.

We conduct annual reviews of all our critical and highly important suppliers which spans not only their financial and operating performance but looks closely at material ESG 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 and climate targets.

Third-party administrators

From the point of view of our policyholders, the companies in our supply chain with whom we are most closely entwined are those performing pension administration. They make payments to pensioners, track life events that affect pensions (e.g. divorce, retirement and death) and are the first point of response to customer queries. We incorporate an ESG assessment within the annual review of our critical third-party administrators. This considers factors including emissions reporting and net zero commitments, commitments against modern slavery and governance processes.

To the extent we are unable to source satisfactory information, the Rothesay team engage directly with our contacts at the companies to strengthen our understanding of their exposure.

Supplier Code of Conduct

The importance of sustainability intersects all aspects of Rothesay's operations including our supply chain. To strengthen our consideration of ESG factors in this area, we are introducing a Supplier Code of Conduct to outline the expectations we have of the suppliers with whom we work. The Code's purpose is to set clear standards around the expectations we have for our suppliers and is applicable to all suppliers which provide formal provision of goods or services to Rothesay. It covers areas including ethical behaviour, data protection, human rights and modern slavery and anti-competitive behaviour.

Section

3

Running a responsible business



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> Main alignment with SDGs



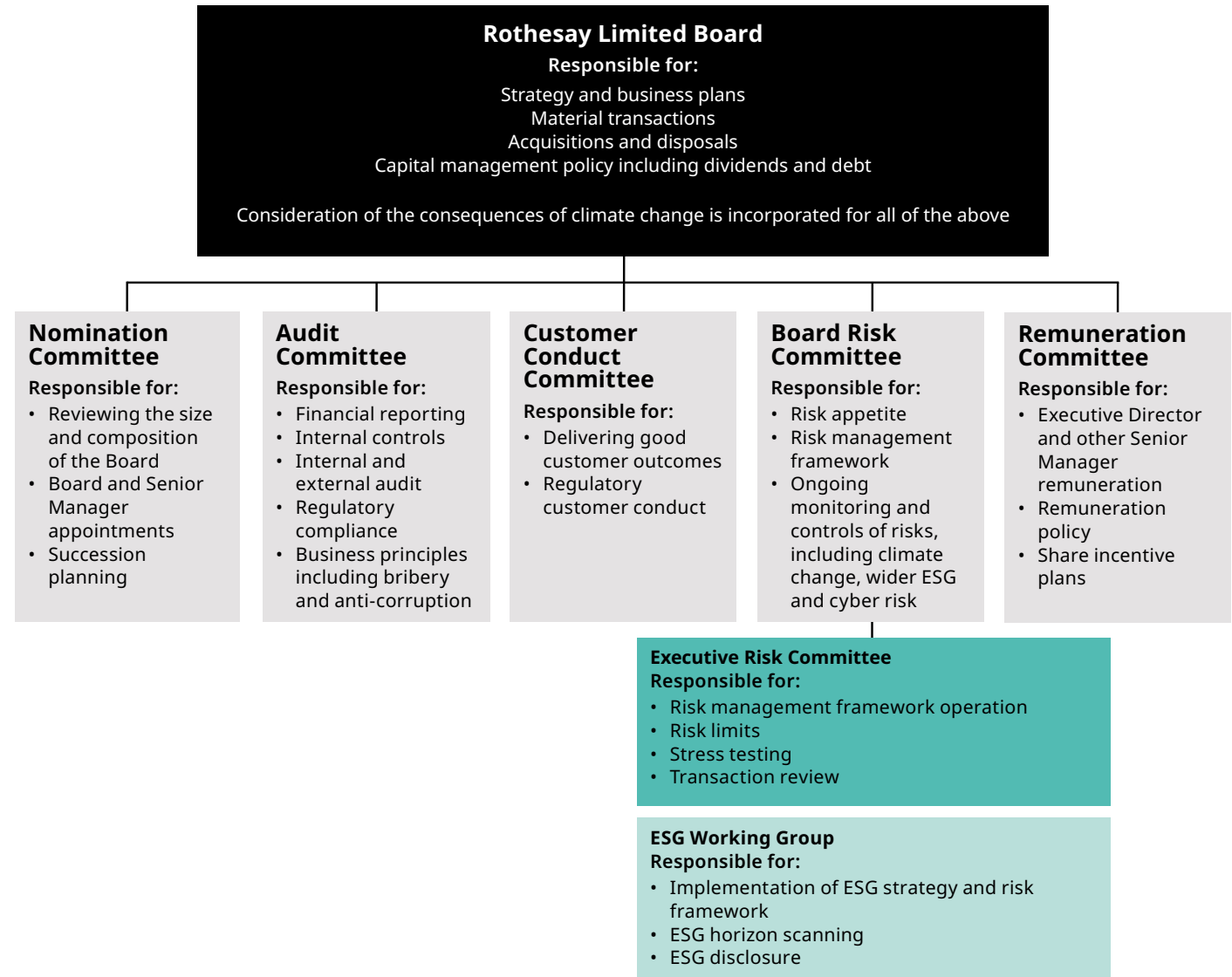
Governance

Effective management of ESG opportunities and risks must be reinforced by a strong governance framework to ensure that these considerations are factored into every business decision.



At Rothesay, we structure our governance framework so that our strategy, purpose, and values are clearly projected from our Board and can be understood and acted upon throughout the business. This approach, realised via the processes and controls we have in place, means that we can effectively manage our risk profile and help to secure the future pensions of every one of our policyholders.

The Board committee structure is shown below:



Governance continued

A strong Board with an effective committee structure is a key component of the governance framework of Rothesay.

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' approach to ESG and related risks and opportunities.

Our Board remains highly engaged; the continuing development of the full internal model, IFRS 17 and other one-off items necessitated a number of additional Board meetings during the year and the level of attendance and contributions remains high. In addition, many issues were dealt with virtually by correspondence, enabling matters to be progressed efficiently and in a timely manner.

Corporate governance highlights

- Approval of the appointment of Tom Pearce as CEO and handover arrangements following the retirement of Addy Loudiadis.
- Approval of the submission of the full internal model application.
- Approval of the strategic business plan and ORSA.
- Approval of the 2021 ESG Report.
