Rothesay
Protecting Pensions

Securing the future

Rothesay Limited
Annual report and accounts 2024

Our purpose

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

Rothesay refers to Rothesay Limited and its subsidiaries, together, the Group.

At a glance

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

Who we are

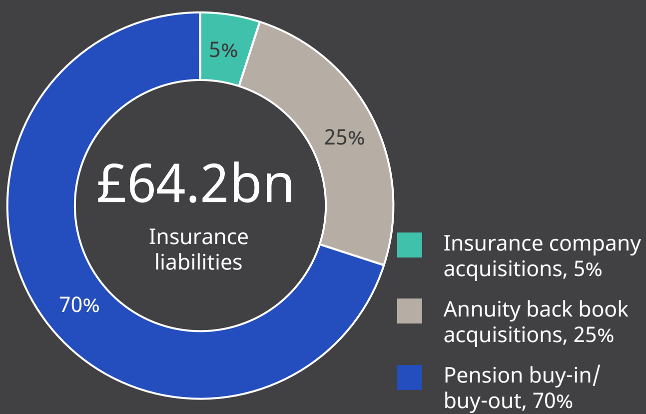
Rothesay is the largest UK specialist pensions insurer, purpose-built to protect pension schemes and their members' pensions. Our singular focus is to secure pension annuities for the future, providing certainty for our policyholders.

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.

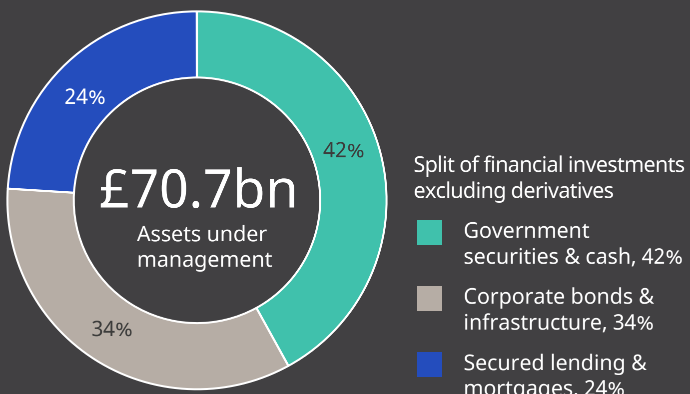
Using sophisticated risk management, our expert in-house investment team is continually developing new ways to drive predictable, dependable returns that reduce risk and create real security.

Today, we manage over £70bn in assets, secure the pensions of over one million people, and pay out, on average, over £300m in pension payments each month. We are safeguarding the future for every one of our policyholders, and providing long-term value to our shareholders.

Securing pension annuities from pension schemes and other insurers



Backed by high quality investments



2024 performance

£113m
IFRS profit before tax of £113m (2023: £906m).

£15.7bn
New business premiums **APM** of £15.7bn (2023: £12.7bn).

261%
Solvency capital requirement (SCR) **APM** coverage of 261% (2023: 273%), giving us significant capital for future growth opportunities.

£1,779m
Adjusted operating profit **APM** of £1,779m (2023: £1,358m).

£7.7bn
Market consistent embedded value (MCEV) **APM** of £7.7bn (2023: £7.5bn) driven by gains from new business and investment outperformance, partially offset by the impact of rising interest rates.

Over £4bn
Invested over £4bn (2023: £3bn) of assets according to our long-term investment strategy.

ECB
Rothesay has entered into a multi-year partnership with The England and Wales Cricket Board (ECB) in which Rothesay became the Official Title Partner of Men's and Women's Test Matches.

£750m
Successful Tier 2 debt issuances across sterling and US dollar markets.

96%
Customer satisfaction of 96% (2023: 94%)

Sustainability

Maintained
Carbon Neutral®
company certification

50%
Added a target of 50% reduction in the Carbon Intensity of our total portfolio by 2030 (vs our 2020 baseline)

A4S
Became a signatory of the A4S Sustainability Principles Charter for the Bulk Annuity Process

Performance at a glance

New business premium APM[1]

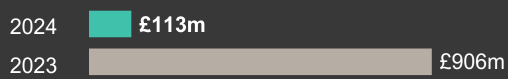
£15.7bn

Group Solvency Capital Requirement (SCR) coverage APM

261%

IFRS profit before tax

£113m

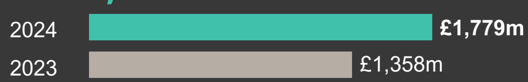


Longevity reinsured APM

90%

Adjusted operating profit APM

£1,779m



Customer satisfaction

96%

Number of policies

1,004,920

2024	**1,004,920**
2023	934,611

Paid to policyholders in the year

£3.8bn

2024	**£3.8bn**
2023	£2.9bn

Assets under management APM

£70.7bn

2024	**£70.7bn**
2023	£61.0bn

MCEV new business profit APM

£560m

2024	**£560m**
2023	£607m

Market consistent embedded value (MCEV) APM

£7.7bn

2024	**£7.7bn**
2023	£7.5bn

1. **APM** – Alternative Performance Measure; please see page 36 for further details.

A glossary of terms used can be found on page 229.

All performance metrics are linked to our strategic goals on pages 30 and 31.

Section **one**

Strategic report

In this section

Every decision that we make is informed by our cautious approach to risk management, conservative investment philosophy and sophisticated technology platform. We challenge ourselves to think creatively so that our business model is best placed to meet the needs of our clients and policyholders.

Chairman's statement

> Rothesay performed very well this year, executing its long-term growth strategy effectively.

Naguib Kheraj
Chairman

Rothesay executed its long-term growth strategy with excellence this year, delivering exceptional performance.

In 2024, the business successfully completed £15.7bn of de-risking transactions (2023: £12.7bn), delivering one of its strongest ever years of growth and maintaining its market leading position.

The strength of Rothesay's capital position combined with its extensive execution capabilities mean it remains exceptionally well-placed to continue to respond to the ongoing strong demand for de-risking from pension trustees and their corporate sponsors. This includes Rothesay's ability to meet the evolving requirements from clients through innovative and bespoke de-risking solutions, including the ability to take on some of the very largest transactions in the market.

The combination of profit released as the business runs off, partially offset by market movements due to rising interest rates resulted in profits before tax of £113m for 2024 (2023: £906m). New business gains over the period, again partially offset by market movements, drove growth in market consistent embedded value to £7.7bn **(APM)** at year end (2023: £7.5bn). During the year we paid an interim dividend of 23p per share, or £361m (2023: 23p per share or £351m).

Despite the very significant volume of new business premiums written, we ended the year with a strong capital position, with SCR (Solvency Capital Requirement) coverage ratio of 261% **(APM)** (2023: 273%), and surplus capital of £5.3bn (2023: £5.4bn) substantially above our normal target range. The current surplus position means we remain very well placed to capitalise on the significant pipeline of new business we are seeing in 2025 and in the years beyond.

In addition to the very strong capital position, our two shareholders, GIC and MassMutual, continue to provide outstanding support as long-term shareholders. GIC's decision to reinvest the interim dividend paid by Rothesay in 2023 back into the business in 2024 means it is now a 50.2% shareholder in Rothesay (2023: 48.9%) and MassMutual is a 47.6% shareholder (2023: 48.9%). Both shareholders retain equal governance rights, including an equal number of Board Director positions, and both remain committed to providing primary capital should the Company require it for significant growth opportunities.

Being privately owned and having two of the world's leading institutional investors as its shareholders is a significant strategic advantage for Rothesay, allowing the business to take a long-term approach to its growth and respond dynamically to opportunities in the market while maintaining pricing discipline.

With volatility persisting through 2024, Rothesay's sophisticated risk management capabilities enabled us to react quickly and decisively to changing economic conditions to provide the highest level of security to our policyholders while still taking advantage of these growth opportunities. Our purpose-built technology platform underpins every investment we make with real-time financial insights building our resilience.

Providing excellent service to our existing policyholders and those that that we welcome as part of our pension risk transfer transactions remains of utmost importance to the business. Rothesay has now reached the milestone of securing the pension policies of over one million people and I am pleased that we have continued to maintain high levels of customer service as our policyholder community grows.

Throughout 2024, we have continued to invest in our people. To support our unique culture and the collaborative benefits of our people working together in the office, we have invested in expanding our office to incorporate a further two floors of The Post Building. We have also continued to invest in our people in all parts of the business, including making further additions to the senior management team across a number of functions. Rothesay continues to be a business that attracts and retains top talent and this helps drive its business performance.

Embedding sustainability principles across our business and investment strategy is important in enabling Rothesay to achieve certainty for its policyholders while also providing wider benefits to stakeholders, the environment and society.

Chairman's statement continued

Rothesay's own operations are certified carbon neutral in accordance with the CarbonNeutral Protocol and we have a long-standing commitment to transitioning our investment portfolio to Net Zero greenhouse gas emissions by 2050. We are making positive progress in this area and to further support our Pathway to Net Zero, we have published a new commitment this year to achieve a 50% Carbon Intensity reduction across Rothesay's total investment portfolio by 2030. Rothesay is a signatory to the Financial Reporting Council's UK Stewardship Code and has an MSCI Sustainability rating of AAA.

We have also continued to allocate capital to the Rothesay Foundation and are proud to have furthered our partnership with Age UK and other organisations to make donations to support the most vulnerable in society, particularly people who are pensioners living in poverty in the UK.

The Board and the Board sub-committees met regularly over the course of the year and made a number of key decisions. These included taking the decision to approve the issuance of Tier 2 debt with both GBP and USD denominated issuances, and to repay an existing debt instrument which became callable in 2024, providing additional capital for new business and refinancing the existing debt at a lower overall cost of borrowing. The Board also took the decision to commit to a multi-year sponsorship partnership which sees Rothesay become an Official Partner of England Cricket and Official Title Partner of the Men's and Women's Test Matches. We were pleased with the success of the first year of the partnership and look forward to offering policyholders the chance to attend county and Test cricket matches in the years ahead.

On 31 March 2024, Charles Pickup stepped down as an independent Non-Executive Director of the Board having first been appointed in January 2012. I would like to thank Charles for all his contributions over his 12-year tenure at Rothesay.

Katherine Garner was appointed to the Board as a new independent Non-Executive Director on 1 April 2024. Katherine has an actuarial background and brings significant insurance and wider financial services experience and I am very pleased to welcome her to the Board.

With a very promising pipeline for 2025, significant capital resources, along with transaction experience, and the strong backing from our shareholders, we look forward to continuing to execute with excellence against our long-term business plan as one of the leading firms in the pension risk transfer sector.

Naguib Kheraj
Chairman
14 February 2025

"We successfully completed some of the largest and most innovative transactions in the market."

Tom Pearce
Chief Executive Officer

Chief Executive's statement

Rothesay continued its strong performance in 2024.

The rise in interest rates over the last few years combined with contributions from sponsors have continued to support materially improved pension scheme funding levels, making the journey to buy-out increasingly achievable for many schemes.

As a result, the Bulk Purchase Annuity (BPA) market continued to be very busy over the course of 2024. In a competitive market, Rothesay was engaged in pricing its largest number of individual pension risk transfer transactions in one year and successfully executed the second highest volume of new business in the history of the firm, including one of the largest ever buy-ins for a single pension scheme, a £6bn transaction with NatWest.

The positive momentum in the market over 2024 continues to build and we are seeing a very significant pipeline of pension risk transfer transactions as we look ahead to 2025. This is a continuation of the theme from prior year which saw record BPA volumes of c. £49bn in 2023 and analysts suggest that these volume levels are likely to remain high over the years ahead.

Rothesay's substantial capital resources combined with the proven strength of our execution capabilities mean we continue to be very well-positioned to capitalise on the significant new opportunities we are seeing in the market.

As part of our long-term growth strategy, we have prepared our business to have the capital capacity for even the largest risk transfer transactions which enter the market. We combine this with the ability to provide best-in-class execution capabilities and underwriting expertise, including delivering innovative solutions for our clients across all aspects of the pensions de-risking process.

We have therefore continued to invest throughout 2024 in our capabilities to provide pension schemes looking to de-risk with the simplest path to locking their current positive funding levels quickly and securely through a bulk annuity policy. At the same time, we are also able to provide bespoke solutions offering execution certainty for insurers with annuity back books they wish to sell, through investing in the capabilities which allow us to seamlessly take on in-force annuity portfolios and the assets that support them.

IFRS pre-tax profits

£113m

(2023: £906m)

Adjusted operating profit **(APM)**

1,779m

(2023: 1,358m)

New business premium **(APM)**

£15.7bn

2023: £12.7bn

Group SCR coverage **(APM)**

261%

2023: 273%

In order to achieve this, we have continued to develop solutions that offer price certainty from early on in the process by 'locking' pricing to the schemes' assets. We are also able to offer even the largest pension schemes, and insurers with in-force annuity portfolios, a risk solution which allows them to transition or transfer all of their existing assets in full, including illiquid assets and very large portfolios of bonds and derivatives.

As a result, in 2024 we have successfully completed some of the largest and most innovative transactions in the pensions de-risking market.

In March 2024, we announced that we had agreed to acquire Scottish Widows' multi-billion pound bulk annuity portfolio from Lloyds Banking Group, our sixth acquisition of in-force annuities from insurance counterparties. In September 2024, we completed one of the largest ever buy-ins for a single pension scheme, with the transaction securing the future for 36,964 of NatWest pension scheme's policyholders through insuring a £6bn section of that scheme.

In addition to the two transactions above, we executed five other transactions in 2024 (2023: 12 in total), generating total new business premiums of £15.7bn **(APM)** (2023: £12.7bn), and £1,779m of adjusted operating profits before tax **(APM)** (2023: £1,358m) with new business embedded value of £560m **(APM)** (2023: £607m).

We continued to see volatility in financial markets throughout 2024 due to geopolitical events as well as the ongoing uncertainty in the path of interest rates and inflation. Over the past almost 20 years, Rothesay has invested in building its own in-house technology platform which allows us to navigate and manage these risks. Our technology offers real-time financial reporting, analytics, 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 even rapidly changing economic conditions. The result means we can provide our policyholders with the highest levels of pension security while taking advantage of growth opportunities in real time as they become available in the market.

Whilst writing significant volumes of new business in 2024, we ended the year with strong SCR coverage **(APM)** of 261% (2023: 273%), above our target operating range, giving us significant excess capital to write further new business and capitalise on the opportunities we are seeing in the market in 2025.

In November 2024, we were delighted to receive the Insurance Company of the Year award 2024 from Insurance Asset Management.

Group performance

Adjusted operating profits **(APM)** for 2024 were £1,779m (2023: £1,358m), driven by profit on new business in addition to the release of margins as the in-force business runs off. Operating profits were reduced by the net increase in the Contractual Service Margin (CSM) on new business, borrowing costs, as well as the impact of economic variances, to arrive at IFRS pre-tax profits of £113m (2023: £906m).

The increase in assets from the significant volumes of new business written was partly offset by the rise in long-term interest rates and the run-off of in-force business, with the Group's assets under management **(APM)** increasing to £70.7bn (2023: £61.0bn).

MCEV at 31 December 2024 increased to £7.7bn **(APM)** (2023: £7.5bn), with growth delivered through new business offset by changes in financial market conditions, principally the rise in long-term interest rates. More details on our MCEV can be found in the financial review on page 39.

Following the end of the first half of the year, the Board approved an interim dividend of 23p per share (2023: 23p per share).

Our shareholders

Rothesay's two shareholders, GIC and MassMutual, provide our business with exceptional long-term support. GIC decided to reinvest the interim dividend paid by Rothesay in 2023 back into the business during 2024. Following this reinvestment, GIC is now a 50.2% shareholder in Rothesay (2023: 48.9%) and MassMutual is a 47.6% shareholder (2023: 48.9%). GIC and MassMutual retain equal governance rights, including an equal number of Board Director positions and both remain committed to providing primary capital should the Company require it for significant growth opportunities.

Chief Executive's statement continued

Risk and capital management

As already noted, 2024 continued to see volatility in markets. The duration of our liabilities and our liability-matching assets means that Rothesay's assets and liabilities are sensitive to long-term interest rates. Our sophisticated in-house risk management systems allow us to manage this risk and respond quickly to a changing economic environment.

Our investment portfolio is focused on highly rated assets, many of which benefit from high quality security or collateral. The quality of our investments, combined with active monitoring and management of our credit portfolio, means that we continue to be well-positioned to withstand adverse market conditions.

We continue to hedge market and longevity risk exposures and benefit from robust collateral arrangements which mitigate counterparty risk.

Rothesay manages its longevity risk through unfunded, collateralised longevity swaps and has not utilised any funded reinsurance. 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 longevity risk whilst minimising counterparty risk exposure. We entered into additional longevity reinsurance agreements in 2024 primarily covering 2024 new business and 90% of our longevity exposure is now reinsured **(APM)** (2023: 87%).

In recognition of the new business opportunity that exists, in June 2024 we successfully raised a further c.£750m of Tier 2 debt. This allowed us to refinance in advance £400m of Tier 2 borrowings callable in September 2024 which we called to reduce our overall cost of debt. The new debt issuance comprised an inaugural $325m of Tier 2 debt raised in the US dollar market as well as a £500m Tier 2 sterling issuance.

Following the implementation of the first part of the Treasury's reforms to Solvency II related to the Risk Margin at the end 2023, and the second part related to the Matching Adjustment at the end of June 2024, we continue to evaluate new ways in which we can invest in UK infrastructure, clean energy and other forms of productive finance. We agree with the Government that a significant opportunity remains to unlock further investment in UK assets from across the pension sector, driving growth in the economy while continuing to provide the highest levels of pension security for our policyholders.

We also continue to engage thoughtfully on key issues with external stakeholders including our regulators, Government and wider industry in order to help shape future reforms.

In particular, we look to participate in all relevant regulatory and Government consultations where they may directly or indirectly impact our business, the wider market or our policyholders.

Our policyholders

Providing over one million people with a safe and secure pension is at the heart of what we do. We pride ourselves on the level of service we provide and I am glad to report that we maintained high service standards during 2024, with over 96% (2023: 94%) of customers rating the quality of service received as good or excellent.

Following our agreement to acquire the Scottish Widows in-force bulk annuity portfolio from Lloyds Banking Group, we will provide long-term pension security for the portfolio's underlying members, initially as a reinsurance agreement for the in-force bulk annuity portfolio, with a Part VII process now under way. I look forward to welcoming our new policyholders from Scottish Widows formally to Rothesay once that process has completed and in the meantime we are working closely with the teams at Lloyds Banking Group and Scottish Widows to transition the portfolio's members to their new long-term home.

Our people

Our people are a key strength of Rothesay and we have continued to recruit across our business during 2024.

As our headcount grew above 500 permanent employees, we completed the fit-out of a further two floors of The Post Building. This extra space will allow colleagues to continue to collaborate easily across all parts of the business, supporting our cultural values of excellence in everything we do, innovation and teamwork. I remain incredibly proud of our levels of employee engagement.

Pathway to Net Zero

At Rothesay, we are clear that embedding sustainability principles across our business plays a fundamental role in us being able to deliver on our central purpose: providing our current and future policyholders with security for the future. We are therefore focused 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.

2024 was the warmest year on average over the globe since records began. While a single year may be anomalous in the context of a long-term average, and there has been a huge effort from nation states and companies across the world to reduce greenhouse gas emissions, it is clear that further actions will be needed in this field.

This year we have published some new short-term priorities identified through our transition planning process. These have been added to support our overall target of transitioning our investment portfolio to Net Zero greenhouse gas emissions by 2050 by providing new, more near-term milestones which will need to be reached along our Pathway to Net Zero[1]. Central to these is a new commitment to achieving a 50% Carbon Intensity reduction across our total investment portfolio by 2030, building on our target, introduced last year, to see a similar reduction across our publicly traded corporate debt portfolio.