- Establishment of the Customer Conduct Committee as a Board-level committee and approval of management's plan for complying with the new Consumer Duty.
- Approval of the larger new bulk annuity and longevity reinsurance contracts.
- Approval of the establishment of a Euro Medium Term Note Programme.
- Review of the results of the 2022 employee engagement survey and discussion of management's planned response.

More information on our Board and Board Committees can be found in our annual report. Terms of reference for these Committees can also be found at www.rothesay.com.



Governance continued

Management oversight

Although ESG risk is directly embedded in our business, we have nominated specific members of the Executive team to be responsible for the oversight of climate change and Diversity & Inclusion at Rothesay.

These roles are described in more detail below.

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.

The D&I Executive Working Group is responsible for delivering our D&I strategy. More information on how diversity and inclusion is valued at Rothesay can be found on page 21.

During 2022, we enhanced our ESG governance and management, including the creation of a dedicated ESG team managed by our Head of ESG and Liquid Credit Risk. This team acts as a centrepiece to support coordination of Company-wide activity related to ESG, with our ESG analysts advising on ESG strategy, framework and trade decisions, managing ESG disclosures and monitoring relevant channels for evolving requirements and best practice.

Day-to-day responsibility for the implementation of Rothesay's climate change risk and ESG framework has been delegated to the ESG Working Group (EWG), a sub-committee of the Executive Risk Committee. In line with Rothesay's philosophy of ensuring that ESG considerations are not confined to one team, the EWG draws membership from across the business and is chaired by the Head of Investment Strategy. The EWG discusses developments each week, meets formally once a month and is the forum at which all ESG-related work is first discussed.

At Rothesay, however, we do not want ESG risk management to solely be the responsibility of the members of the EWG and our dedicated ESG analysts. We are keenly aware that the input of every employee is required to provide a better future for our stakeholders. From 2021, alignment with, and contribution to, Rothesay's ESG objectives forms part of every employee's annual performance review. In addition, we want every department in the business to feel empowered and informed to make ESG considerations in their work.



ESG considerations within Rothesay work

- **Asset Origination:** The Asset Origination team thoroughly assess the ESG risks and opportunities of any potential asset during the due-diligence processes. The team also run regular analyses of potential financial impacts that transitional and physical climate risk could have on our property-based assets.
- **Internal Audit:** The Internal Audit team provide the Board and Executive with comprehensive, independent, objective assurance of the management of ESG risk at Rothesay. The team is also responsible for monitoring whether ethical standards are being upheld as part of their reviews.
- **People:** The People team work to ensure that our talent has sufficient opportunities to develop and progress during their careers at Rothesay. One example of this includes working with a number of providers to provide tailored classroom courses for both technical and business skills development.

Our investors

GIC and MassMutual
each hold
49%
of Rothesay Limited

Shareholders

GIC and MassMutual each hold 49% of Rothesay Limited with the remainder being held by the Employee Benefit Trust, Directors, management and staff. GIC and MassMutual are two of the world's leading institutional investors and provide Rothesay with exceptional long-term support and a stable platform for growth in the future.

The shareholder Directors attend Board and other Board Committee meetings, providing an important contribution to the effectiveness of the Board and to the overall performance of Rothesay. The shareholders receive regular management information and their teams also interact directly with management. Members of their teams also attend relevant parts of Board and other Board Committee meetings as observers.

The shareholders also support Rothesay in other ways, for example assisting in the sourcing and evaluation of investments, providing debt financing and providing longevity reinsurance.

GIC

GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. A disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. GIC invests through funds and directly in companies, partnering with its fund managers and management teams to help world-class businesses achieve their objectives.

GIC has investments in over 40 countries and has been investing in emerging markets for more than two decades. Headquartered in Singapore, GIC employs over 1,700 people across ten offices in key financial cities worldwide.

➤ **For more information about GIC, please visit: gic.com.sg**

Massachusetts Mutual Insurance Company (MassMutual)

MassMutual is a leading mutual life insurance company that is run for the benefit of its members and participating policy owners. Founded in 1851, the company has been continually guided by one consistent purpose: helping people secure their future and protect the ones they love. With a focus on delivering long-term value, MassMutual offers a wide range of protection, accumulation, wealth management and retirement products and services.

➤ **For more information about MassMutual, please visit: massmutual.com**

Bondholders

Rothesay's bonds are its only public market securities and senior management meet with debt investors and analysts on a regular basis to make presentations regarding the state of the business. Rothesay also has a regular dialogue with its relationship banks.

Controls and risk management

Risk management is at the heart of Rothesay's culture, systems and processes.



Controls and risk management continued

Categories of risk and key controls

Rothesay has developed appropriate processes and documented procedures, appropriate controls and other risk mitigation techniques in order to manage risks effectively. A policy framework ensures that an appropriate suite of risk management policies is maintained which sets out the principles and standards for risk identification, measurement, mitigation, control and monitoring.

The key features of these internal control and risk management systems include:

- Management ensures that processes are appropriately followed, documented and controlled;
- The Risk function and management conduct formal controls at least half yearly;
- The Internal Audit function reviews and assesses controls on an ongoing basis;
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects developments in the consolidated financial statements. The Audit Committee is kept apprised of such developments; and
- The Group's results are subject to various levels of review by management; and the Audit Committee and the Board review the draft consolidated financial statements, Strategic Report and report of the Directors. The Remuneration Committee reviews the remuneration disclosures. The Audit Committee receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

Regulators

Rothesay is regulated by the Financial Conduct Authority and authorised and regulated by the Prudential Regulation Authority. We aim to maintain a good relationship with each of our regulators and endeavour to engage in an open, cooperative and timely fashion.

Countering financial crime, corruption and money laundering

The Group is committed to complying with all applicable laws and regulations in relation to combating money laundering, terrorist financing and other financial crimes. The Group has various policies and procedures associated with aspects of financial crime and the overall financial crime policy is reviewed, including an annual risk assessment, on a regular basis, and is approved by the Board.

The approach toward financial crime is overseen by a dedicated team in Compliance, which reports to the Chief Compliance Officer, who is also the Money Laundering Reporting Officer (MLRO). The MLRO reports on financial crime matters to the Board on an annual basis and the regular reporting to the Board and other committees routinely includes management information on financial crime matters. Our financial crime controls are reviewed by our Internal Audit team to ensure they are fit and proper.

Controls and risk management continued

Our Financial Crime Policy covers the following areas:

- Anti-Money Laundering;
- Anti-Bribery and Corruption; and
- Sanctions.

Rothesay has in place a number of controls to prevent financial crime, including sanctions screening, gifts & entertainment monitoring and the performance of due diligence on all its counterparties including those associated with liability side transactions. Rothesay utilises a risk-based approach to its counterparty due diligence determined by the sector, jurisdiction and nature of the relevant counterparties. That risk-based approach is demonstrated in the degree of diligence that is undertaken during the on-boarding process and the frequency with which it is reviewed.