For more information, please see both our 2023 Sustainability and Climate Reports, the latter of which is aligned with the Task Force on Climate-related Financial Disclosures. The report can be downloaded from our website at: www.rothesay.com/about-us/environmental-social-governance/our-reports-and-governance.

ECB partnership: Title Partner of Test Cricket

During 2024, Rothesay announced a new multi-year partnership with the England and Wales Cricket Board (ECB), the national governing body of cricket.

Through the partnership, Rothesay became an Official Partner of England Cricket and the Official Title Partner of Men's and Women's Test Cricket. Rothesay branding will feature at every England Men's and Women's Ashes Test Matches, and at England Women's home matches across all formats.

We look forward to partnering with the ECB to support the future of cricket and helping to inspire all generations by making cricket a game for everyone.

In addition, during 2024 Rothesay concluded the final year of its partnership with the LTA (the national governing body for tennis in Britain), as the title sponsor for three of the Summer's show-piece grass court international tennis tournaments.

Charitable donations

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 current global conflicts we encouraged our people to make donations in 2024 to support relief efforts by offering an additional £1,000 allowance to any charity of their choice. These donations were matched at a rate of 4:1 so charities can receive up to £5,000 in total.

The Rothesay Foundation continued to make positive progress throughout 2024, expanding the breadth and depth of support it is able to provide for pensioners living in deprivation across the country.

Along with a number of other initiatives it is supporting to help the vulnerable elderly, the Rothesay Foundation has provided £2.47m to Age UK to significantly expand its flagship national benefits check service. The funding will allow Age UK to help an additional 11,000 pensioners unlock £55m of annual benefits they are entitled to and support the Government's campaign to raise public awareness of these benefits.

The new funding follows the success of the pilot campaign in 2023-2024 which helped more than 4,500 older people find out if they were eligible for state support, identifying a total of £23m of additional annual benefits for these individuals (an average of £6,600 per successful applicant with 76% of applicants found to be eligible).

1. Our Net Zero commitment is science-aligned, focusing on taking actions that are consistent with the Paris Agreement's long-term goal of limiting global warming to 1.5°C above pre-industrial levels.

Chief Executive's statement continued

Looking forward

Improved pension scheme funding levels driven by the rising long-term interest rates environment are making de-risking increasingly affordable for pension schemes, creating positive conditions in the BPA market. Many sponsors who had not previously thought that buy-out could be feasible for their schemes in the near term are now able to affordably de-risk within the existing assets of the scheme. This is generating exciting new business opportunities which we are converting at scale, completing some of the largest and most tailored transactions in the history of both our firm and the wider pension de-risking market.

With the market continuing to be buoyant, we are ideally placed to maintain this momentum with a significant capital surplus and our two long-term, supportive shareholders. This, combined with our track record of executing large innovative transactions, means we are able to capitalise on the growth opportunities in our market while preparing to respond to a potentially even busier pipeline of new business in the years ahead. We expect this unique combination of our capital position, execution capabilities and shareholder support will allow us to grow our assets under management over the next few years.

As always, we will deliver this growth in our business while maintaining pricing discipline, and providing pension security and service excellence for our policyholders while delivering long-term value to our shareholders.

Tom Pearce
Chief Executive Officer
14 February 2025

Our market

Protecting pensions is Rothesay's sole purpose and we are fully committed to the UK bulk annuity market to secure the future for all our stakeholders.

We have seen unprecedented growth in market volumes recently, with 2024 having been another big year in the history of the market.

Rothesay's core market is the UK pension scheme Bulk Purchase Annuity (BPA) market. Trustees of pension schemes purchase BPA policies with insurers such as Rothesay to help them de-risk their scheme's uncertain asset and liability cashflows.

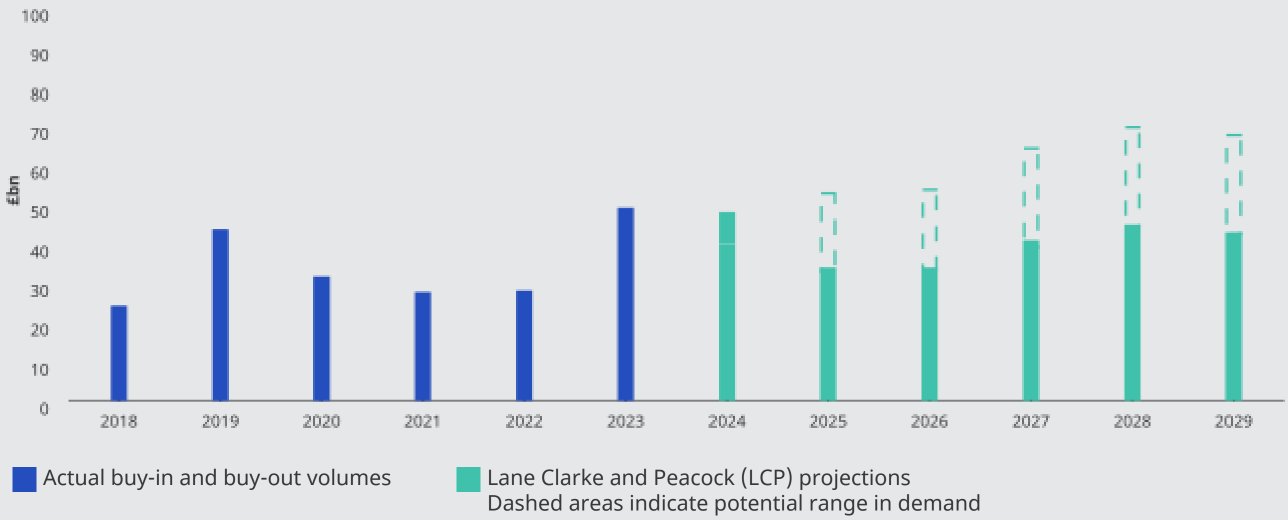
These BPA policies may take the form of a 'buy-in', where Rothesay makes annuity payments in bulk to the ceding pension scheme which then makes onward payment to its members, or a 'buy-out' where the pension scheme members become direct policyholders of Rothesay.

Significant recent improvements in pension scheme solvency have meant that BPA policies have become increasingly affordable for pension schemes, and commentators forecast that this demand is not expected to slow down in the foreseeable future.

2023 and 2024 exhibited record breaking volumes of c.£49bn BPA policies per year, with more schemes de-risking than ever before. As shown in the chart below LCP projections indicate that annual volumes over the next five years could meet, or exceed those observed over the past two years.

It is clear that buy-ins and buy-outs will continue to be an essential de-risking tool for trustees and sponsors of UK defined benefit pension schemes.

Buy-in and buy-out volumes for the UK market over the next five years



Our market continued

Pension schemes have become increasingly well-funded with rising interest rates and sponsor contributions, so insurers have been preparing for an increase in demand for bulk annuities for some time.

However, a key catalyst for the recent spike in demand in this market was the shift in the interest rate environment in recent years, which has resulted in significant funding gains for many defined benefit schemes. For some schemes, this meant that they were left with a surplus after completing a bulk annuity transaction during 2024. We're also seeing sponsors accelerating contributions already committed in order to fund their scheme's de-risking, locking down the pension risks on their corporate balance sheet.

The market has needed to adapt to the requirements of schemes which have reached their funding targets earlier than anticipated, and schemes in the market today are very well prepared for a bulk annuity transaction. A few key market developments from the year were as follows:

- **'Jumbo' Transactions:** We are seeing larger pension schemes coming to market, where trustees previously considered their schemes too big to insure. Rothesay has a particular interest in these transactions. Transaction size is not a constraint for us – we are able to execute large, full scheme solutions and we are well placed to cope with the complexities that these larger transactions often bring. This was evidenced in 2024; we insured a further £9.6bn of liabilities with NatWest Group Pension Fund, one of the largest DB schemes in the UK.
- **Full Scheme Solutions:** Historically, partial scheme coverage via longer-term pensioner buy-ins have been the most prevalent type of transaction in the market. However, there has been a shift in more recent years as trustees and sponsors often decide to secure the whole pension scheme in one go whilst it is affordable within the scheme's assets. Consequently, most bulk annuity transactions that have taken place in the market since 2023 have involved deferred members. Ultimately, most schemes we complete transactions with will buy-out and scheme members will become policyholders of Rothesay.
- **Accommodating Scheme Illiquid Asset Holdings:** Many such schemes have found that whilst they can afford a bulk annuity transaction within their asset value, some of their investments are illiquid in nature and require a solution as part of the de-risking process. The range of options available to schemes continues to expand as the market evolves, and options for dealing with these illiquid assets include sales on the secondary market, transferring these assets to an insurer as part of the premium payment, or deferred premium structures to accommodate an orderly sales process over a period of time. We work alongside the schemes to provide the solution which best meets their objectives, and have continued to build out our in-house transition team to ensure we can provide all of these options.
- **Tailored Risk Cover:** With many more schemes approaching the market with a surplus funding position, trustees are often requesting residual risk cover for their schemes as a use of this surplus. We have worked to tailor solutions to the desired level of risk coverage, and increasingly we are seeing significant attention paid to data cleansing requirements.

- **In-house Asset Transition team:** With such volatile market conditions experienced in recent years, it has remained of the utmost importance for schemes to lock in their insurance pricing by linking the premium closely to the scheme's assets during the transaction execution process, locking down market and investment risk in the run-up to premium payment. We have seen asset transition requirements remain a key feature of bulk annuity transactions over the last year, and insurers' ability to take on a scheme's assets as part of a transaction is critical. At Rothesay, our in-house asset transition team is responsible for this part of the process, focusing on the transfer process for liquid assets and derivatives, as well as illiquid investments.

This increased demand from pension schemes has led to even higher numbers of bulk annuity transactions in the market in 2024 than ever before. Insurers continue to have a strong appetite to win new business and pricing continues to remain competitive which, when combined with improvements in pension scheme funding levels, means that BPA pricing is highly affordable for pension schemes. We expect the market to remain buoyant for the foreseeable future.

Our business model

Securing the future for our policyholders.

1

Underwriting and execution

We provide execution certainty for trustees and pension scheme members through our meticulous underwriting and due diligence.

At the start of a pension de-risking transaction, we model the benefits of every single policyholder and project them to maturity. Using our purpose-built systems, we are able to measure, monitor and manage the risks associated with the annuity liabilities throughout the transaction life cycle.

We scrutinise all new business opportunities to ensure we minimise the risks to which we are exposed, whilst achieving appropriate risk-adjusted returns for our investors.

We are committed to offering pricing and execution certainty to scheme trustees during the transaction process through a transparent pricing mechanism and are able to tailor the level of risk cover to meet the individual requirements of each situation.

2

Deliver the pension benefits

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. We use our own record of all member benefits and future payments to ensure a data transition to our administration partners that is seamless to our new policyholders. High levels of automation and sophisticated technology ensures 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 draws on our own technology platform to further streamline the administration process and improve the customer experience, and is a growing feature of our offering.

We welcome new policyholders by giving them peace of mind that a Rothesay annuity provides them with high levels of security, and we work closely with the trustees of the pension scheme to ensure absolute continuity of benefits from those previously provided by the pension scheme.

We are focused on comprehensive, responsive, and efficient policyholder service during the transition and beyond. We are proud that 96% of our policyholders rate our service as ‘good’ or ‘excellent’.

1. Underwriting and execution	2. Deliver the pension benefits 3. Transition and invest the assets
4. Long-term risk management	

Pension de-risking timeline

3

Transition and invest the assets

At the point of execution, premium payment for the bulk annuity is typically satisfied via in-specie transfer of the existing assets of the pension fund. These assets commonly consist of government and corporate bonds that broadly match the profile of the liabilities being transferred. It is becoming increasingly typical that transactions also comprise certain illiquid assets held by the pension fund. Following receipt of these assets, we carefully transition out of those assets that do not form part of our long-term strategy, and into our target allocation. We seek to ultimately invest in assets which match our liability cash flows and liquidity requirements, meet our environmental, social and governance objectives, and provide an appropriate risk-adjusted return.

Our portfolio is focused on highly rated assets and is split in the following approximately equally weighted categories:

1. **Cash and government bonds**
2. **Corporate bonds and other infrastructure**
3. **Secure, illiquid assets**

We can safely capture the illiquidity premium of long-dated assets because of the long-dated nature of our pension liabilities. We own a large portion of cash and liquid bonds to ensure that we retain substantial liquidity buffers to fulfil collateral calls and meet all contractual cash flows as they fall due.

4

Long-term risk management

Meticulous risk management is one of the key foundations of Rothesay's success and is a focus throughout the transaction life cycle. Our purpose-built technology platform allows us to monitor our risks and report our key financial metrics to stakeholders on a daily basis. This includes being able to monitor in a bespoke way the prospective impact of potential future activities or scenarios on those risks and financial metrics, so that we are aware in advance of the precise impact, and able to react to this where needed.

These risks are monitored and managed in accordance with defined risk appetites, and close coordination of underwriting, reinsurance, investment and risk hedging functions ensures risk management is central to all aspects of the business.

Our risk management capabilities allow us to do what we do best: securing the pensions of our policyholders.

Our business model
continued

Why we are successful

Rothesay is a purpose-built specialist business, with a unique culture and set of capabilities that continue to drive our growth and market leadership.

Purpose-built

We were founded with a single purpose: to provide the best platform for securing UK pensions at scale.

We are designed from the ground up with modern systems, processes and capabilities to protect and deliver pensions effectively and with the greatest level of security.

Financial strength

We focus on maintaining a robust level of surplus solvency capital to offer an exceptional level of security for our policyholders and to provide the capital we need to continue to grow the business. We rigorously analyse and quantify every risk and monitor these risks alongside all of our key financial metrics on a daily basis using our purpose-built systems.

Careful investment

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.

Unique integration

Most of our core operations are in-house and based in a single location, which allows our teams to collaborate effectively with one another. We have teams of experts across a range of disciplines who think diversely but act as one, enabling us to act nimbly and deliver the best solutions for our clients.

Sophisticated technology

Our industry-leading, purpose-built technology platform underpins the whole business, so that our decision-making is fully informed and we can adapt in real time to market changes. These systems are fully integrated, with all assets and liabilities of the business risk managed daily on the same platform.

Our engineers drive the evolution of our technology so that it develops with the business.

Original thinking

We continuously bring creative and innovative ways of delivering for our clients and develop bespoke solutions for every pension scheme.

We pride ourselves on working collaboratively with our clients to find the best possible solution for them, and have a strong track record of delivering on these solutions.

Service excellence

We support clients through every step of the process and leave no stone unturned from initial proposal to buy-in to buy-out. And once policies are issued, we provide excellent customer service.

Our straightforward and collaborative approach helps us build clarity and trust in every interaction.

Rothesay culture

We aim to substantially mitigate the financial risks in our portfolio in order to protect policyholders, lock in value and to safeguard capital surplus such that excess capital may be invested into attractive risk-adjusted new business opportunities where Rothesay believes it has a comparative advantage. Importantly, we will always do the right thing for the benefit of all of our stakeholders.

Our pursuit of excellence enables us to maintain our market leadership.

The Journey to Buy-out

The Journey to Buy-out

In 2024, Rothesay published the fourth edition of its guide to the UK bulk annuity market.

In this section, we have provided an update on our 'The Journey to Buy-out' series, capturing some of the most significant developments and current themes seen in the pension risk transfer (PRT) market today.

The market today

The UK's PRT market has experienced unprecedented growth over the last few years, with 2024 having been another transformative year in its history.

The increase in the interest rate environment over recent years has been a significant catalyst in driving this growth, alongside a prolonged period of deficit recovery contributions from sponsors. Combined, these two factors resulted in material funding gains for many defined benefit (DB) schemes, expediting their journey to buy-out. At the same time, insurers have been preparing for higher levels of scheme demand for a number of years, investing accordingly in their ability to execute previously unprecedented volumes of new business.

Consequently, the increase in schemes' appetite to de-risk is being met by a corresponding increase in insurers' capacity and capabilities to meet this demand and write record levels of business. This dynamic is driving healthy competition amongst insurers in the market, with positive outcomes for schemes. As well as providing schemes with competitive pricing, this encourages insurers to create innovative de-risking solutions as schemes' requirements evolve (for instance, by being able to offer schemes solutions which allow them to transfer all of their existing assets in full, including illiquid assets).

The result is that more schemes than ever are able to de-risk while at the same time the market is seeing its largest ever transactions taking place, including the rise of so called 'Jumbo Deals' with multi-billion pound values. Rothesay's own business has been characteristic of this market dynamic in 2024: we executed one of the largest ever buy-ins for a single pension scheme and were engaged in pricing our largest number ever of individual pension risk transfer transactions in one year too.

...more schemes than ever are able to de-risk while at the same time the market is seeing its largest ever transactions taking place, including the rise of so called 'Jumbo Deals'...

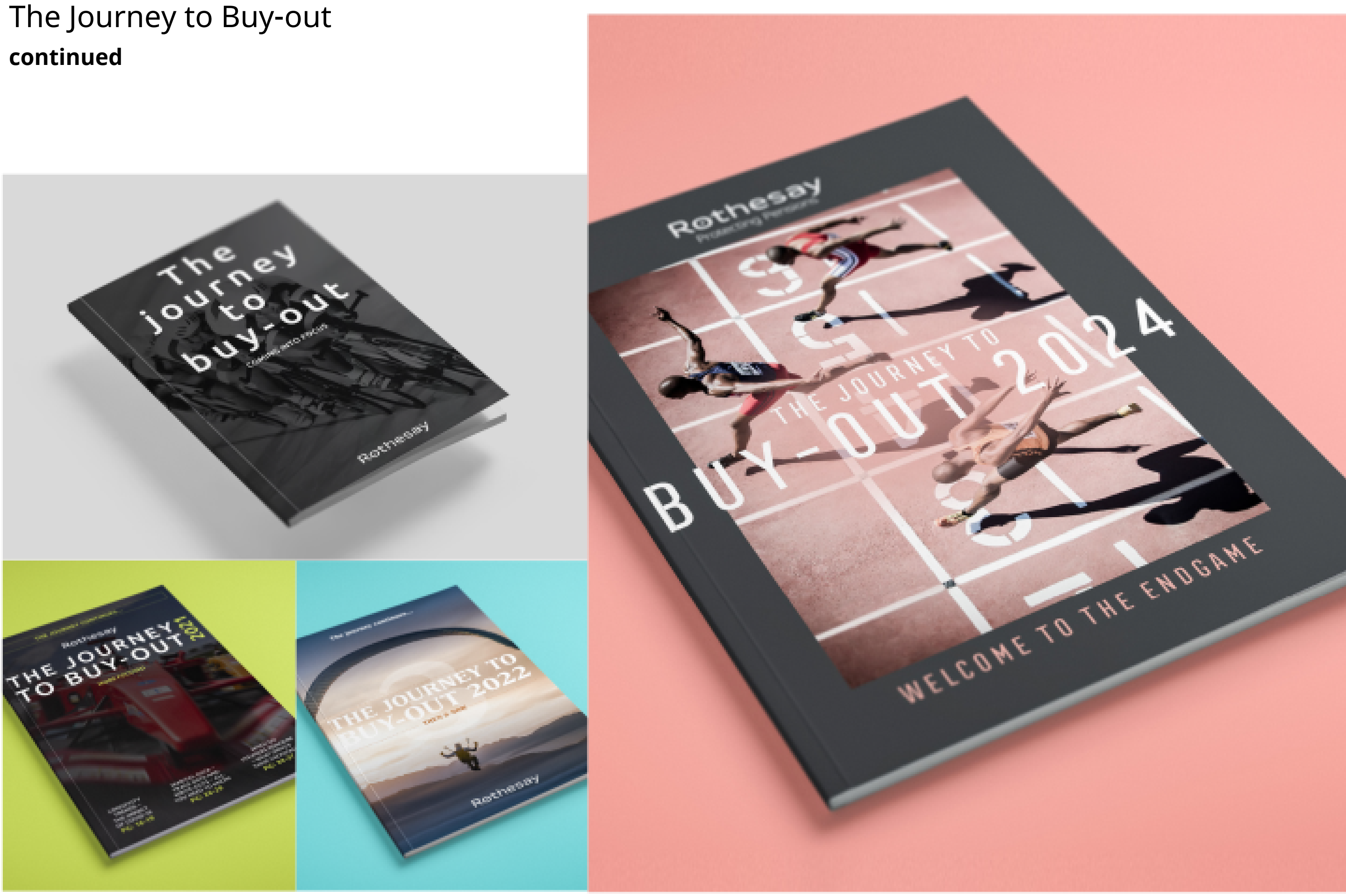
The Benefits of a Buy-Out

The operation of Defined Benefit pension schemes can involve managing very large and complex financial risks and incur significant operational costs for pension schemes and their sponsors. Therefore, many schemes aim to be in a position where these risks can be safely transferred to the insurance sector, providing a very high level of pension security for their schemes' members. In recent times, schemes often have surplus assets available after securing their liabilities through insurance, which can be crystallised through the buy-out process and used for the benefit of pension scheme members and/or returned to the sponsor for use within their business.

Most of the pension schemes and sponsors with whom we engage have an ultimate objective to settle their liabilities through insurance, in doing so transferring all risks associated with these liabilities with the highest level of security for pension scheme members. Each scheme's time horizon and exact strategy for doing so will vary depending upon the individual circumstances of the scheme (size, maturity, funding level, asset composition) and we work together with each scheme to deliver the best solution that meets their objectives, with the common aim of securely delivering the benefits that their members have been promised.

A buy-out provides corporate sponsors with a way to fulfil this promise with certainty. It provides scheme members with a very high level of financial security, protecting their pensions for the future and ensuring that they are paid in full for the years ahead. At the same time, it means corporate sponsors are able to de-risk their balance sheet, allowing them to focus on the growth of their business and, where applicable, unlock the financial surplus which has built up in the scheme in a way which also reduces the risks faced by the scheme members.

The Journey to Buy-out
continued



Developments in the De-Risking Market

With a total volume of £1.2 trillion of closed DB schemes still uninsured, the demand for de-risking solutions is forecast to remain high for the foreseeable future.

This has led to the UK PRT market becoming a significant growth market, which has encouraged an increased interest in the market from new entrants in the UK. This will provide further support for the market to continue to grow, and to meet the demands of an increasing number and type of schemes with a desire to de-risk.

From an operational perspective, schemes, advisers and sponsors have continued to work very hard at increasing their preparedness to come to market to seek insurance. The quality of policyholder data and organisation of schemes' governing documentation is much improved over recent years, which makes transaction processing more efficient, particularly where schemes are requesting quotations for residual risk cover. At Rothesay we also utilise high levels of automation and technological solutions throughout the journey to buy-out to create further efficiencies that allow us to respond to the demands of the growing market. This also extends to administration, enabling us to cater for high volumes of transaction demand whilst continuing to provide the highest standards of service to all of our policyholders.

The market capacity for unfunded "longevity swap" reinsurance remains high with a large number of participants involved in this market, and we continue to reinsure a significant proportion of the longevity risk that we take on through our de-risking transactions via fully collateralised longevity swaps. Pricing in the longevity swap market remains competitive, and pension schemes benefit from this competitive pricing being passed on through pricing of pension risk transfer transactions. We have not transacted any funded, or "asset-intensive" reinsurance.

Full scheme solutions are the primary focus for most schemes coming to market, and we strive to provide the most complete solution we can in order to address the needs of each individual client. We aim to reduce the risks for schemes and their sponsors as early on as we can in the process by "locking" our pricing to the scheme's underlying assets, taking full delivery of in situ portfolios including derivatives and illiquid assets, and through providing capacity for even the largest transactions that come to market. Each pension scheme is unique and we will work together with schemes, their sponsors and their advisers to achieve the best outcomes.

Investment Driving UK Economic Growth

UK Life insurers operate under the Solvency UK regime, under the regulatory oversight of the Prudential Regulation Authority (PRA). The introduction of the Solvency UK regime was, in part, designed to facilitate increased investment in UK infrastructure, clean energy and other forms of productive finance.

To give a sense of scale, Rothesay alone invests over £42bn in the UK economy including sustainable investments across companies and sectors like social housing, education, healthcare and renewables as well as UK Government debt which is used to finance spending across the public sector. We are committed to investing at scale in productive UK assets over the years ahead.

Solvency UK reform has significantly supported annuity providers' ability to deploy these higher volumes of capital in a wider range of productive assets than we were able to under the previous Solvency II regime, and we are confident that this will continue to evolve positively as the new regime becomes more established.

Due to the fixed and long-term nature of the defined benefit pension policies we protect, we will only ever invest in assets which provide the highest levels of security for our policyholders.

We are committed to working with the Government to continue to grow our investment in UK productive assets with our significant and long-term support for the UK economy through the Gilt market. This includes working with the Government, and Government-supported bodies like the National Wealth Fund, to explore new public-private partnerships which could facilitate our sector's investment in innovative and nascent types of productive asset, including low-carbon energy generation technologies, which UK life insurers have traditionally been able to invest in at scale. Through such partnerships, we believe there is the potential for these assets to effectively match our liability cash flows while providing appropriate levels of security and risk-adjusted returns.

Rothesay invests over

£42bn

in the UK economy

Looking ahead

Over 2023 and 2024 we have seen record breaking levels of UK PRT taking place, and there is scope to meet, and even exceed, these levels in the coming years. Pension scheme funding levels are strong, the supply of insurer de-risking solutions has never been healthier, and there is great potential to further support the UK's economic growth through productive investment while ultimately achieving the goal of financial security for members.

In this way, the PRT market continues to play a vital and growing role in the UK, protecting the future for millions of people and helping to drive economic growth.

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Our investments

Our in-house investment team continues to invest in assets in line with our long-term investment strategy.

Rothesay’s £70.7bn asset portfolio is managed by our in-house team. Assets are sought which match our long-term liability cash flows and which provide an appropriate risk-adjusted return, with cautious cash buffers retained in order to meet our liquidity requirements. Rothesay has a careful approach to investment which seeks to reduce exposure to unrewarded risks and provide real security for people's pensions in the future, whilst ensuring suitable and predictable overall returns.

Our sophisticated systems enable us to continuously monitor our risks and adapt to changing market conditions to make sure that we are able to quickly identify, quantify and react to any emerging risks or opportunities within our portfolio.

Rothesay continued to invest its assets in a measured way over 2024 and we go into 2025 with a balance of assets from new liability transactions that will be invested patiently over 2025 in line with our long-term asset strategy.

Rothesay’s investment portfolio is focused on highly rated assets with over half of our rated assets having a rating of AAA or AA. This can be seen in the chart below.

The portfolio can be divided into three broad categories.

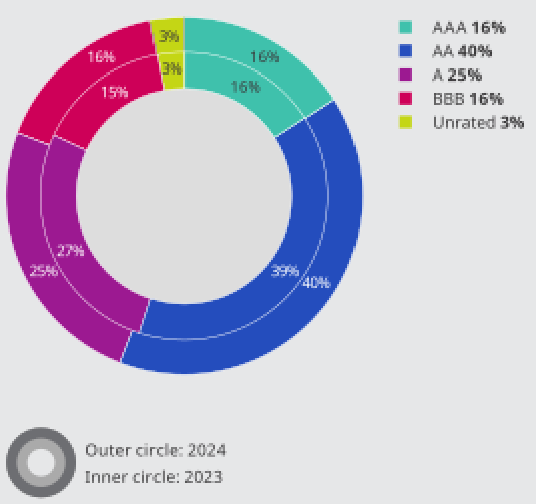
- **Cash and government bonds** – This part of the portfolio is available for future investment and to meet collateral calls and cash requirements and backs some of our very long-dated cash flows.
- **Corporate bonds and infrastructure** – We invest in a diversified portfolio of highly rated corporate bonds, including regulated infrastructure such as water, energy and transportation.
- **Secure, illiquid assets** – These assets include loans secured against property, residential mortgages, including lifetime mortgages and loans secured against other types of collateral. They are attractive because investors are rewarded for illiquidity rather than credit risk. 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 provide a breakdown of our financial investment portfolio excluding derivatives at 31 December 2024 and 31 December 2023 by asset class.

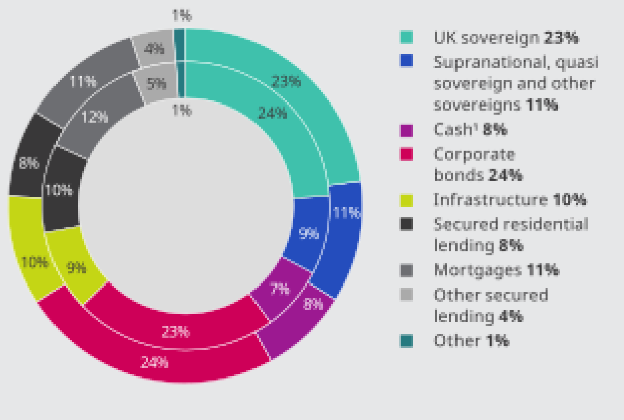
Corporate bonds and infrastructure

Our corporate bond and infrastructure holdings continue to be weighted towards liquid and highly rated bonds. We remain focused on investing in high-quality names and diversifying across sectors, currencies and jurisdictions. Our exposures to different industry sectors within the corporate bond and infrastructure portfolio are set out in the charts below, as a percentage of our total investments.

Investment by rating (%)



Our investments (%)



Outer circle: 2024
Inner circle: 2023

1. Cash is held in bank accounts and money market funds which invest in different international jurisdictions

Of our £27bn holding of corporate bonds and infrastructure, around 39% (2023: 38%) (or 14% of total assets) is rated BBB and of those only £0.6bn is rated BBB- (2023: £0.2bn). The vast majority of the remainder are rated A or above. As at 31 December 2024, Rothesay holds only £30m of sub-investment grade bonds (2023: £42m).

Real estate lending

As at 31 December 2024, the value of our lifetime mortgage portfolio is £6.4bn (2023: £6.2bn). We apply a cautious approach when underwriting mortgages, with newly originated lifetime mortgages having an average loan-to-value ratio of 27% (2023: 26%). Lifetime mortgages now represent 9% of assets under management (2023: 10%).

We also continue to fund long-term, fixed rate mortgages in both the UK and the Netherlands, and have further diversified into French home loans, increasing our long-term, fixed rate mortgage portfolio to £2.3bn (2023: £1.7bn).

Rothesay's commercial real estate lending exposure is primarily through senior debt financing of landmark property assets with highly rated tenants and owners, and low loan-to-value ratios. The average loan-to-value ratio on our commercial real estate debt is around 56% (2023: 53%).

Rothesay also invests in long-dated assets secured on cashflows from residential freehold properties. In 2024, the UK Parliament passed the Leasehold and Freehold Reform Act 2024 which impacts some cashflows derived from the underlying freehold properties. These legislative changes were anticipated and therefore the valuation of these secured assets had reflected these changes in advance of legislation being passed.

Uncertainty remains surrounding the secondary legislation that is required to implement the Act, in addition to any further future legislative or regulatory changes which may further impact the residential freehold sector. The valuation of the assets continues to reflect legislative uncertainty informed by scenario analysis based on statements from the Government and wider discussions, including with legal experts and other market participants.

International diversification and sustainability

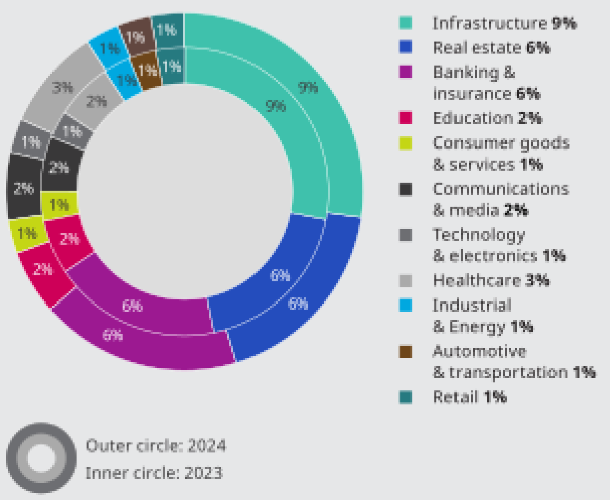
The majority of Rothesay's investment portfolio is invested in UK assets, however geographic diversification continues to be a key part of Rothesay's risk management, and with our well-established and growing operations Rothesay Asset Management North America and Rothesay Asset Management Australia, we have been able to source assets in which to invest in a range of countries and currencies, while maintaining rigorous risk management.

The in-house team considers financially material environmental, social and governance (sustainability) factors in both a quantitative analytical way as well as qualitatively, and these factors are formally documented in all committee approval papers for new investments in order to ensure that appropriate account is taken of them.

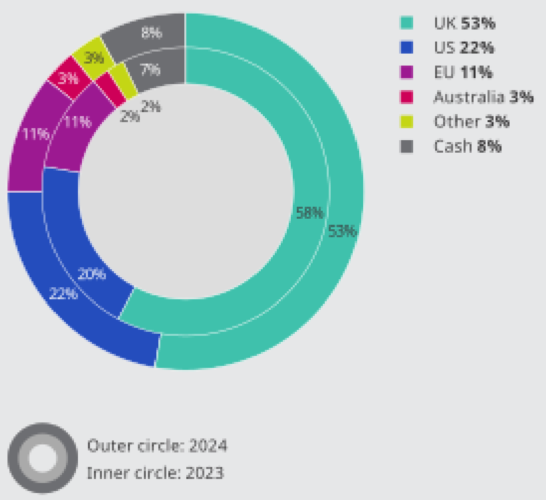
We are aligning our investment portfolio with the goal of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels and are committed to supporting a low-carbon economy in which the UK achieves Net Zero by 2050.

The chart below provides a breakdown of our investment portfolio at 31 December 2024 by country of exposure.

Investment sectors (%)



International diversification (%)



Our strategy and KPIs

Financial security

SCR coverage (APM)

Indicates capital strength through comparing how the Group is capitalised relative to the regulatory requirement

Assets under management (APM)

Measures business size to indicate scale of business and ability to diversify risks

External ratings

Impartial indicators of RLP's Financial Strength

2024
A2 – **Moody's Investors Service**
A+ – **Fitch Ratings**

2023
A2 – **Moody's Investors Service**
A+ – **Fitch Ratings**

2024 progress:

- Whilst writing significant volumes of new business over the year, we have surplus capital of £5.3bn (2023: £5.4bn) which means that we are well-placed for future growth opportunities.
- Following the annual review of RLP's financial strength by the credit rating agencies, Fitch and Moody's reaffirmed our ratings with stable outlooks.
- Assets under management **(APM)** have increased to £70.7bn (2023: £61.0bn) predominantly driven by the receipt of new business premiums, partially offset by rising interest rates.
- Reinsured £14bn of liabilities via unfunded longevity swap transactions, giving reinsurance coverage of 90% (2023: £10.1bn to give 87% coverage). We have not transacted any funded reinsurance.

Opportunities in 2025 and beyond:

- Continue to maintain a robust solvency position through meticulous risk management. This provides the greatest level of security for our policyholders and capital for future growth.
- Continue to monitor and maintain significant liquidity buffers in order to mitigate liquidity risks in times of market stress.

Generate long-term value through new business

IFRS profit before tax

Measures profitability, by capturing all recurring and non-recurring items

New business premiums (APM)

Signals the Group's growth

MCEV (APM)

Indicates the risk-adjusted value of the business

MCEV new business profit (APM)

Indicates the value generated by new business

2024 progress:

- Adjusted operating profits of £1,779m (2023: £1,358m) **(APM)** driven by profit on new business in addition to release of margins as the business runs off and investment outperformance. Operating profits were reduced by the net increase in the CSM on new business, as well as borrowing costs, and the impact of economic variances, to arrive at IFRS profit before tax of £113m (2023: £906m).
- In 2024, we acquired Scottish Widows' annuity portfolio and executed six further transactions, which generated £15.7bn of new business (2023: £12.7bn) **(APM)**.
- New business activity resulted in MCEV gains of £560m (2023: £607m), which was partially offset by economic variances to arrive at £7.7bn MCEV **(APM)** (2023: £7.5bn).
- Grew the Rothesay team by 79 talented individuals across the Group.

Opportunities in 2025 and beyond:

- Continue to assist pension schemes to de-risk through new pension risk transfer transactions. Given the strength of the pipeline, we anticipate significant new business opportunities in 2025 and beyond.
- Continued investment of assets received from new business transactions into Rothesay's long-term investment strategy.
- Continued innovation to ensure that we provide the best solutions for our clients and partners.

Service excellence

Service quality

Measures the number of policyholders who rate our service ‘good’ or ‘excellent’

Complaints

Measures satisfaction through number of complaints upheld per 1,000 customers

2024 progress:

- Diligent oversight of our Third Party Administrators (TPAs) by our own in-house team has ensured that policyholder service standards have remained extremely high.
- Continued focus on service excellence for our customers.
- Ongoing commitment to upholding Consumer Duty principles.

Opportunities in 2025 and beyond:

- Continue to excel in customer service.
- Continue to expand our in-house administration platform which uses our own record of all member benefits and future payments to ensure a data transition to our administration partners that is seamless to our new policyholders.
- Continue to comply and focus on the Consumer Duty to ensure good outcomes for all policyholders.

Act in the interest of all stakeholders

Employee engagement rate

Measures the number of employees who responded to the annual employee survey[1]

Carbon intensity

Measures carbon intensity of Rothesay’s investment portfolio

2024 and 2023: CO_2e/million USD borrower revenue

2024 progress:

- Continue to enhance our capabilities in climate risk management and reporting.
- New commitment to a 50% reduction by 2030 in the Carbon Intensity of our total portfolio.
- Became a signatory of the A4S Sustainability Principles Charter for the Bulk Annuity Process.

Opportunities in 2025 and beyond:

- Maintain high level of employee engagement and unique Rothesay culture whilst continuing to grow the business.
- Continue to make progress towards our environmental targets, Net Zero transition planning and early consideration of nature-related impacts.

1. The 2024 employee survey was deferred until early 2025 with a refreshed process and planned enhancements to drive our people strategy.

How our financial KPIs are connected

Assets

We invest in highly rated and long-dated fixed income investments to back our insurance liabilities.

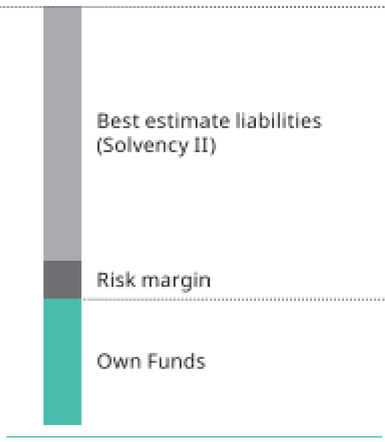
These investments are sensitive to market movements such as changes in interest rates and inflation, and changes in their valuations are designed to largely mirror the moves in the liabilities that they are backing. This is known as Asset-Liability Matching (ALM).

In addition, we hold significant surplus assets to support our Solvency Capital Requirement (SCR) **(APM)** plus associated buffer. These assets are primarily low-risk, liquid assets such as cash and government bonds that can also be used to meet our prudent liquidity buffers.