This due diligence will consider all areas of financial crime including, where relevant:

- The identity of the ultimate business owner(s) of the counterparty
- The existence of a sanctions nexus
- The source of wealth or funds for any High Net Worth Individuals or Family offices that may own business in which Rothesay is considering investing
- Any involvement of Politically Exposed Persons or state owned/state invested entities
- The use of any proceeds
- The use of intermediaries, including an assessment of any fee or commission payments to related parties
- Negative media reviews

Rothesay refers to the Wolfsburg questionnaire/ standards and uses various tools to help assess its approach to financial crime, including external data sources and regular screening of payments and accounts against current sanctions lists.

As well as its Financial Crime Policy, Rothesay also has the following policies in place:

- Market Abuse Policy; and
- Conflicts of Interest Policy.

These policies support Rothesay in identifying, managing and mitigating the risks, inherent within our business model, of the misuse of inside information and conflicts of interest that may negatively impact the outcomes experienced by our policyholders, shareholders and other stakeholders and market participants.

Rothesay also has in place a detailed compliance manual that covers the principles and standards to which we expect all our employees to adhere when conducting business. It acts as our internal code of conduct.

Controls and risk management continued

Training

All senior managers at Rothesay have an obligation to take reasonable steps to try to ensure that their business areas operate appropriately and that obligation is cascaded down from the Board through to individual employees and contractors. Adherence to Rothesay's standards and expectations is regularly assessed and awareness is fostered and developed through regular training, and available to all employees on the following topics:

- Anti-Money Laundering and Know Your Customer obligations
- The 13 compliance standards in the compliance manual including specific standards with respect to financial crime and abiding by proper standards of market conduct
- Conflicts of Interest
- Market Abuse
- Personal compliance obligations in relation to whistleblowing/speaking up, gifts and entertainment, personal account dealing and outside business interests. Discussions and training on personal obligations also focus on the conduct rules that apply to all employees

Whistleblowing

It is important that Rothesay maintains a culture where all employees feel they can speak up if they believe that something is not right. Where people may not feel comfortable raising concerns directly with their management, HR or Compliance, other avenues for whistleblowing are made available as part of the employee conduct policy. This includes a dedicated and anonymous whistleblowing hotline under the control of a whistleblowing champion who is also an independent Non-Executive Director on the Board. We also have a formal grievance procedure designed to encourage a fair, consistent and prompt approach to resolving workplace issues. We recognise the importance of maintaining good working relationships, and aim to achieve a working environment in which problems can be discussed and easily resolved at an early stage by encouraging open and honest communication.

Public affairs and government relations

Rothesay is politically neutral and does not engage in party political campaigning or make party political donations.

Rothesay actively monitors the political landscape on issues relevant to our business, policyholders and people. Where appropriate, Rothesay engages with policymakers, or responds to consultations, which may directly impact our business. We take steps to ensure that any communication undertaken is honest, comprehensive and as accurate as possible.

We are committed to being transparent in our government relations activity and, where Rothesay retains the services of public affairs agencies, we expect them to adhere to relevant codes of ethical practice as well. The Head of Communications and Public Affairs is responsible for oversight of Rothesay's public affairs agencies and coordination of our public policy work.

Controls and risk management continued

Cybersecurity

Rothesay is dedicated to having robust controls to ensure the security and digital resiliency of our business. Our information security strategy falls under the responsibility of the Head of Information Security and is built upon five key areas.

1. Protecting valuable Rothesay data

We view information as a critical and valuable asset and as such, our proactive and reactive information security controls span across our employees, technology, and processes. Our employees adhere to security controls relative to data sensitivity levels. Our technology controls protect the confidentiality, integrity, and availability (the so-called CIA triad) of data across our digital estate and our processes are regularly reviewed to ensure best practice.

We have published our data protection policies on our corporate website for policyholders, trustees, and other external stakeholders. These policies relate to core business functions which manage personal data. Our data protection policies include the legal grounds for data processing and the process for individuals to exercise their rights under data protection laws. These rights include the right to object or restrict personal data processing, to correct, access, or delete personal data and to provide personal data to another data controller. These rights also extend to personal data processing by third parties on behalf of Rothesay.