These surplus assets also form an important part of our overall market risk hedging strategy, which is designed to balance the needs of our different KPIs.

Our assets fall into three broad categories: cash and government bonds, corporate bonds and infrastructure, and secured illiquid assets.

Own Funds (APM)



The solvency balance sheet consists of Solvency II Own Funds that are available to meet the SCR buffer, and the SCR **(APM)** itself.

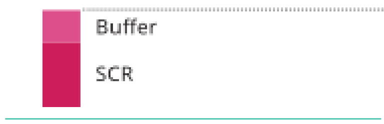
Own Funds are the total eligible assets of the Group less the Solvency II best estimate liabilities and risk margin (which is a buffer for risks which are deemed to be non-hedgeable, such as longevity risk). Own Funds include eligible subordinated debt.

The Solvency II best estimate liabilities (BEL) is the present value of liabilities projected to be payable to policyholders, including expenses related to those liabilities, over the life of the business. The BEL in the Own Funds calculation is similar in nature to the BEL calculated in MCEV **(APM)** and IFRS 17, with the key difference being the discount rate methodology which differs under Solvency II.

Own Funds are affected by market movements, as well as activity such as new business transactions and asset investment. Whilst the assets backing the best estimate liabilities and the liabilities themselves move together when interest rates and inflation change, the surplus assets (the Own Funds) also have some sensitivity to interest rates and inflation.

This is by design as the SCR itself is sensitive to interest rates and inflation due to its long duration.

Solvency Capital Requirement (SCR) (APM)



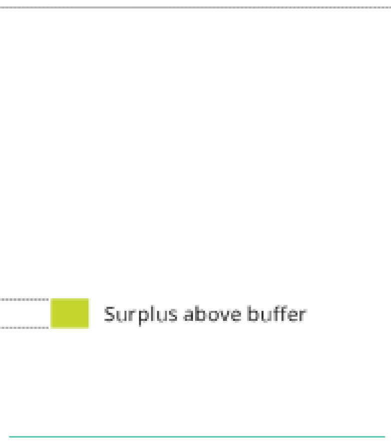
The SCR represents a modelled 1-in-200 years loss event and incorporates insurance, market, credit and operational risks. The SCR coverage ratio is the ratio of Own Funds to the SCR.

Rothesay holds a significant buffer above the SCR in order to deliver a high degree of security for its policyholders and to provide capital for writing future new business.

The SCR is influenced by activity such as writing new business or the choice of asset investments, where the size of the SCR is calibrated to reflect the degree of underlying risk.

Market conditions also impact the SCR, for example falling interest rates increase the size of the SCR. We aim to ensure that we invest our surplus assets in such a manner that our Own Funds increase in this scenario to compensate for the higher SCR. This must be done in a way that balances the needs of the solvency balance sheet as well as our other KPIs.

Surplus above SCR buffer



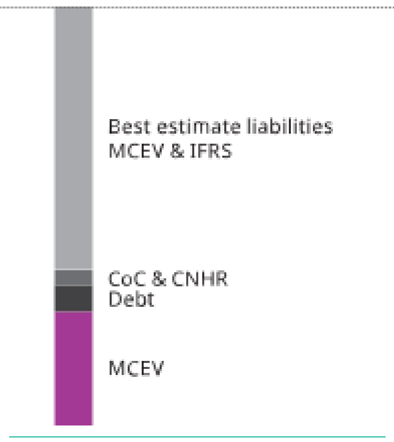
Own Funds **(APM)** that are not needed to cover the SCR or the buffer are considered surplus above the SCR buffer.

Typically, the premiums Rothesay receives in relation to new business do not cover the SCR plus buffer in addition to the best estimate liabilities and the risk margin. This means writing new business consumes surplus above the SCR buffer.

Our surplus above the SCR buffer therefore represents our capacity to write new business before requiring additional capital from our shareholders, as well as the potential capacity of the Company to pay dividends if desired.

Rothesay measures the attractiveness of new business and management actions by comparing various metrics, including how the MCEV **(APM)** or CSM generated compares with the amount of surplus above the SCR buffer invested.

Market Consistent Embedded Value (MCEV) (APM)



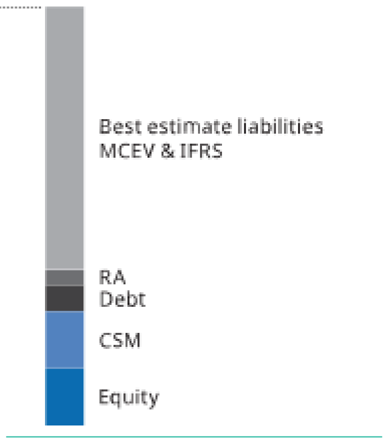
Market Consistent Embedded Value (MCEV) **(APM)** is a useful measure of the risk-adjusted value of Rothesay's long-term business. It represents the present value of the risk-adjusted surplus cash flows expected to emerge from the business over time.

Simplistically, it is the difference between the total assets of the business (net of all debts), and the best estimate of the future liabilities payable. This amount is then adjusted for the cost of the solvency capital (CoC) required to be held over the life of the business, as well as an allowance for the Cost of Non-Hedgeable Risks (CNHR).

MCEV is expected to increase as we write new business, and the amount by which it increases is an important measure of our new business performance.

MCEV is also sensitive to market movements. If interest rates fall, MCEV increases because of the way we choose to invest our surplus assets to protect against SCR increases in that scenario. The needs of solvency and MCEV measures are carefully balanced as we aim to design our hedging strategy such that changes in surplus above buffer are compensated for by opposing changes in MCEV.

IFRS 17



The IFRS 17 balance sheet shares some features with MCEV, for example they have materially the same underlying best estimate liability calculations.

IFRS equity is equal to assets less best estimate liabilities, risk adjustment (RA), contractual service margin (CSM), and debt. The RA is an adjustment for uncertainty around the amount and timing of the cash flows for non-financial risks, and the CSM represents a store of future value that is expected to be realised over the life of the business.

Under IFRS, profits on new business are largely held back in the CSM and would be expected to increase IFRS equity through time as the CSM gets released. Adjusted Equity **(APM)** gives an indication of the long-term value that is expected to emerge from the business.

The market risk dynamics between adjusted IFRS equity and MCEV **(APM)** are broadly comparable.

Adjusted Equity **(APM)** is also considered and is a useful measure of the long-term value of Rothesay's business and is equal to IFRS Equity (net of any Restricted Tier 1 debt included in IFRS Equity) plus the post-tax CSM.

Charts are illustrative and not to scale

Financial review

> Today we manage over £70bn in assets, secure the pensions of over 1,000,000 people, and pay out, on average, over £300m in pension payments each month.

Graham Butcher
Chief Financial Officer

The financial review describes the financial performance of Rothesay Limited and its subsidiaries.

Financial performance

Adjusted operating profits **(APM)** for 2024 were £1,779m (2023: £1,358m), driven by profits on new business, the release of margins as the business runs off, as well as outperformance in relation to new investments made during the year. Adjusted operating profits **(APM)** were reduced by the net increase in the Contractual Service Margin (CSM) on new business, borrowing costs and the impact of economic variances, to arrive at IFRS pre-tax profits of £113m (2023: £906m).

The financial performance analysis shown in the table below provides an explanation of the way in which profits have been generated. Further explanation of the line items can be found in the notes on Alternative Performance Measures on page 224.

New business profit **(APM)** represents the value of the premiums charged less the best estimate liabilities taken on, less the risk adjustment. After the deduction of the allocated acquisition expenses, this is equal to the new business CSM including the impact of new reinsurance. New business profit **(APM)** for the year was £886m (2023: £767m).

Financial performance (Alternative analysis of profit generation) (APM)	2024 £m	2023 £m
New business profit	**886**	767
Acquisition expenses allocated to new business	**(196)**	(201)
Performance of the in-force book	**1,102**	649
Non-economic assumption changes and model refinement	**(13)**	143
Adjusted operating profit before tax	**1,779**	1,358
Increase in CSM	**(735)**	(731)
Borrowing costs	**(166)**	(123)
Economic (losses)/gains	**(765)**	402
IFRS profit before tax	**113**	906

IFRS profit before tax

£113m

2023: £906m

Group SCR coverage **(APM)**

261%

2023: 273%

MCEV **(APM)**

£7.7bn

2023: £7.5bn

Financial review continued

Under IFRS 17, profits on new business and from insurance related experience and non-financial assumption changes are largely held back as what is known as the CSM. The CSM represents a significant store of future value that will result in a stream of future insurance profits. Insurance businesses that are growing are likely to see an increase in CSM as the CSM created from new business written during the year exceeds the CSM released during the year. The net increase in CSM was £735m (2023: £731m) as shown in the table below. Strong new business performance has continued to see the CSM increase in 2024.

Profits generated on the in-force book **(APM)** were £1,102m (2023: £649m). These profits mainly arose from investment returns on surplus assets and the release of the risk adjustment as the business runs off. Profits generated on the in-force book also includes the outperformance in relation to new investments made during the year relative to those assumed in new business underwriting, as well as the impact of operating expenses.

Rothesay made economic losses **(APM)** during the year of £765m (2023: gains of £402m). Economic gains/(losses) **(APM)** represent the change in value of assets from changes in economic conditions less the change in value of liabilities from those changes. During the year, economic losses were mainly driven by the impact of increases in interest rates. Rothesay focuses its interest rate hedging strategy on managing the trade-offs between the MCEV and solvency balance sheet measures, which can result in some volatility in relation to economic gains/(losses) on IFRS as a result of changes in long-term interest rates.

Movement in CSM	2024 £m	2023 £m
CSM at the start of the year	**5,192**	4,461
New business CSM	**690**	566
Change in CSM as a result of experience and assumption changes	**542**	456
Interest accretion on CSM	**167**	108
Release of CSM	**(664)**	(399)
Increase in CSM	**735**	731
CSM at the end of the year	**5,927**	5,192

Alternative Performance Measures

Rothesay's strategy is focused on protecting the security of policyholder benefits, growth through writing value-driven new business and, ultimately, delivering sustainable shareholder value.

In the opinion of the Directors, both the prescribed IFRS results and disclosures, as well as a number of Alternative Performance Measures **(APM),** are necessary to fully reflect long-term value or changes to capital requirements. Rothesay therefore includes within these accounts a number of Alternative Performance Measures **(APMs)** which focus on value generation and capital strength to reflect the performance of Rothesay. Further information on Rothesay's APMs can be found on page 224, including definitions, why the measure is used and, if applicable, how the APM can be reconciled to the nearest GAAP measure. Rothesay uses the symbol **APM** to highlight APMs throughout the financial statements.

IFRS income statement highlights

The key line items in the consolidated statement of comprehensive income are summarised in the table below:

Income statement highlights	2024 £m	2023 £m	Commentary
Insurance service result	**696**	420	The insurance service result is the difference between the actual and reserved cost of delivering insurance service, predominantly driven by the release of the CSM and Risk Adjustment (RA) in the year due to services provided and risk expired.
Net financial result	**141**	1,111	The net financial result is primarily driven by interest earned on assets above liabilities plus the impact of changes in economic conditions.
Operating expenses	**(84)**	(118)	Operating expenses are exclusive of costs included in fulfilment cashflows and attributable acquisition costs. A breakdown of expenses is provided in note B.3.
Finance costs	**(640)**	(507)	Finance costs represent interest payable on borrowings and on collateral. For further details see note B.4.
Profit before tax	**113**	906	

IFRS statement of financial position

The key line items in the consolidated statement of financial position are summarised in the following table:

Statement of financial position highlights	2024 £m	2023 £m
Financial investments	**117,428**	98,968
Reinsurance contract assets	**302**	216
Deferred tax asset	**586**	658
Other assets	**5,241**	3,361
Total assets	**123,557**	103,203
Share capital and share premium	**684**	510
Tier 1 notes	**793**	793
Employee scheme treasury shares and share-based payment reserve	**(148)**	(150)
Profit and loss reserve	**2,749**	3,065
Other reserves	**137**	133
Total equity	**4,215**	4,351
Insurance contract liabilities	**64,222**	54,630
Reinsurance contract liabilities	**223**	461
Payables and financial investment liabilities	**52,012**	41,281
Borrowings	**2,616**	2,248
Other liabilities	**269**	232
Total liabilities	**119,342**	98,852
Total equity and liabilities	**123,557**	103,203

Financial review continued

Assets under management (APM)

Assets under management **(APM)** reflects net derivative values and can be derived by adjusting the total assets shown in the table above for reinsurance, payables, derivatives, collateralised financing and deferred tax. Assets under management **(APM)** have increased from £61.0bn at 31 December 2023 to £70.7bn as at 31 December 2024, driven primarily by new business premiums. A reconciliation of assets under management is provided in the notes on Alternative Performance Measures on page 224.

Borrowings

Borrowings increased to £2,616m (2023: £2,248m) as a result of the issuance by Rothesay Life Plc (RLP) of approximately £750m of Tier 2 notes in June 2024, partially offset by the repayment of £400m Tier 2 borrowings in September 2024.

Insurance liabilities

Insurance contract liabilities, which consist of the best estimate liabilities, the risk adjustment and the CSM, increased from £54.6bn as at 31 December 2023 to £64.2bn as at 31 December 2024. This move was largely driven by the impact of new business (see notes E.1 and E.2).

Total equity and adjusted equity (APM)

The decrease in total equity (a decrease of £136m from £4,351m at 31 December 2023 to £4,215m at 31 December 2024) was primarily driven by £361m dividends and £36m RT1 coupons paid (net of tax) during 2024 offset by IFRS net profits and GIC's £174m reinvestment of its 2023 dividend.

Adjusting total equity for the CSM net of tax and the value of the sterling-denominated RT1 debt gives adjusted equity **(APM)** of £7.9bn (2023: £7.5bn). This provides a useful valuation metric which includes the expected future profits on Rothesay's in-force business.

Market consistent embedded value (APM)

Similar to adjusted equity, market consistent embedded value (MCEV) reporting provides a useful measure of the expected future profits on Rothesay's in-force business.

The MCEV is presented as an adjustment to IFRS Net Worth[1]. The value of in-force business represents the present value of future release of IFRS 17 risk adjustment and CSM, net of tax, along with the costs of solvency capital and non-hedgeable risks.

Market consistent embedded value (APM)	2024 £m	2023 £m
Net worth of Rothesay Limited (IFRS equity and IFRS borrowings)	**6,831**	6,599
Value of in-force business	**4,196**	3,752
Less: debt including RT1 notes	**(3,350)**	(2,842)
MCEV	**7,677**	7,509

A movement analysis for the overall MCEV is provided in the table below.

Analysis of movement in MCEV	2024 £m	2023 £m
Opening MCEV	**7,509**	6,631
New business value	**560**	607
Acquisition expenses allocated to new business	**(176)**	(144)
Management of the in-force book	**627**	492
Operating MCEV earnings	**1,011**	955
Economic variances	**(510)**	257
Other non-operating variances	**(149)**	14
New equity invested less dividends paid	**(184)**	(348)
Total MCEV earnings	**168**	878
Closing MCEV	**7,677**	7,509

In 2024, MCEV grew primarily as a result of new business written as well as the outperformance in relation to new investments made during the year. This was partially offset by the impact of increasing interest rates.

Other non-operating variances include borrowing costs and, for 2023, the impact on MCEV of the Rothesay's Full Internal Model implementation and the Risk Margin reform. Rothesay made dividend payments in 2023 and 2024 which reduced the Group MCEV, though for 2024 these were partially offset by GIC's reinvestment of its prior year dividend.

Further information can be found in the notes on Alternative Performance Measures on page 224.

1. IFRS Net Worth equates to IFRS equity and IFRS borrowings as shown in the Consolidated Statement of Financial Position.

Capital management

Rothesay is well-positioned for growth due to a strong capital position.

Rothesay's capital management framework is designed to meet the following objectives:

- To ensure that our liabilities to policyholders can be met in a full and timely manner;
- To give customers long-term confidence in Rothesay;
- To satisfy our regulatory obligations;
- To match the profile of our assets and liabilities, taking account of the risk inherent in the business;
- To allocate capital efficiently to support new business growth;
- To retain financial flexibility by maintaining strong liquidity; and
- To provide an appropriate return to shareholders.

Rothesay aims to maintain solvency coverage in the range of 140% to 160% of the regulatory solvency capital requirement (SCR) **(APM)**. We started the year with capital surplus well above our target operating range, but as we write new business the solvency coverage is expected to move closer to our target operating range.

We operate a dynamic capital management framework which reflects the sensitivity of different performance measures. Our access to real-time solvency information and balance sheet sensitivities allows us to tailor our hedging strategy to manage the trade-offs between the solvency capital position and the embedded value of the business in such a way as to protect the long-term value of the business.

As at 31 December 2024, Rothesay had a Group SCR coverage ratio **(APM)** of 261% (2023: 273%), meaning that although Rothesay wrote significant new business volumes in 2024, we still have very material excess capital available to support further new business.

Solvency position of the Group and RLP	Group 2024 £m	Group 2023 £m	RLP 2024 £m	RLP 2023 £m
Tier 1 capital unrestricted	**5,910**	5,931	**6,013**	6,024
Tier 1 capital restricted	**984**	984	**984**	984
Tier 2 capital	**1,733**	1,402	**1,733**	1,402
Tier 3 capital	**471**	458	**471**	458
Own Funds available to meet SCR	**9,098**	8,775	**9,201**	8,868
Ineligible capital	**(573)**	(309)	**(573)**	(310)
Own Funds **(APM)** eligible to meet SCR	**8,525**	8,466	**8,628**	8,558
SCR	**(3,262)**	(3,101)	**(3,262)**	(3,101)
Surplus above SCR	**5,263**	5,365	**5,366**	5,457
SCR coverage (APM)	**261%**	273%	**264%**	276%
SCR coverage without transitional solvency relief	**255%**	264%	**258%**	267%

In June 2024, RLP issued £500m of GBP Tier 2 notes and $325m of USD Tier 2 notes to provide further capital for new business. Given Rothesay's solvency position and, in particular, the size of the SCR, some capital is not currently eligible as Own Funds to meet the SCR. However, as we continue to write new business, solvency capital requirements will increase and all the capital is expected to be fully eligible.

During September 2024 Rothesay repaid £400m of Tier 2 borrowings.

Some of the new business written in 2023 and 2024 remains outside the Matching Adjustment fund in order to provide flexibility in transitioning assets to our long-term investment strategy. The business is eligible for inclusion in the Matching Adjustment fund and moving the business would improve both Own Funds and the SCR requirement because the Matching Adjustment could then be used in calculating the Technical Provisions. For 2024 these liabilities include an allowance for the volatility adjustment in the discount rate.

The following table provides a breakdown of the SCR, post-diversification benefit, between modules. Insurance risk relates mainly to longevity risk, which reduced over the year due to reinsurance transacted. Market risk is dominated by spread risk, i.e. the risk that credit spreads widen.

Composition of SCR (%)	2024	2023
Market risk	**69**	61
Insurance risk	**17**	27
Operational risk	**7**	6
Counterparty risk	**7**	6

All reforms which resulted from HMT's review of Solvency II have now been incorporated into Rothesay's solvency balance sheet.

An analysis of the change in surplus capital above the SCR is shown in the table below. Surplus above SCR has decreased from £5,365m to £5,263m with key drivers being the capital strain associated with new business written during the year plus the short term impact of not having fully deployed the assets received as premiums. These impacts were offset by surplus capital released from Rothesay's in-force book, primarily due to the run-off of the SCR and risk margin, as well as economic conditions, predominantly the impact of increasing interest rates during 2024, which improved the solvency surplus. Although new investments performance during the year outperformed Rothesay's underwriting assumptions, a significant proportion of the gilts received as part of BPA transactions over 2024 have still to be invested in line with Rothesay's long-term asset strategy. Once this has been completed, Rothesay's solvency surplus is projected to improve.

Differences between IFRS accounting standards and Solvency II mean that management actions and changes in economic conditions can have very different impacts on the two bases. All numbers are shown net of tax impacts and allow, where relevant, for changes in transitional solvency relief.

Change in surplus	2024 £m	2023 £m
Opening position	**5,365**	4,904
New business (on a fully invested basis)	**(910)**	(667)
Performance of in-force book	**939**	1,456
Non-economic assumption changes	**14**	104
New business acquisition expenses	**(196)**	(162)
Short-term impact of under deployment	**(253)**	9
Operating surplus generation	**(406)**	740
Economic conditions	**632**	(438)
Borrowing costs	**(160)**	(130)
Other non-operating variances	**(73)**	232
Non-operating surplus generation	**399**	(336)
Total surplus generation	**(7)**	404
Eligible new capital raised less dividends paid	**(95)**	57
Closing surplus	**5,263**	5,365

The analysis of change in surplus for 2023 has been remapped onto the categories which align with the 2024 breakdown.

Risk management

> Prudent risk management is at the heart of everything that we do, and we continue to invest in our capabilities to ensure we can meet new challenges as risks evolve.

Peter Shepherd
Chief Risk Officer

Risk management is at the heart of Rothesay.

How we manage risk

Rothesay's risk management principles are driven by the key objectives of the business:

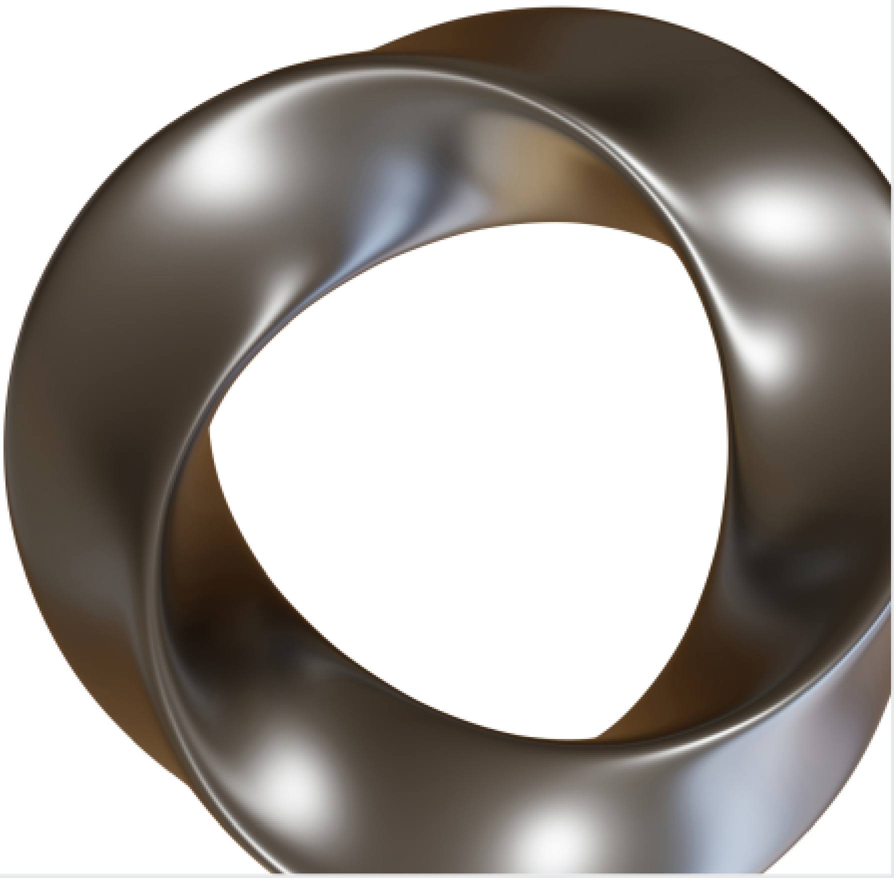
- To ensure that our liabilities to policyholders can be met in a full and timely manner.
- To ensure that our policyholders receive excellent customer service.
- To maintain our financial strength and capitalisation.
- To produce stable returns from our in-force business.
- To protect and increase the value of our shareholders' investment.
- To safeguard Rothesay's reputation.

To do this we have a well-established process of identifying, managing and monitoring risks on a continuous basis. This allows Rothesay to make rapid, informed decisions to manage through adverse conditions, as well as ensuring that we are able to invest appropriately where the risk/reward metrics are favourable.

The risk management framework is designed to ensure that:

- Risks are well understood and can be explained to all stakeholders.
- Risk management and business strategy are aligned.
- All employees are aware of their individual responsibilities.
- Risks are monitored and managed in accordance with defined risk appetites.

Risk management is a continuous process and the risks to which Rothesay is exposed change over time. The framework is designed to be responsive and is regularly reviewed to ensure that it remains highly effective. We have continued to invest in the Risk function, but we have always recognised that effective risk management starts with the employees who manage risks day in and day out, and so we ensure effective communication between teams, and that systems, data and other tools are providing the information to enable employees to make timely informed decisions – with risk management at the core of these decisions.



Risk management continued

Risks can be quantifiable, such as market risks, or non-quantifiable such as reputational or strategic risks, or could be a mix of both. Some risks have been a core part of the financial landscape for decades or more, while others, such as cyber risk, have emerged more recently and it requires an agile risk framework to adapt to these. Risks can materialise rapidly, such as a change in market conditions, or could emerge slowly over a number of years such as the outlook for life expectancy.

Risk management framework

Rothesay has a risk management framework (RMF) which is aligned to the 'three lines of defence model'. Fundamental to this is that every employee knows how they contribute to the effective identification, management, mitigation and monitoring of all types of risks.

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

The 'three lines of defence' model is widely used in financial services, and sets the boundaries between the different areas, making sure that there are no gaps in risk management or unexpected overlaps in accountability.

First line of defence

Risk Owners
Day-to-day risk management is delegated from the Board to the Chief Executive Officer (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 first line control functions, who are responsible for ensuring the integrity of Rothesay's operations and reporting. These include Operations, Finance and Legal.

Second line of defence

Risk Oversight
Design and maintenance of the risk management framework as well as risk oversight is provided by the Chief Risk Officer (CRO), his team, the Compliance function and risk management committees.

Third line of defence

Risk Assurance
Internal Audit provides the Board and Executive with comprehensive, independent, objective assurance over governance, risk management and internal control.

Our risk management governance structure

Rothesay Limited

Board Risk Committee	Customer Conduct Committee
Assists the Board in providing leadership, direction and oversight of the Group's risk appetite, tolerance, risk strategy, risk governance and risk management framework and of the risk aspects of major investments and corporate transactions. Its primary function is the ongoing monitoring and control of all financial, operational, insurance and other enterprise-wide risks associated with the activities of Rothesay.	Assists the Board in ensuring that conduct towards customers meets Rothesay's strategic objectives, operates within risk appetite and maintains compliance with applicable laws and regulatory requirements and expectations.
Executive Risk Committee **	**Executive Customer Committee ***
Responsible for the overall operation of the Risk Management Framework (RMF), ongoing monitoring and control of enterprise-wide risk, including review and approval of all material new investment, hedging or liability transactions.	Responsible for ensuring business culture, strategy and operational processes are effectively controlled and deliver appropriate customer outcomes.

Risk Management Committees

Customer Working Group *	Credit Committee **	Liquidity Working Group *	Technology Risk Committee *	Sustainability Committee **	ALM Committee *	Underwriting and Liabilities Committee *	Business Controls Committee *
Responsible for the review of policyholder and customer activities, ensuring that fair outcomes are being delivered.	Responsible for the ongoing monitoring and control of credit and counterparty risk associated with the activities of Rothesay.	Responsible for the ongoing management of liquidity, including the continual monitoring of the appropriateness of the liquidity risk management framework.	Responsible for the ongoing management of technology risks across Rothesay, encompassing technology operations risk, data integrity and protection risk, and cyber security risk.	Responsible for the development and implementation of the climate change and sustainability strategy and risk management framework.	Responsible for review and approval of significant asset, liability and hedging activities.	Responsible for considering all new insurance and reinsurance transactions which Rothesay is considering and for providing oversight and review of all existing member data, experience and bookings of all such transactions which Rothesay subsequently enters into.	Responsible for ensuring that business processes are effectively controlled and operational risks are appropriately managed.

* Denotes 1st Line Committee
** Denotes 2nd Line Committee

The Board is responsible for oversight of the management of exposure to risks and is supported by the Board Risk Committee whose membership consists entirely of Non-Executive Directors and looks to ensure that the management of the business is conducted within the delegated risk framework from the main Board.

This model of separation of responsibilities is also aligned to the Senior Managers & Certification Regime, which ensures that individuals have very clear allocation of responsibilities.

Building on this model, the RMF then adds the detail such that risk management ownership, responsibilities and processes are clear. This both informs and is directed by Rothesay's business strategy. The foundation of the RMF is the clear identification of the risks that Rothesay faces. From this, the RMF can then go on to define detailed aspects including:

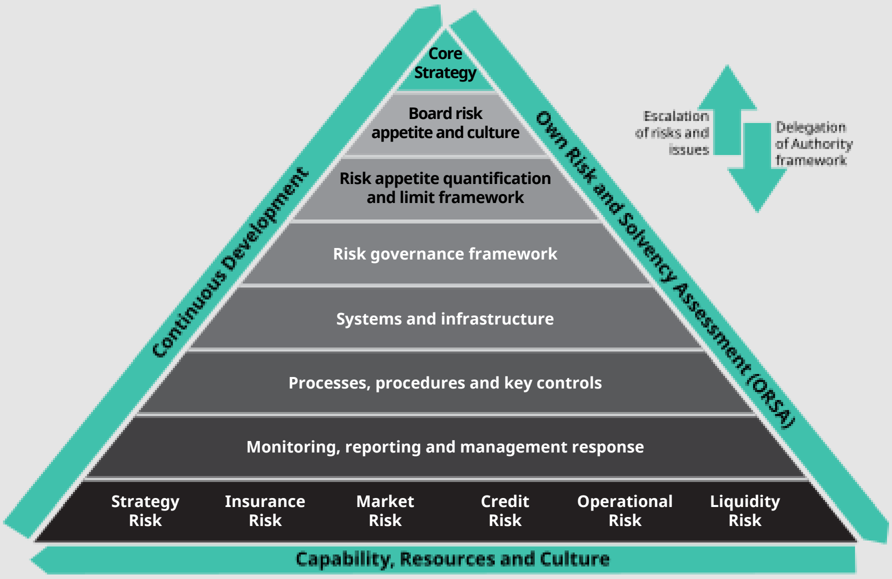
- Risk appetites and risk limits;
- How risks should be measured and reported on;
- Processes for controlling or managing risks; and
- Individual accountability for risk topics.

Risk management continued

In order to do this Rothesay has defined a Risk Taxonomy, which is a consistent way of describing and subdividing risks consistently across Rothesay and between time periods. This is regularly reviewed to ensure that it is complete. The seven key risks identified are set out in the table below.

Risk category	Definition
Strategy risk	The risk of loss in future earnings and capital arising from changes in the competitive, economic, legal or political environment, changing customer behaviour, or a failure to select appropriate strategic or long-term business plans.
Insurance risk	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, or changes in longevity or other expectations.
Market risk	The risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
Credit risk	The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors.
Liquidity risk	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
Operational risk	The risk arising from inadequate or failed internal processes, personnel or systems, or from external events. This includes conduct risk, project risk and cyber security risk.
Technology risk	The risk arising from a technology failure which could disrupt the business.

These risks are then split into more granular risks, for example market risk includes interest rate risk, inflation risk, currency risk and so on.



Board risk appetite and culture

Rothesay's risk appetite expresses the types of risk that Rothesay is willing to take in pursuing strategic objectives. The Board's risk appetite sets the tone for the culture of risk management throughout the organisation.

Our strategic approach is to de-risk our business in order to achieve attractive risk-adjusted returns. We also aim to protect regulatory surplus, manage liquidity and minimise balance sheet volatility.

Risk taking is limited to circumstances where we believe that we fully comprehend the inherent and residual risks, where we are able to manage them within prudent, observable levels and where incurring the risks provides sufficient value to our stakeholders.

We aim to substantially mitigate the financial risks in our portfolio in order to protect policyholders, lock in value and to safeguard capital surplus such that excess capital may be invested into attractive risk-adjusted new business opportunities where Rothesay believes it has a comparative advantage.

Our risk appetite statement sets out the types of risk that we are willing to be exposed to in order to meet our strategic objectives. They are categorised as desired, tolerated or undesired.

Risk preference	Description	Examples
Desired	Desired risks are those that we need to seek directly in order to deliver our core strategic goals. We will actively seek to take on these risks because taken together they are expected to deliver a good risk-adjusted return. These are also risks we believe we have the capability and capacity to manage effectively within risk appetite limits.	Most Insurance Risks (given that our key business line is writing annuities), some Credit Risks (given our desire to make a return through backing annuities with credit assets) and some Strategy Risks (given our clearly defined strategy).
Tolerated	Tolerated risks are those that we incur indirectly as a result of implementing our core strategy, and where we may be willing to accept some exposure. We will invest to ensure that these risks are adequately managed. We may seek to partially or fully reduce these risks depending on relative risk-adjusted returns.	Tolerated risks therefore mostly relate to Market Risks, where our business model naturally exposes us to these risks but we seek to reduce or hedge them partially or fully.
Undesired	Undesired risks are those that we incur indirectly as a result of implementing our core strategy, and where we would ideally seek to fully eliminate the exposure. These typically include risks where there is no compensation for holding the risk e.g. Operational Risk, but also risks which we do not feel sufficiently competent to manage. We are willing to invest in order to avoid or manage these risks as far as possible. Even where significant action is taken, some residual risk may be unavoidable.	Undesired risks include most Liquidity Risks (as we have no desire to fail to pay our policyholders and counterparties), and Operational Risks (as these are unrewarded).

Risk management continued

Risk appetite quantification and limit framework

The risk limit framework is intended to ensure the stability of earnings and solvency position of the business. Risk appetite is translated into quantifiable limits and early warning triggers that prompt management action to avoid our risk exposures breaching the Board's risk appetite. Limits exist in relation to market, credit, counterparty, liquidity, demographic and longevity risks and are sized with reference to our overall risk appetite and capital position. Limits are constantly reviewed and reported against.

Risk governance framework

Rothesay's risk governance arrangements strengthen the risk-taking and risk management of the business by adding challenge, oversight and independent assurance. This framework supports compliance with the Senior Managers and Certification Regime (SMCR).

Systems and infrastructure

Rothesay operates an integrated system infrastructure which captures all assets and liabilities centrally and provides us with the capability to report and monitor risk daily at both the portfolio and the individual transaction level. Close coordination of underwriting, reinsurance, investment and risk hedging functions ensures risk management is central to all aspects of the business, and that new business pricing reflects latest market conditions, hedging costs and investment opportunities, as well as comprehensive liability analysis.

Policies, processes, procedures and key controls

Rothesay has developed appropriate processes and documented procedures, appropriate controls and other risk mitigation techniques in order to effectively manage risks. The 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.

Monitoring, reporting and management response

We monitor our risk exposures against risk appetite as well as management actions on a continuous basis to confirm that our risk mitigations are effective. We then report our monitoring to oversight committees and individuals with responsibility for risk management in order to inform business decisions. Monitoring considers both those risks to which Rothesay is currently exposed, in addition to emerging risks that may impact Rothesay in the future.

Capability, resources and risk 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.

Own Risk and Solvency Assessment (ORSA)

The ORSA is undertaken at least annually, approved by the Board, and involves an assessment of the risks 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. The ORSA is an important input to Rothesay's strategic planning cycle.

Rothesay also runs a number of stress tests on a daily and weekly basis. The stresses have been developed so as to provide coverage over the key risks implicit within the portfolio at the time. Examples of stresses currently applied to the portfolio include issuer default stresses, property stresses, credit spread widening, credit downgrades and market risk stresses on liquidity outflows.

Principal risks and uncertainties facing Rothesay

Rothesay's principal risks are credit, insurance, climate, liquidity, strategic and market related. An overview of these and other risks associated with the business, including an outline of how each is mitigated, and the change in this risk, is provided in the table below. Our risk exposures generally increase with the size of the balance sheet; in the table below we have only shown an increasing trend where the increase has been out of line with this.

In the table, strategic priorities **1** to **4** refer to:
1. Financial security
2. Generating long-term value through new business
3. Service excellence
4. Act in the interest of all stakeholders

More details can be found in notes E and F of the financial statements.

Risk	Mitigation	Strategic priority	Risk direction
Credit risk The risk that a borrower's creditworthiness deteriorates or that the borrower defaults. Our financial and/or capital position could be adversely impacted by downgrades, credit spread widening or defaults.	Rothesay carefully selects the investments it makes in order to generate an adequate risk-adjusted return, has a preference for investments with structured protection such as collateral, and may purchase external credit protection to mitigate the impact of any defaults. Rothesay maintains a highly experienced market-facing team as well as a second-line internal credit risk team who regularly monitor and assess the credit risk associated with its investments.	1,4	→ Global financial conditions are easing but continue to be an area of focus across our borrowers.
Counterparty default risk The risk that a financial counterparty's creditworthiness deteriorates or that a counterparty defaults. Our financial and/or capital position could be adversely impacted by downgrades, credit spread widening or defaults.	Rothesay prefers to work with highly rated and stable counterparties, and to diversify counterparty exposures where appropriate. Derivative and reinsurance contracts are subject to margining requirements to ensure exposures are appropriately collateralised. Rothesay actively monitors counterparties for downgrade risk, and may also purchase credit protection to mitigate specific exposures.	1,4	→ Global financial conditions are easing but continue to be an area of focus across our counterparties.
Insurance risk The risk that demographic experience is different from expected. As the pensions insured by Rothesay are guaranteed, our financial and/or capital position could be adversely impacted if, for example, policyholders live longer than expected.	Rothesay invests in both people and modelling capabilities to analyse its longevity experience and to help assess what could happen in the future. Rothesay aims to reinsure a majority of its longevity exposure. As at 31 December 2024, Rothesay had reinsured 90% of its longevity risk (2023: 87%) **(APM)**.	1,4	→ The future longevity changes remain uncertain, including healthcare pressures, new drugs and long-term effects of COVID-19.