We align to multiple frameworks, including National Institute of Standards and Technology 800-53 and the Center for Internet Security controls. To protect personal or sensitive data Rothesay has applied a wide range of security controls, for example secure access and encryption techniques. For access controls, Rothesay applies Multi-Factor-Authentication for internal and external access to applications. For encryption, Rothesay uses a secure file transfer solution to encrypt and compress files for external data sharing. Our controls are aligned to our security policies and Data Handling Standard. We have also developed an extensive cloud controls framework to manage our security controls and to align with industry best practice.

We have dedicated data protection and incident response teams, responsible for informing executive stakeholders about any privacy and data security concerns and enacting our tailored response plans. We also have a Security Operations Centre to monitor and respond to security incidents in real-time.



Rothesay is dedicated to having robust controls to ensure the security and digital resiliency of our business.



Controls and risk management continued

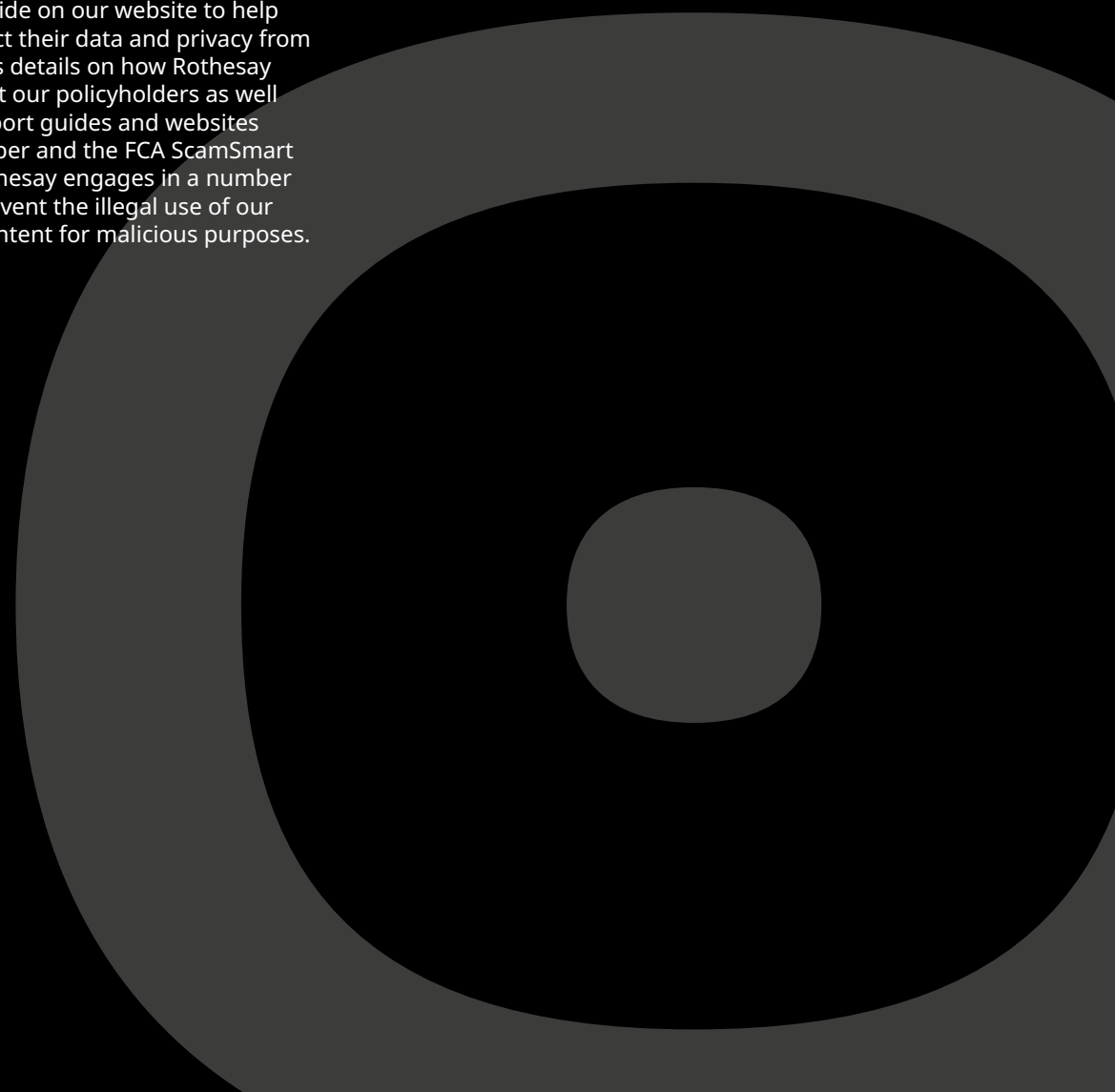
2. Creating a cyber-aware company culture