Risk management continued

Risk	Mitigation	Strategic priority	Risk direction
Market risk The risk of adverse movements in interest rates, inflation or currency. Rothesay's financial and/or capital position could be adversely impacted by market movements to the extent that assets and liabilities are mismatched.	Rothesay monitors interest rate risk, inflation risk and foreign exchange risk closely, and uses derivatives to hedge the risks. We also undertake regular scenario testing, for example in relation to a UK downgrade, to assess the impact of potential combinations of stresses. Assets and liabilities are matched as closely as possible, including using inflation-linked assets to meet inflation-linked liabilities.	1,4	→ The potential for material market volatility remains elevated and a key area of focus.
Property risk The risk of a fall in the value of property. Through its investments secured on property, Rothesay's financial and/or capital position could be adversely impacted by falls in the value of property.	Residential property risk is reduced through strict underwriting criteria, covering, for example, the quality of the underlying property, flood risk and loan-to-value limits by age of borrower. We have also established reserves covering the potential cost of the no negative equity guarantee on lifetime mortgages. Exposure to commercial real estate is reduced by ensuring that loans have a low loan-to-value ratio, that there are appropriate covenants and that properties have strong tenants.	1,4	→ High interest rates remain a driver of downward pressure for residential and commercial property prices.
Liquidity risk The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due. Given our holding of illiquid assets, there is a risk that we are unable to meet payments or collateral calls as they fall due in adverse circumstances.	Rothesay has a comprehensive liquidity management framework that ensures sufficient liquidity is held to meet collateral outflows as well as projected expenses and other outflows, in extreme market conditions.	1,4	→ Rothesay's liquidity position remains very robust and an area of ongoing focus.
Climate change Rothesay's assets are exposed to the potential impact of climate change. Such risks include: • physical risks such as increasing frequency and severity of flooding; and • transition risks which can arise from the process of adjustment towards a low-carbon economy.	Rothesay has enhanced its monitoring and management of climate change and sustainability risks, reviewing and renaming the Environmental, Social and Governance (ESG) Working Group to the Sustainability Committee, with increased representation from Executive Management. The Committee is responsible for overseeing sustainability-related matters, including stress testing and modelling the plausible impact on Rothesay under climate-related scenarios. Our in-house investment team is responsible for the selection and management of all of Rothesay's assets. The team considers climate-related risk as part of the investment process. In addition, Rothesay considers flood risk as part of its lending policies.	1,4	→ Climate and sustainability risks remain a key focus for Rothesay, with continued uncertainty over the economy's ability to transition sustainably to a low-carbon world.

Risk	Mitigation	Strategic priority	Risk direction
Operational risk The risk of operational failure, including project risk, cyber risk and conduct failures. Rothesay is exposed to the risk of operational failure as a result of failure of a strategic business partner or of its own systems and processes. This could lead to reputational damage and increased costs.	Rothesay has no appetite for material operational risk losses, and has a strong control environment to limit these risks as far as possible. The Customer Conduct Committee is responsible for ensuring that policyholders and customers are treated fairly by Rothesay and its strategic business partners. Strategic projects are monitored by Rothesay's Change Management function and relevant committees and are required to operate according to our project management framework. Scenario analysis covering a variety of potential operational risk events is regularly carried out. Rothesay seeks to mitigate cyber risk through robust processes and controls including data protection, penetration testing and employee training, and maintains ISO 27001 and ISO 22301 accreditation. Rothesay has established a new Technology Risk Committee, responsible for the ongoing management of technology risks across Rothesay. Where Rothesay outsources some of its responsibilities, we undertake thorough due diligence in advance of appointment and then have a strong programme of oversight.	3,4	→ Rothesay's operational risk profile has been stable throughout 2024, but cyber risk and third-party risk management continue to be key areas of focus.
Strategic, political and regulatory risk The risk of adverse changes to the regulatory or political environment. Rothesay's strategy, financial or capital position could be adversely affected by the impact of regulatory or political change.	Rothesay continues to actively monitor the political landscape. Where appropriate, Rothesay engages with government or responds to consultations to ensure our interests are protected for the benefit of our stakeholders. Strategic decisions and individual asset underwrites take into account the overall political landscape. Rothesay seeks to have a regular dialogue with regulators in order to ensure compliance, as well as the ability to react quickly to any unanticipated developments. Rothesay seeks to have an open and transparent relationship with regulators at all times. Rothesay is a member of the Association of British Insurers and British Property Federation.	1,2,4	→ There are continued political risks globally, as well as ongoing regulatory change in the UK. There are new governments in the UK and US and we continue to monitor how this may impact Rothesay directly and indirectly.

Risk management continued

Changes in Rothesay's risk profile

Geopolitical risks remained elevated in 2024, with a large number of elections leading to uncertainty over the political direction in a significant portion of the world's economies, notably the US and UK elections leading to changes in leadership. Inflationary pressures and global interest rates have also remained high, and although inflation levels have continued to fall, the future path of inflation and interest rates remains uncertain, with material volatility.

Rothesay has continued its strategy of patient investment in a diverse range of assets. During 2024, we have continued to invest in UK lifetime mortgages. We continue to fund Dutch residential mortgages and long-term, fixed rate mortgages in the UK and we further diversified our investment with our first investment into French home loans. Although these types of mortgage are secured on residential property, the risk profiles of lifetime mortgages and fixed-for-term mortgages are quite different.

In 2024 the UK Parliament passed the Leasehold and Freehold Reform Act 2024. Uncertainty remains surrounding the secondary legislation required to implement the Act and any potential future legislative or regulatory changes, and our valuation of assets secured on cash flows from residential freehold properties continues to be informed by scenario analysis based on statements from the Government and wider discussions, including with legal experts and other market participants.

Credit markets remain strong but we remain vigilant and actively monitor our individual and aggregate credit exposures. Where possible, we have continued to switch assets to improve risk-adjusted returns or to reduce the risk of our portfolio. This includes consideration of sustainability-related risks, including climate change. We continue to actively monitor and manage potential downgrade risk across the investment portfolio, particularly as continued sustained inflation and uncertain central bank monetary responses may drive macro and individual counterparty weakness. We continue to have a well-diversified set of high quality counterparties, including our reinsurers, and use a range of risk mitigants to limit counterparty risk including the use of collateral. We have a robust limit framework to limit overall exposures to individual counterparties.

Our market-leading risk management systems, including access to real-time information about our risk positions, have allowed us to respond quickly to market conditions, protecting the strength of our balance sheet and ensuring that we are able to continue to execute our business plans. Our ongoing focus on liquidity risk management means that the Group's liquidity position remained robust throughout 2024.

During February 2024, the PRA released its rules in relation to the Solvency UK Reforms, giving both Rothesay and the wider UK insurance market certainty over regulatory expectations, and we are pleased that progress is being made to adapt the regulatory regime to better suit the UK market.

Cyber risk remains one of, if not the, most significant non-financial risk to UK financial services firms, and this prominence is reflected in the PRA's continuing and increasing focus on the adequacy of firms' preventative and preparatory measures for cyber-attacks. State-sponsored activity, the professionalisation of threat actors, and the ever-increasing sophistication of the tactics and techniques used to compromise systems have continued to be key themes for firms and industry to monitor over 2024. Rothesay has continued to invest in systems and capabilities here.

As a result of the increase in interest rates, many pension schemes have found themselves in position to move to buy-out much earlier than they would have anticipated. The pipeline of potential new business opportunities in 2024 and beyond remains significant and includes a number of substantial transactions.

Rothesay has extensive experience in executing large and complex transactions and Rothesay's strong Risk Management Framework ensures that these transactions can be safely delivered in a controlled way. We have continued to invest in our capabilities in order to ensure that we are well-positioned to grow safely and meet the needs of our current and potential future clients and policyholders.

While key risk indicators already exist as part of our risk management framework for our Carbon Intensity targets, the evolving nature of climate change requires us to broaden our risk management toolkit. We believe that scenario analysis, whilst imperfect, will become an important tool in enabling us to review the resilience of our investment portfolio against different hypothetical, yet plausible climate futures. In June 2024 Rothesay published its Sustainability and Climate Reports, aligned with the Task Force on Climate-related Financial Disclosures, which included a new short-term Carbon Intensity reduction target for our total portfolio, a commitment to achieving a 50% reduction by 2030, as a key milestone on its pathway to Net Zero.

Good progress is being made on the transitioning Rothesay's technology infrastructure. As part of this, we continue to make significant investment in our in-house technology capabilities including the management of cloud and, as previously mentioned, cyber risks.

Despite the successful operation of our risk management framework in 2024, 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.

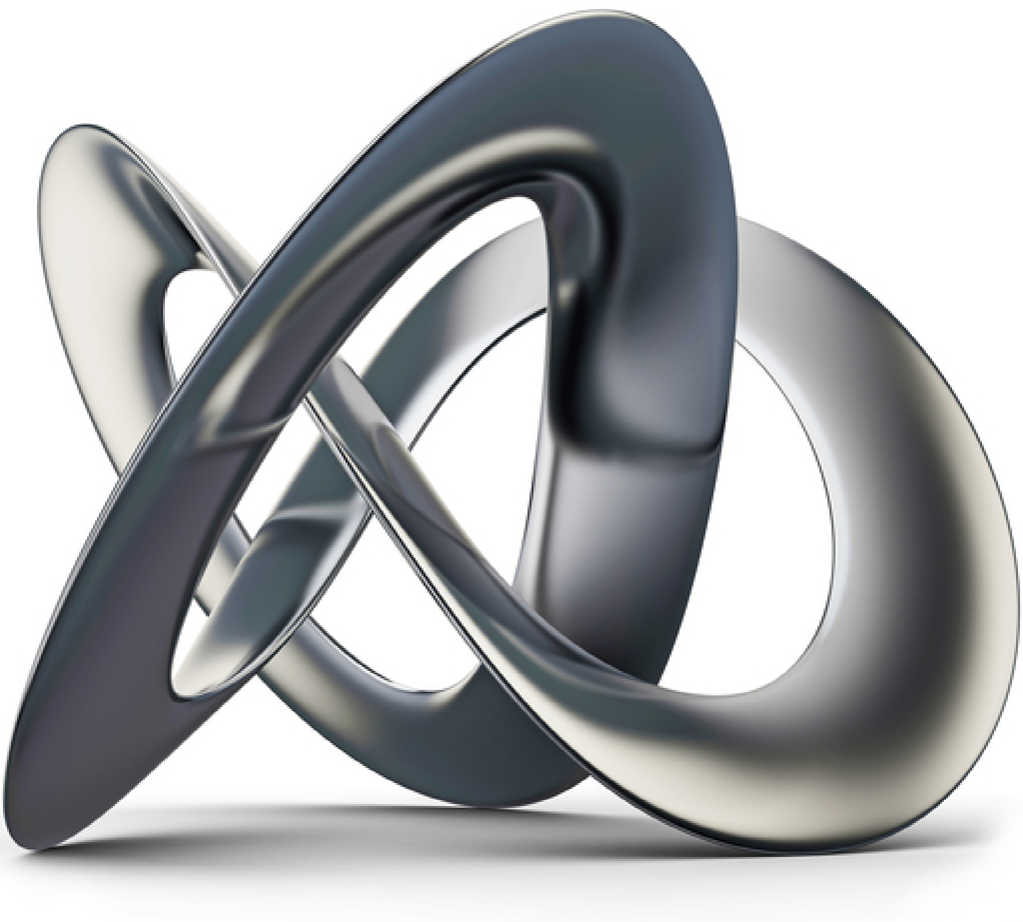
We continue to monitor mortality experience as COVID-19 abates, and while there are a number of positive signs that mortality is returning to normal levels and the health service is starting to recover, there are still some mixed signals for different parts of the population. There are also some potentially positive signs in mortality reduction from the use of weight-loss drugs to improve health. Rothesay monitors changes in current mortality and changes in expectations around future mortality, which could come from medical and pharmacological breakthrough, noting for example the rapid developments in vaccine technology in recent years. These risks are managed through extensive use of longevity reinsurance.

Emerging risks

Rothesay has identified a number of emerging risks that could impact the business over the medium to long term. Geopolitical risk continues to be high across Europe and Asia, driven by changes in government and evolving global relationships.

Over the longer term there are risks relating to sustainability and the way in which these could impact Rothesay's investments. The management of climate-related risks is discussed in more detail in the ESG section.

Rothesay has processes in place to monitor emerging, evolving or other currently unforeseen risks, including risks where the impact or implications are difficult to fully assess. Rothesay continues to manage its affairs prudently such that we are not overexposed to one particular risk and so that we only accept risks which we fully comprehend and which are consistent with our risk appetite.



Viability and going concern

Viability statement

Rothesay's strategy and business model centres on long-term pension security for our policyholders. This focus leads management and the Board to consider the viability of Rothesay on an ongoing basis. The viability of Rothesay is linked to our ability to generate profits and maintain solvency and liquidity over a period of time.

Why we assess viability

The Board's assessment of viability is a central process within our risk management and strategic planning framework. Rothesay has been purpose-built to protect pensions and ensuring the Group remains viable is critical to protecting our policyholders' pensions.

The period we assess

Making a viability assessment requires the principal risks of the Group to be thoroughly understood and regularly updated for changes.

Rothesay's own views of risk and associated capital requirements have been investigated through the Own Risk and Solvency Assessment (ORSA), including consideration of the way in which future changes to Rothesay's risk profile and also external influences may impact on the Group's solvency needs and ability to execute the business plan. The ORSA, approved by the Board in January 2025, considers risks across a five-year time horizon and therefore it is felt appropriate for the viability assessment to be considered across the same time horizon. Rothesay recognises that the Group has policyholder liabilities which extend beyond the five-year horizon but considers that year-by-year projections beyond the five-year period are likely to be unreliable given everything that might happen in that time. However, given the projected financial position of the Group in five years' time on a range of scenarios, the Board does not consider there to be any going concern or viability issues beyond this timeframe.

How we assess viability

The ORSA includes a number of forward-looking scenarios intended to test the impact of stresses and scenarios that may impact Rothesay's ability to execute the business plan. Scenarios considered include shocks to new business (up and down), liquidity, financial markets (including the global financial crisis) and longevity. Financial market stresses are calibrated to ensure that they capture the potential impact of climate change on our investments. More details on point-in-time stress testing can be found in notes E and F of the financial statements. The ORSA also includes reverse stress testing. The results demonstrate the robustness of Rothesay's solvency and provide insight into the way in which the business plan would need to be adapted to respond to adverse conditions. Management and the Board believe Rothesay is well-capitalised on both a regulatory and economic capital basis.

Given the dynamic nature of the market, the strategic business plan is based on a period of five years and is prepared on a rolling basis and reviewed and approved by the Board. The business plan is refreshed if there are material changes to the business model or market environment. The business plan is centred around Rothesay's projected new business targets, with assumptions about pricing, reinsurance, longevity, investment strategy, revenue generation, expenses and leverage based on Rothesay's existing business and target operating model. In certain scenarios where there is very material new business growth, the plan also assumes that new equity would be provided by our shareholders. In the near term, IFRS pre-tax profits are largely driven by profit emergence on the Rothesay back book. New business then generates CSM which is released into IFRS profits over the longer term.

Our assessment of viability and going concern

Given Rothesay's significant surplus capital, the analysis showed that the Group can withstand very material adverse shocks. Based on the results of this analysis and consideration of viability, as the Group is holding surplus capital within its target operating range, the Board has a reasonable expectation that Rothesay will be able to continue in operation and meet its liabilities and obligations as they fall due over the five-year period of the assessment. The same analysis also informs the Board's assessment of Rothesay's ability to continue to adopt the going concern basis of accounting.

Section **two**

ESG report

In this section

Non-Financial and Sustainability Information Statement

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

In June, we published both our 2023 Climate and Sustainability reports, in which we set out our progress against our sustainability commitments as well as publishing some new short-term priorities identified through our Net Zero transition planning process.

In this section of the Strategic Report, we discuss the way in which we are meeting our environmental commitments, and how we exercise our social responsibilities and governance in relation to sustainability. Further details can be found in Rothesay's Climate Change and Sustainability reports. Note that as reporting dates are not aligned, some disclosures relate to 2023 data.

Environmental matters

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. We are also committed to disclosing our approach to managing climate risk in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines. Rothesay has made a new commitment to a 50% reduction in the Carbon Intensity of our total portfolio by 2030.

For more information see **pages 58-69**

Employees

Supporting the well-being of our employees is fundamental to creating an inclusive and safe workplace that can quicky adapt to change. By fostering a culture of care and support, we aim to cultivate a sense of belonging, where employees feel connected to our purpose and values, empowered to make a meaningful difference, and proud to contribute to our success. We are deeply committed to the ongoing training and development of our employees, providing them with opportunities to grow their skills, advance their careers, and reach their full potential. We provide compensation and benefit packages that recognise and reward our employee's contributions, ensuring they feel motivated, supported and fairly compensated for their hard work and dedication.

For more information see **pages 76–83**

Community

Supporting our community is a key priority for Rothesay. Rothesay's investment in infrastructure, funding of lifetime mortgages, tax contributions and charitable donations are all actions to meet our social responsibility.

For more information see **pages 84–87**

Running a responsible business

When carrying out our business, Rothesay will endeavour to ensure that we meet our corporate and social responsibility and we will encourage our business partners to do the same. By doing so, we also believe that we will achieve positive outcomes for all our stakeholders.

In this section, we discuss the ways in which we support our stakeholders, including our people, our customers, our strategic business partners and our community.

For more information see **pages 88–89**

Respect for human rights

Respecting human rights is a core principle that guides our approach to operations and relationships. We are committed to upholding the dignity, rights, and freedoms of all individuals, both within our organisation and across our supply chains. By fostering a culture of respect and fairness, we aim to create a workplace where every employee feels valued, safe, and treated with equality and respect.
A key priority for us is to ensure that our practices are aligned with international human rights standards, promoting a work environment free from discrimination, harassment, and exploitation. We also prioritise transparency and accountability, actively working to identify and address any potential human rights risks, whether in our operations or among our partners. Through ongoing training, awareness initiatives, and robust policies, we ensure that our workforce is empowered to uphold human rights principles in their everyday work, fostering an ethical and responsible business culture.

For more information see **page 75**

Anti-corruption and anti-bribery matters

At the heart of our operations is a strong commitment to anti-corruption and anti-bribery practices. We are dedicated to preventing corruption and bribery in all forms, both within our organisation and across our supply chains. This includes implementing robust policies and practices designed to identify, mitigate and address any potential risks. By promoting a zero-tolerance approach to corruption and bribery, we aim to protect the long-term success and reputation of the business and our policyholders while fostering an ethical work environment. Our commitment extends to ensuring transparency and accountability in our operations, with clear channels for reporting concerns and safeguarding those who raise issues in good faith. Through these efforts, we strive to maintain a workplace where ethical behaviour is not just expected, but actively encouraged.

For more information see **page 75**

Non-Financial and Sustainability Information Statement continued

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 climate impacts.

Highlights

Continued to enhance our capabilities in climate risk management and reporting.	Initiated transition planning process and identified some short-term priorities.	Became a signatory of the **A4S Sustainability Principles Charter for the Bulk Annuity Process**.	Re-accepted as a signatory of the **UK Stewardship Code 2020**.	Added a target for a **50%** Carbon Intensity reduction across our total portfolio by 2030 (vs our 2020 baseline).
Portfolio Carbon Intensity continues to decline.	Ongoing engagement with most material climate issuers in our portfolio and expansion of this activity to include our material suppliers.	Maintained **CarbonNeutral®** company certification.	Continued limited assurance from Grant Thornton for the key elements of our climate reporting.	Initiated review of **nature risks** within portfolio.

Our long-term approach and in-house asset management supports our ability to consistently identify and manage global climate-risk exposure within our investment portfolio. 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.

Climate considerations affect all areas of our business. Our approach to the management of climate risk is therefore to ensure climate considerations are not confined to just one team. Rather, we ensure the appropriate knowledge, experience and responsibilities are in place across our business to effectively assess climate-related risks and opportunities.

Non-Financial and Sustainability Information Statement continued

Out pathway to Net Zero

Near-term priorities within our Transition Plan

We have started more detailed planning for our Net Zero transition. This involves modelling the different potential decarbonisation pathways of our investments, and identifying the key actions which support our goals.

The table below summarises these current goals and priorities.