Our Information Security team have developed an extensive annual security awareness programme to train all staff on security risks in the workplace, reduce knowledge gaps and apply best practices. An interactive, online security programme introduces security concepts to members of staff, including contractors. Staff are required to attest completion of training on an annual basis. Wider initiatives include in-person security awareness training, incorporated in the induction training for new members of staff. This activity ensures staff are familiar with security specialist colleagues, processes, and policies. In order to test the effectiveness of the annual security training, we conduct multiple phishing simulation tests to test staff vigilance.

The Board is kept aware of Rothesay's exposure to cyber risk through biannual updates to the Board Risk Committee.

3. Helping our policyholders to avoid scams

We have a dedicated guide on our website 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 AgeUK, MoneyHelper and the FCA ScamSmart service. In addition, Rothesay engages in a number of programmes that prevent the illegal use of our branding, logos, and content for malicious purposes.



Controls and risk management continued

4. Our third-party administrators

We have established a mature third-party risk management programme to monitor security and data protection risks of our third parties. We conduct annual security and data protection assessments on all critical and high-risk vendors and bi-annually for medium- to low-risk vendors. For services which include personal data processing we also conduct Data Protection Impact Assessments and Data Risk Assessments in accordance with data protection laws and the Information Commission Office recommendations.

In May 2023, we were informed by Capita, one of our third-party administrators, that the personal data of approximately 50,000 individuals – limited to one specific plan – was impacted by a cyber incident at Capita. Capita confirmed these were the only Rothesay policyholders affected.

We quickly acted to contact the impacted individuals and to offer them access to a specialist fraud monitoring service, free of charge, as a precaution. No pension payments were impacted and we have not found any evidence that any Rothesay policyholder data has been misused, or that it is available illegally. In addition to security measures taken by Capita, Rothesay employed independent cyber security experts to continue to verify that this remains the case. Rothesay's own systems were not impacted by the Capita cyber incident.

We continue work very closely with Capita to understand how its cyber incident occurred, what steps it has subsequently taken to confirm its systems are secure, and what improvements it has made to its information security controls.

5. Securing the future

We are committed to maintaining and building our infrastructure to align with industry standards. We facilitate annual security audits of our technical infrastructure to identify vulnerabilities and apply remediation activities to protect our digital assets. Audits are conducted by external security auditors who adhere to industry recognised standards, for example, CREST certified suppliers (The Council for Registered Ethical Security Testers). Since 2017, Rothesay has maintained certifications for ISO 27001 (Information Security Management System) and ISO 23001 (Business Continuity Planning) requiring an annual security audit of our security policies and systems.

Rothesay is a member of the Security Awareness Special Interest Group, a forum allowing members to discuss current security issues and topics, including industry best-practices and new security risk developments. We are also a member of the Financial Services Information Sharing and Analysis Center, a global cyber intelligence sharing community focused on preventing security threats and building cyber resiliency in the financial services industry.



Section

4 Appendix

➤ **In this section**
ESG data summary table



ESG data summary table

The table below summarises the data presented as part of this Sustainability Report.

Metric	Reported unit	Reported value	Location in report
Investing Responsibly			
Engagements relating to ESG topics	No.	36	Page 12
Total Portfolio WACI	tCO ₂ e/\$m	183	Page 14
Investment in sustainable assets	£bn	14	Page 15
ESG briefings at Board level	No.	6	-
Our People			
Employee survey response rate	%	94	Page 19
Employee engagement score	%	72	Page 19
Employee turnover	%	9.5	Page 19
Our Policyholders			
Policyholders rating our service 'good' or 'excellent'	%	95	Page 24
Policyholders	No.	825,466	Page 25
Complaints upheld per 1,000 policyholders	No.	0.47	Page 25
Complaints closed within 8 weeks	%	100	-
Our Community			
Amount pledged to charitable causes	£m	5.6	Page 28
People who engaged with the Rothesay Foundation	No.	80,794	Page 29
UK tax contribution	£m	387	Page 30
Our Suppliers			
Critical third parties required to have modern slavery statement	%	100%	-

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