Stated goals	**Net Zero by 2050 for our investment portfolio**	**Reduce portfolio Carbon Intensity by 50% by 2030 (vs. 2020 base year)**	**Manage our investment portfolio to align with maximum temperature rise of 1.5°C**	**Engage with issuers with greatest climate impacts**	**Carbon Neutral for direct operations (true since 2022)**
Pillars	**Invest**			**Engage**	**Operate**
Near-term priorities	• Manage investment portfolio to meet our short and long-term climate targets • Consider sector-specific targets and longer-term targets as required • Increase investment in climate opportunities • Engage with issuers responsible for >50% of Carbon Intensity in our corporate portfolio	• Continue to broaden engagement across social and nature themes • Carbon budgeting for the property sector • Targeted restrictions on fossil fuels • Climate stress testing for portfolio • Consider climate risk within investment strategy • Client incentives for reducing property emissions • Stewardship Code Alignment		• Build partnership with leading industry groups promoting climate best practice • Active participation in UN Convened Net-Zero Asset Owner Alliance • Engage with policymakers and regulators to support clarity around climate policy and disclosure practices • Engage with critical suppliers on emission reductions	• Maintain carbon neutrality in our direct operations including low emissions office space and waste management • Manage direct emissions as the business grows globally • Source high quality offsets as required, with long-term support of new initiatives for approved permanent carbon removal • Build and automate climate data solutions • Annual sustainability training across the organisation

Governance

- Climate change managed by Board and Executive-led Sustainability Committee
- Annual TCFD-aligned climate disclosures, separate sustainability reporting
- Climate and Sustainability Reports assured by independent third party
- Review existing consideration of sustainability risk management within executive remuneration strategy

Governance

Effective management of climate-related risks and opportunities must be reinforced by a strong governance framework to ensure that these considerations are factored into our business decisions.

In 2023, we reviewed the roles and responsibilities of each of our Board committees to ensure these accurately reflected their sustainability-related responsibilities. In addition, the ESG Working Group was replaced by the Sustainability Committee (SC), now reporting into the Executive Committee, to acknowledge greater representation from Executive Management.

Board oversight

A strong Board with an effective supporting 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 climate-related risks and opportunities. As climate issues are embedded throughout our processes, material elements are considered in our business planning, budget and strategy activities.

Since the presentation of the results of the 2019 PRA climate stress test, the topic of climate change has become 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 Committee meeting, with the more strategic discussions occurring as appropriate, and at least twice a year.

Management oversight

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

Our Sustainability team is managed by our Head of Sustainability and Liquid Credit Risk, who reports into the Chief Risk Officer. This team acts as the central hub, supporting the coordination of Company-wide activity related to climate, with our analysts advising on climate strategy, framework and trade decisions, managing climate disclosures and monitoring relevant channels for evolving requirements and best practice.

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 Executive Committee. 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 co-chaired by the Chief Risk Officer and the Head of Investment Strategy.

The Sustainability Committee 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. This includes projects relating to scenario analysis, data processing and automation, and Net Zero transition planning, involving experts from teams including asset origination, risk, finance, legal and Information Technology (IT).

Beyond this, we strive to ensure all employees understand and support our climate-related goals. From 2021, consideration of Rothesay's sustainability objectives has been included in every employee's annual performance review framework. We have also introduced training, mandatory for all employees, on sustainability in general and Rothesay's strategy in particular. This training also covers attestation of each employee's understanding of expectations of them in relation to the FCA's anti-greenwashing rule.

Non-Financial and Sustainability Information Statement continued

Strategy

The following table outlines our assessment of the most material climate-related risks and opportunities from Rothesay's perspective. It also outlines some potential impacts, the timeframes over which these may occur and how our strategy and frameworks are positioned to manage these. Impact is based on a materiality assessment incorporating potential financial and reputational consequences. We continue to review and assess our view of these risks and opportunities to ensure we remain appropriately positioned.

<table>
<tr><th>Risk</th><th>Definition</th><th>Potential Impacts</th><th>Timeframe of Risk</th><th>Key Risks</th><th>Climate Pillar Management Tools</th></tr>
<tr><td rowspan="6">Transition Risks</td><td rowspan="6">Related to the transition to a lower-carbon economy which may require extensive policy, legal, technology and market changes to address mitigation and adaptation requirements.</td><td>Heightened credit risk, including downgrade risk, for investments misaligned with the climate transition due to impacts caused by regulatory changes, litigation risk, technological advancements or shifts in consumer preferences, which could lead to stranded asset risk, reputational risk and weakened financial performance.</td><td>Short
Medium
Long</td><td>Credit</td><td rowspan="6">Invest
• Frequent screening for transition risk management
• Scenario analysis to model potential magnitude of possible climate losses
• Divestment and creation of position statements on higher risk activities
• Tailoring maturities to match risks
Engage
• Engagement to understand improvement plans of poorer performing issuers
• Engagement with regulators on policy evolution including on solvency considerations
Operate
• Maintain robust and effective governance processes for managing climate-related risks
• Building capabilities to consider climate risks in longevity risk capital calculations</td></tr>
<tr><td>Market spread risk as investors divest those issuers lacking credible transition plans and those with emerging physical risks.</td><td>Short
Medium
Long</td><td>Market; Strategy</td></tr>
<tr><td>Additional capital requirements for portfolios with unmanaged, correlated climate risk.</td><td>Medium
Long</td><td>Strategy</td></tr>
<tr><td>Increased market volatility as climate-related events lead to macro-economic impacts such as higher inflation and policy risk.</td><td>Medium
Long</td><td>Market; Strategy</td></tr>
<tr><td>Reduced access to capital or demand for our products and services due to the reputational impact of poor climate performance.</td><td>Short
Medium
Long</td><td>Strategy</td></tr>
<tr><td>Changes in longevity expectations for policyholders dependent on emerging climate scenarios.</td><td>Long</td><td>Insurance; Liquidity</td></tr>
</table>

Risk	Definition	Potential Impacts	Timeframe of Risk	Key Risks	Climate Pillar Management Tools
Physical Risks	Related to material event-driven (acute) or longer-term shifts (chronic) in climate conditions.	Loss of returns on investment loans for assets, such as property, located in areas vulnerable to extreme weather events, leading to reductions in asset valuations.	Medium Long	Credit; Liquidity	**Invest** • Screening to avoid material physical risks where identified **Engage** • Engagement with issuers, suppliers and regulators on mitigation and adaptation activities **Operate** • Robust operational and business resilience frameworks including own operations emission climate commitments • Robust counterparty risk management and diversification of reinsurers
		Reduced financial performance of investee companies due to increased operational or litigation costs associated with implementing climate adaptation measures, such as strengthening infrastructure against repeated climate events.	Medium Long	Credit	
		Operational disruption of investee company activities, including to their supply chain, due to extreme weather events impacting production and operations.	Short Medium Long	Credit	
		Disruption of Rothesay's supply chain due to extreme weather events impacting activities such as production and distribution.	Short Medium Long	Operational	
		Increased frequency of extreme weather events leading to Rothesay-specific property damage and business disruption.	Medium Long	Operational	
Litigation Risks	Related to liability risk arising from the potential increase in litigation relating to commitments, disclosures, and climate-related position statements.	Increased risk of potential fines and reputation damage in event of our non-compliance with evolving climate-related regulations.	Short Medium Long	Strategy; Operational	**Engage** • Engagement with regulators and industry stakeholders on emerging trends and expectations • Clear policies and processes for collaborative engagement to avoid perception of anti-competitive behaviour **Operate** • Monitoring developments through our specific sustainability Horizon Scanning framework • Maintain clear governance processes and controls for our climate-related activities including annual reporting
		Increased requirements and regulatory oversight on our climate management credentials.	Short Medium	Strategy; Operational	
		Increased risk of potential fines and reputation damage for companies within our portfolio impacting performance.	Short Medium Long	Credit; Strategy	

Non-Financial and Sustainability Information Statement continued

Risk	Definition	Potential Impacts	Timeframe of Risk	Key Risks	Climate Pillar Management Tools
Opportunities	Related to efforts to mitigate and adapt to climate change that produce opportunities internally and externally for Rothesay and stakeholders.	Investments in companies, technologies and infrastructure that will be required to enable the transition to a low carbon economy such as renewable energy and energy-efficient infrastructure.	Short Medium Long	Strategy	**Invest** • Active identification and classification of investments that meet our climate opportunity definition • Monitoring of country performance against nationally determined contributions **Operate** • Transparent climate targets, risk management and disclosures
		Strengthened performance of sovereign positions in countries well-positioned to benefit from low carbon economy.	Short Medium Long	Credit; Liquidity	
		Improved operating efficiency and high levels of resiliency at Rothesay, minimising costs to meet climate targets.	Short Medium Long	Operational	
		Reputational benefits of strong sustainability risk management including new business opportunities and attracting talent.	Short Medium Long	Strategy; Operational	
		Strengthened credit performance of investments in companies well-positioned to benefit from low carbon economy.	Short Medium Long	Credit	

Nature

While not formally defined as nature-related risks, we already consider some nature impacts, for example pollution events, within our issuer-level assessment. However, understanding the full impact of nature risks remains challenging and is still in early stages of development. It will therefore be a gradual process to fully embed nature beyond climate into all our considerations. Disclosure frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) will support this development over time.

We are at the start of our work to develop our approach to nature and biodiversity considerations. This will be a multi-year process during which we will continue to build our capability and strategy to ensure we can appropriately manage and report on these risks within our overarching sustainability approach.

Scenario analysis

We undertake climate 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. We intend to continue developing our climate scenario analysis capabilities in 2024.

Stress testing our corporate portfolio

Our scenario analysis on our corporate portfolio explores four climate scenarios, three from the Network for Greening the Financial System (NGFS) and one from the UN PRI Inevitable Policy Response (IPR) scenarios.

We use Planetrics[1], a McKinsey & Co. company, as our chosen scenario analysis vendor for our corporate portfolio and details of their methodology can be found in our 2022 Climate Report. Their bottom-up model allows us to quantify the impacts of climate risk on a company-by-company basis, disaggregated into transition risk, carbon costs and changes in demand arising from the transition to a low-carbon economy and physical risk, arising from the macroeconomic impacts of acute (e.g., extreme weather events) and chronic (e.g., sea level rise) physical risks.

At a total portfolio level, Net Zero 2050 is the scenario in which the portfolio has the highest transition risk with the Delayed Transition scenario also presenting fairly similar results. The analysis has been used to identify higher-risk climate sectors, in particular Automotives, Energy, Real Estate, Retail, Transportation and Utilities. These sectors largely align with those monitored in our existing qualitative climate scoring framework that forms part of our investment judgement. The framework identifies carbon intensive sectors including Energy, Transportation and Utilities, and assesses the ability of individual issuers operating in these sectors to transition credibly. More detail can be found in our Climate Report.

Stress testing our property portfolio

The geographic breakdown of our portfolio demonstrates limited direct exposure to locations most exposed to physical risk. We have identified flood risk in our property portfolio as the most material physical risk within the investment portfolio and therefore have taken specific measures to integrate flood risk in our risk management processes.

The details of our flood assessment approach on our UK property portfolio were outlined in our 2021 ESG[2] Report. It showed that our risk to flooding does not pose a significant financial risk, but to better support ongoing management, last year we refined the underwriting process with a number of our mortgage lending partners by replacing the flood check which used the Environment Agency’s flood map for planning with a more granular data set provided by Royal HeskoningDHV, previously Ambiental, and which differentiates between individual buildings, and provides an individual assessment and score.

For our residential mortgage loans in the Netherlands, our origination partner provides us with a monthly report regarding flood risk impact in terms of expected loss on our portfolio, which remains a small proportion of the current property value after considering defences present in the Netherlands.

When assessing transition risk in our property portfolio (distinct from our corporate portfolio scenario analysis) we have continued to use the Bank of England scenarios as published in their 2021 CBES, allowing for inflation on the estimated costs, as part of our ongoing review to assess the impact on the Equity Release Mortgage portfolio. Stresses to property values indicated a small reduction in the mortgage portfolio value like last year should such measures be brought in.

1. We, Rothesay, are solely responsible for scenario selection, all assumptions underlying such selection, and all resulting findings, and conclusions and decisions. McKinsey & Company is not an investment adviser and has not provided any investment advice.
2. P32 – p37, Environmental, Social and Governance Report 2021, https://www.rothesay.com/media/lp0n5guy/rothesay-esg-report-2021-pdf.pdf

Non-Financial and Sustainability Information Statement continued

Risk management

Our climate risk management approach is fully embedded within our risk management framework as part of a holistic approach for the identification, measurement, and monitoring of risks. Rothesay's approach is set out in our Risk Management Framework and our public Responsible Investment and Stewardship Policy.

This work is led by a team of dedicated Sustainability analysts, who support the analysis of climate issues and facilitate the embedding of climate-related considerations across the business.

Our process for the identification, assessment and management of risks relies on a broad range of sustainability factors. From a climate perspective, our framework considers physical, transition and liability climate risks. Climate risk can materialise through many of our key risk channels and so climate is seen as a cross-cutting risk, though the channel through which its effect is greatest is credit risk. As well as in this report, we outline the management of sustainability risks within our ORSA.

Two of our business' Key Risk Indicators (KRIs) relate to the Carbon Intensity of our portfolio: one for the total portfolio and one for the Publicly Traded Corporate Debt (PTCD) sub-portfolio. In both cases we are managing towards a 50% reduction in the Carbon Intensity by 2030. This information is included within our Management Information which is shared with management on a weekly basis as well as regularly with the Sustainability Committee, Executive Risk Committee, and the Board.

We manage our overall portfolio exposure to climate and broader sustainability risks by utilising both qualitative and quantitative metrics. These include quantitative indices (e.g. the Carbon Intensity of the portfolio) which we monitor at portfolio, sector and individual issuer level. We also manage our climate risk exposure at the issuer level by assessing ongoing developments in their climate risk management strategy and performance against target metrics, including Carbon Intensity and emissions reductions. This aligns the risk management of our investments for the benefit of our policyholders, with real-economy decarbonisation.

We take a materiality-based approach to the management and prioritisation of climate-related risks. Heightened scrutiny, based on clear materiality thresholds, is triggered as the associated climate risk or opportunity increases to ensure focus is on those entities with the greatest likelihood of having a significant impact on our exposure to risk. From a climate perspective, our focus is on financing the transition to Net Zero by preferentially investing in entities with clear transition plans and which are instrumental in effecting real-economy emission reductions. Where climate issues are current and deemed significantly material based on internal assessment, issuers may be added to the Credit Watchlist, as appropriate per the existing risk framework.

We continue to refine our climate scoring approach to identify, prioritise and assess assets with elevated exposure to climate risk, for which more detailed analysis is undertaken. A climate score is allocated to all issuers within the portfolio based on the materiality of climate impacts.

Metrics and targets

To track our progress on transitioning our investment portfolio to Net Zero, we have a number of additional targets in place:

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 are ahead of our target 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.

Low-carbon sectors

We seek to partner with governments and industry to identify ways in which we can increase our lending to sectors which support a low carbon economy.

Portfolio CI: 50% reduction by 2030

We have made a new commitment to a 50% reduction in the Carbon Intensity (CI) of our total portfolio by 2030.

Engage with issuers

Engage with at least 20 of our climate material issuers every year within our publicly traded corporate debt sub-portfolio.

Scope 1&2 CI: 50% reduction by 2030

We also have a commitment to a 50% reduction in the Scope 1&2 Carbon Intensity of our publicly traded corporate debt portfolio by 2030.

Target	2023 value	Base year value (2020 unless stated otherwise)	Change vs base year (%)
50% reduction in the carbon intensity of our portfolio by 2030	**128**	211[3]	-39%
50% reduction in the carbon intensity of our publicly traded corporate debt sub-portfolio by 2030	**135**	222[4]	-39%
1.5°C portfolio temperature alignment	**2.2°C**	2.7°C (2021)	n/a

3. These numbers were rebased in our 2021 ESG report due to data adjustments. Details can be found in our 2021 ESG report.
4. These numbers were rebased in our 2021 ESG report.

Non-Financial and Sustainability Information Statement continued

Carbon Intensity
Each year, we undertake an exercise to measure Carbon Intensity (CI) across as much of the portfolio as possible, including all issuers in high emissions sectors. While a revenue-based measure of Carbon Intensity allows for comparisons among the broadest range of issuers, it has the drawback, in inflationary times, of flattering the steepness of emissions declines as revenue increases become disconnected from production increases. We actively monitor the impact of trading decisions and issuer actions on CI reductions, and with an eye on our targets, we have developed weekly internal reporting to follow the evolution of the Carbon Intensity as the portfolio's composition varies whether that be due to trading or to changes in market levels for FX and interest rates. We also report a Partnership for Carbon Accounting Financials (PCAF) data quality score for this metric.

For our portfolio, as constituted at year end 2023, the average Carbon Intensity was 128 t CO_2e / mm USD revenue, a reduction of 30% from our portfolio CI at year end 2022. Note that as reporting dates are not aligned, some disclosures relate to 2023 data.

One of the key challenges of climate data remains the availability and transparency of entity reported emissions data. To help assess these issues, we use the PCAF quality score, based upon data quality scorecards, developed by PCAF, which assesses the standard of climate data on a scale of 1 to 5. A score of 1 indicates that an entity has reported emissions data that has been verified by a third party, while a score of 5 indicates that estimates have been made using limited available data.

Our portfolio score at year end 2023 was 2.5. Although this figure is consistent with our portfolio at year end 2022, we have seen positive improvements in the reporting of our Property portfolio with the PCAF score improving from 3.6 to 3.3.

We track the CI of both the whole portfolio and our PTCD sub-portfolio, defined as listed issuers with an International Securities Identification Numbering System (ISIN) and reported data in the Corporate category (excluding Secured Financing) together with the Real Estate Investment Trusts (REITs) component of the Property category. The PTCD sub-portfolio has a size of £17.2bn and represents 26% of the full portfolio. Last year we set a new commitment to reduce the CI of our PTCD sub-portfolio by 50% by 2030. This year we have seen good progress against this target with a decline of 18% to 135 t CO_2e / mm USD.

Financed emissions
Tracking the share of issuer emissions for which Rothesay can be deemed responsible by virtue of the portion of their balance sheet we finance is at first sight more useful. For the financed emissions of a growing business like ours, however, one needs to try to separate the effects of issuer activity from that of additional assets. The obvious way to do that is to track financed emissions per unit invested (often called Carbon Footprint) though we note that this also fails to provide a pure measure of decarbonisation, given the market value denominator is affected by wider factors such as interest rates and currency movements. We also lend to several issuers for whom it is easy to obtain revenues but not possible to find the size of the full balance sheet and so lower coverage is a shortcoming. Further information on our Financed emissions can be found in our Climate report.

Portfolio temperature alignment
Where data is relevant and available, we use temperature alignment scores to provide an additional dimension to our understanding of the climate characteristics of our holdings. This score is an all-encompassing forward-looking metric that gives consideration to the expected trajectory of a company's emissions from now to 2050 and compares it with a carbon budget compatible with 1.5 degrees that has now been allocated to the company based upon both the difficulty of decarbonising its sector and the current scale of production of the company. The greater the margin by which the company is expected to exceed its budget the more its temperature score exceeds 1.5.

Although very promising in theory, these types of scores are still in their infancy and should be treated with caution given their complexity and reliance on underlying data that may lack comprehensiveness and quality. Not only is the budget allocation somewhat subjective, but so is the estimation of the emissions trajectory which depends heavily on the reliance placed on any corporate targets being met. Further information on our Portfolio temperature alignment can be found in our Climate report.

Broader metrics

	YE23 (% MV Allocated)	YE22 (% MV Allocated)
Exposure to Material Climate Sectors	9.5%	9.3%
Climate Opportunity Financing	1.7%	1.2%
SBTi Alignment (commitment and/or approved targets)	49% (PTCD portfolio)	51%
SBTi Alignment (approved only)	42% (PTCD portfolio)	40%

Our operational footprint (Streamlined Energy and Carbon Reporting)

The table below summarises Rothesay's energy consumption, CO_2e emissions, and own operations emissions intensity metrics for 2024 and a comparison to the identical metrics from 2023 and 2022. The scope of this reporting covers all Rothesay's UK entities, reflecting Scope 1 and 2 emissions, as well as Scope 3 (energy use and related emissions from business travel in rental or employee-owned vehicles where they are responsible for purchasing the fuel). This reporting has been compiled in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised 2014), utilising the emission factors from the UK Government's Greenhouse GAS (GHG) conversion factors for Company Reporting in 2024. Under the scope of the SECR requirements, the reporting below does not include Rothesay's US and Australian entities, but we will report on these operations in our annual Climate Report to be published later this year.

From our standpoint, the market-based metric is the most accurate representation of our emissions, providing a true reflection of the actual emissions associated with the electricity consumed by Rothesay.

As indicated in the table below, employing the market-based metric reveals an increase in our CO2e emissions in 2024, as we expanded our office to incorporate a further two floors. Despite this, our emissions intensity has remained fairly constant as our UK headcount also increased over 2024. The electricity for our UK offices remains sourced from a Carbon Trust-certified supplier, guaranteeing a 100% renewable energy supply. To provide a comprehensive comparison, we have included location-based metrics, which uses the average emissions associated with the electricity of the grid of the UK.

Rothesay remains committed to taking steps to minimise our emissions. When travelling for business reasons, employees are encouraged to use methods of transport that carry low emissions per kilometre, such as public transport. We also endeavour to support our employees in reducing their own emissions and have offered popular, tax-efficient electric car leasing for several years. In addition, we also have our Cycle to Work scheme, providing financial assistance for employees to purchase a bicycle and safety equipment. In addition, take-away cups offered by our by new on-site café are biodegradable.

		2024	2023[5]	2022
Energy consumption (kWh)		**2.225m**	1.444m	1.138m
Total CO_2e emissions (in tonnes)	Market-based	**80**	55	60
	Location-based	**451**	293	217
Scope 1 CO_2e emissions (tonnes)[6]		**78**	52	57
Scope 2 CO_2e emissions (tonnes)[7]	Market-based	**—**	—	—
	Location-based	**370**	238	158
Scope 3 CO_2e emissions (tonnes)[8]		**2.1**	2.9	2.7
Carbon dioxide emissions intensity				
Total CO_2e tonnes per FTE	Market-based	**0.1**	0.1	0.2
	Location-based	**0.8**	0.7	0.6

5. Scope 1 and Scope 3 metrics have been restated since our last annual report. Scope 1 previously stated as 51 tonnes CO_2 emissions and Scope 3 previously stated as 1.9 tonnes CO_2 emissions.
6. Scope 1 covers CO_2 emissions occurring from sources owned or controlled by Rothesay (e.g. gas). These are primarily calculated using meter readings, with the Area method used to estimate Rothesay's contribution for communal office areas as detailed by the Climate Registry's General Reporting Protocol v3.0.
7. Scope 2 covers CO_2 emissions from the generation of electricity purchased by Rothesay. These are primarily calculated using meter readings, with the Area method used to estimate Rothesay's contribution for communal office areas. Location-based values are estimated using conversion factors from the UK Government's GHG conversion factors for company reporting in 2024.
8. Scope 3 covers CO_2 emissions occurring from business travel in rental or employee-owned vehicles where Rothesay is responsible for purchasing the fuel, based upon 2024 invoiced expenses. These are estimated from total mileage by using the "Average car" and "Petrol" conversion factors from the UK Government's GHG conversion factors for company reporting in 2024.

Securing positive outcomes for our stakeholders

We are dedicated to protecting the pensions of our policyholders and delivering positive outcomes for all our stakeholders, including our policyholders, our suppliers, our people, our community and our investors.

Our policyholders

We protect our policyholders while delivering great service

We take our obligation to pay the correct benefits at the right time very seriously.

Providing good customer outcomes is at the heart of what we do at Rothesay – we pride ourselves on doing the right thing and treat all our policyholders as individuals.

We are very proud of the service we deliver and the feedback we receive from our policyholders.

"A large company that places a value on the clients it serves, even the small ones, long may you do it, thank you very much."

A Rothesay policyholder

Genuine service excellence

96%
positive
Policyholders rating our service 'good' or 'excellent' over the year

20
seconds
80% of calls to our contact centres are answered in 20 seconds or less

Our policyholders continued

Consumer Duty
Rothesay's Board once again attested that we meet the highest standards of consumer protection and put our policyholders' needs first. Terry Miller, an Independent Non-Executive Director and Chair of our Board-level Customer Conduct Committee (CCC), is our Consumer Duty champion.

Robust service delivery
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. In January 2025 we were re-accredited with PASA's Gold Standard.

We continue to follow a strategic outsourcing model and partner with industry experts for the provision of administration services – WTW, Aptia UK Limited and Capita Pension Solutions. Through our Third Party Administrators (TPAs) we have over 295 dedicated employees providing our core services, including administration, payroll and UK-based contact centre services. We work in partnership with our TPAs to make them feel part of the Rothesay team and also ensure customer service is forefront of their minds.

We actively invest in automation and efficiency drives in order to manage existing and future business without compromising our high service standards.

Service levels and KPIs
We manage our administrators through a series of proven and robust governance processes, including very stringent service level agreements. We constantly measure performance for quality and accuracy, and strive for time taken to complete the end-to-end process to be as short as possible.

Policyholder feedback
We value feedback from our policyholders and encourage them to complete surveys by telephone, online or on paper.

In 2024, we carried out two exercises conducted by third parties with the objective of understanding policyholder satisfaction and identifying ways to improve policyholder experience:

- Telephone conversations - we partnered with Quietroom to call policyholders (volunteered) who had either recently started to receive pension benefits from us or who had recently become a Rothesay policyholder and received a welcome pack including their individual policy document.
- Online surveys – we partnered with The Institute of Customer Service to carry out an online survey in order to understand customer satisfaction across a range of different processes, and provide a benchmark against the industry and other sectors.
- Aligned to the FCA's guidance, this year we performed a deep-dive into the end-to-end journeys for policyholders identified as being vulnerable or having vulnerable circumstances to provide a greater understanding of policyholder experiences. We will use the data and additional monitoring to drive continuous improvements which support and serve our policyholders.

These exercises provided valuable insight on both what we are doing well and areas where we can improve.

As a direct response to feedback received from policyholders, we introduced two videos this year – the first is designed to help policyholders understand the difference between defined benefit and defined contribution, and the second explains what a transfer value is and why it can increase or decrease over time. The videos have been well received and we have several more planned for 2025 and beyond.

Where policyholders express dissatisfaction or make complaints, we undertake a full root cause analysis, and this helps ensure we learn from each and every one. Our complaint levels continue to be low with just 1.91 complaints received per 1,000 policyholders (2023: 1.94 complaints per 1,000) of which 0.65 complaints per 1,000 policyholders were upheld in the customer's favour (2023: 0.69 complaints per 1,000).

Supporting our policyholders

We understand that policyholders will need help in a wide range of scenarios and have created a culture at our TPAs where they are encouraged to speak up and share ideas with us so we can continually evolve our service offering.

Our call handlers focus on listening to policyholders' needs and, where appropriate, offering them a service enhancement that is right for them. If they think a policyholder may be vulnerable, or the policyholder gives details of a vulnerability, the call handlers are trained to ask questions to find out how we may best help them.

Some of the enhancements we offer include:

- **Communications sent in alternative formats** – e.g., large font, on blue paper (helpful for dyslexia), audio and Braille.
- **Sign video** – a video signing service for those who are deaf or hard of hearing.

Partnering with other organisations

A key part of our strategy to support and protect our policyholders is to partner with carefully selected organisations to ensure we are continuously improving the service we provide, especially to policyholders who have been identified as 'vulnerable customers' and ensure we are following best practice. Not only do we ensure that all of our processes are designed to achieve good customer outcomes, but we also seek to exceed the standards set out by the FCA, the Pensions Regulator and the Association of British Insurers (ABI).

We remain a member of the Institute of Customer Service, an independent, professional body for customer service, and in 2024 we became an active member of the Collaboration Network, including being part of their Vulnerable Customer Champions Group.

With the changing of the eligibility rules for Winter Fuel Payment, we were keen to help our policyholders who had relied on that benefit. We partnered with

Independent Age and added a page to our website which provides policyholders with some information on the changes to eligibility, a telephone number to obtain a free benefits check from an Independent Age adviser and a link to their website where they can find a free online benefits calculator.

We remain actively engaged with the ABI and are a member of their Vulnerable Customers Working Group. We also continue to work closely with Alzheimer's Society, Tax Help for Older People and Cruse Bereavement Support. We are also a member of the Death Notification Service, a free customer-facing service that is intended to make the death notification process easier during a difficult time.

Data and customer experience

At Rothesay, we recognise that our policyholders are not all the same and continuously balance efficient processes with the individual needs of our customers. With an emphasis on data analytics and qualitative case reviews of categories like long-standing suspended cases, gaps in contact data and our oldest deferred policyholders, we endeavour to drive targeted and incremental process changes to support accurate data and good outcomes for all our policyholders.

Governance and oversight

The CCC, which is a full Board-level committee, is focused on ensuring good outcomes for customers, clients and counterparties, as well as overseeing Rothesay's approach to regulatory conduct in relation to customers. In doing so, the Committee is supported by the Executive Customer Committee (ECC), which receives detailed reporting on all service levels and complaints, customer initiatives and regulatory requirements.

Rothesay policyholders*

	2024	2023
Number of policyholders at 1 January	**934,611**	825,466
Increase in respect of new business	**119,855**	133,127
Reduction in respect of deaths and member options	**(49,546)**	(23,982)
Number of policyholders at 31 December	**1,004,920**	934,611

* Policyholder estimates are based on analysis of data available at end of November and include buy-ins and reinsurance contracts.

Pension trustees

Rothesay provides pension de-risking solutions to the trustees of over 200 pension schemes.

As was widely reported, 2023 was a record year for the bulk annuity market with most insurer and consultant resources focused in early 2024 on closing the transactions which were in the marketplace already, whilst laying the groundwork for the 2024 pipeline. This resulted in lower volumes in the first half of the year than has been the case in recent years. It is worth reflecting that whilst overall premiums were lower the number of transactions completed in the first half of the year was a record, with smaller schemes in particular taking advantage of their newfound funding position.

In the first half of the year we were delighted to enter into a reinsurance agreement with Scottish Widows and we look forward to welcoming 39 new pension schemes to Rothesay in 2025. In addition to the Scottish Widows agreement we also entered into two other full buy-outs with new customers and a further two new contracts with existing clients. As noted last year the move away from pensioner-only transactions continued and all deals we transacted through the year included both pensioner and deferred members.

In the second half of the year total business volumes accelerated as a number of the larger de-risking processes reached their conclusion, and we completed a further transaction with NatWest, an existing client, with our biggest pension scheme transaction to date; a £6bn buy-in covering both pensioners and deferred members.

We have continued to enhance our overall proposition for clients and maintain our focus on continually improving the policyholder journey, including:

- Ever-increasing automation to improve customer response times;
- Enhanced on-line functionality for scheme members.

Pension schemes continue to be increasingly well-prepared for de-risking processes, including data cleansing, preparation of legal documentation for due diligence purposes and transition of assets, including illiquids, to prepare for a buy-in or buy-out transaction.

Elsewhere in the business we were delighted to enter into the partnership with The England and Wales Cricket Board, resulting in an immediate increase in name awareness from both Trustees and Scheme members alike. We have continued to work with The Society of Pension Professionals (SPP), Association of Member Nominated Trustees (AMNT) and Pension Chair and were delighted to support and enable the various fundraising and events for Alzheimers UK, Age UK and Hospice UK, including the annual fund-raising carol concert, annual conferences and a range of important initiatives.

We were particularly pleased to see the launch of the fourth instalment of our 'Journey to Buy-out Guide', and world like to thank our 29 external contributors to this year's edition as well as our third edition of the Next Gen event providing, a networking experience and insights of industry leaders and inspirational speakers for those who will lead the PRT market in the years ahead.

With the 7 transactions we have executed, we have helped secure the benefits of over 119,855 pension scheme members. A further 3 schemes have successfully completed their data cleanses, and 9 schemes have decided to proceed to buy-out.

Our strategic business partners

Outsourcing partners

As noted previously, we follow a strategic outsourcing model for the provision of administration services. Key to delivery of excellent customer service is our close working relationship with our third party administrators, WTW, Capita Pension Solutions and Aptia UK Limited.

We also work closely with each of our lifetime mortgage servicers, More2life, Pure Retirement, Just and Royal London Equity Release, as well as our fixed-for-term mortgage partner Kensington Mortgages.

Other strategic business partners include Northern Trust, for middle office functions, and Goldman Sachs, which provides technology services. We are making good progress in migrating these technology services to Rothesay in a multi-year project.

The Board receives regular reporting on the performance of all of Rothesay's outsourcing partners and on progress with the development of Rothesay's technology platform.

Reinsurers

As previously noted, we have entered into additional longevity reinsurance arrangements in 2024. We now have reinsurance coverage **(APM)** of 90% (2023: 87%).

The long-term nature of these reinsurance agreements means that developing a strong working relationship with our reinsurance counterparties is important. We administer reinsurance arrangements in-house which is operationally efficient and allows us to build and maintain strong working relationships with our reinsurance counterparties.

Other suppliers

Oversight

The Business Controls Committee, which is chaired by the Chief Operations Officer (COO), is responsible for approval, implementation and monitoring of the Group's 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.

Prompt Payment Code

Rothesay is a member of the Prompt Payment Code. Rothesay aims to pay suppliers promptly, with the average time taken to pay invoices in 2024 being 16 days (2023: 16 days) and 91% being paid within 30 days (2023: 90%).

Modern slavery

As required by the Modern Slavery Act 2015, on 13 June 2024 Rothesay published its annual statement on its 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 also notes that we expect our suppliers to ensure fair employment practices. For example, we require our cleaning suppliers to pay the personnel who work at our premises a salary which is equivalent to at least the London Living Wage.

Anti-Bribery and Corruption

Rothesay is firmly committed to complying with all applicable laws and regulations designed to combat bribery and corruption. Collectively, these laws and conventions prohibit the Group, its personnel, and others acting on the Group's behalf from offering, making or receiving payments or providing or receiving goods or services for the purpose of gaining an improper competitive advantage or inducing or rewarding the improper performance of a relevant function or activity. This prohibition applies to all Group personnel.

Rothesay will not tolerate bribery of or by its personnel, its agents or its third parties.

Our Group Financial Crime Policy sets the standards to identify, manage and mitigate bribery and corruption risks. In addition Rothesay has policies and procedures that address Gifts and Entertainment, Charitable Contributions, Anti Money Laundering (AML)/Know Your Customer (KYC) and transaction approvals. These standards are supported by regular business training.

The Chief Compliance Officer provides regular reports to the Audit Committee on the operation of the Group's system of internal control for financial crime prevention, including bribery and corruption, as well as compliance with applicable financial crime laws and regulations.

Our people

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

We focus on nurturing our unique culture, and investing in and engaging with diverse, talented people.

Our culture

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.

Our values form part of our performance review process for all employees and we also extend this high standard of expectations to entities with whom we work, across our supply chain.

Our values

Original & Creative

Collaborative & Diverse

Dedicated, Genuine & Accountable

Meticulous & Fast-paced

Growing our talent

Our business has continued to grow and as at the end of 2024, Rothesay had 539 permanent employees, an increase of 17% from 2023.

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

- **Technology** – to support the ongoing development and enhancement of our risk management systems and to ensure Rothesay is at the leading edge of automation.
- **Operations** – to support our growing policyholder population.
- **Risk and compliance** – to support the sustainable growth of the business.

We continue to promote internal opportunities and encourage internal mobility across the business, supporting further international moves from London to New York.

Ongoing investment in our graduate programme continues to strengthen our capability and talent pipeline for the future. The graduate programme combines meeting our Executives, Rothesay, specific training sessions, professional business skills development and team building events. We also sponsor a number of apprentices and run both internship and work experience programmes on an annual basis.

94%
Employee Survey response rate (2023)
(2022: 94%)

90%
My manager treats people fairly (2023)
(2022: 86%)

Our people continued

Engaging our employees

In our most recent annual employee survey[1], we received an outstanding response rate of 94%. The results showed an engagement score of 78%. Our focus on serving the needs of our customers is reflected in the survey results, with 87% agreeing with the statement "We are responsive to the changing needs of our external customers". The results were discussed with the Board and during 2024 we have focused on a number of priorities including enhancing our provision for performance management and developing the role and skills of Rothesay People Managers through more focused training and guidance.

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. In 2024 we added two new floors, including a new on-site cafe. The new floors provide the opportunity for more collaboration, which is an integral part of the Rothesay culture.

Employee turnover is 7.61% (2023: 6.78%), which is low compared to the market.

We share key business updates and bring our employees together in a number of ways including:

- Bi-annual Town halls held in-person and online.
- Regularly held Lunch and Learns with the Executive Team which particularly benefit new joiners.
- Employee communications including a monthly newsletter and our intranet.
- The Rothesay Speaker Series which highlights key topics and speakers which in 2024 included Dame Cressida Dick, Michael Johnson, Rory Stewart and Alastair Campbell.
- Company-wide social events held externally and on-site including monthly breakfasts.

Investing in our people

Rothesay is committed to the continuous growth and development of our employees. We recognise the importance and value of strategically investing in Learning and Development (L&D) programmes that enhance and equip our employees with the skills, knowledge and capabilities required to flourish and thrive at Rothesay. This includes offering our employees a range of professional qualifications and comprehensive L&D programmes covering both technical and professional skills. Our people are encouraged to work with their managers, to identify their strengths and career development opportunities, and to select their learning activities from the programmes which have been tailored to Rothesay's requirements.

Strategic initiatives this year included:

- Increased use of our in-house professionals and expertise to develop and share Rothesay's talent development programmes. Building on the skills development courses and programmes provided by our trusted external development partners, we have bolstered our in-house development opportunities, most noticeably, the series of monthly Lunch and Learns hosted by Executives which are popular with all employees and particularly benefit new joiners.
- Enhanced approach to supporting our Rothesay People Managers, especially focused on equipping our people to succeed through effective performance management. 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 sustainability initiatives and targets, and to set objectives to drive their career forward.

Our investment in people development and L&D demonstrates our commitment to our culture of excellence in all we do, offering continuous development opportunities, and equipping our people to meet the evolving demands of the future.

1. The 2024 employee survey was deferred until early 2025 with a refreshed process and planned enhancements to drive our people strategy.

Employee wellbeing

Rothesay is committed to promoting and supporting our people's health and wellbeing and 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. Health and wellbeing benefits include private healthcare insurance for employees and their dependants (including dental cover for UK employees), emergency family care for carers of children and adults of all ages, wellness subsidy to use towards our 24/7 onsite gym or Gymflex, annual health assessments, fertility support, free flu jabs and free access to Headspace, an app which provides meditation and mindfulness tools. This year we enhanced our health assessment offerings.

Through our Employee Assistance Programme, employees have access to an extensive education hub through the Help@Hand app and phone support on all wellbeing issues 24/7. Rothesay also provides employees access to Work Life Central, an education and webinar platform to help working parents and carers.

Our onsite gym includes regular classes, personal training sessions, and massages. In addition, 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 milks in the coffee machines.

We have 15 employees externally trained as Mental Health First Aiders (MHFA) by MHFA England, increased from last year (13 in 2023), including two MHFAs within the HR team. Our MHFAs sit across our business and are available to everyone as 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.

Diversity and inclusion

As a founder-led business, Rothesay has been committed to creating a culture that actively values difference from day one. We know that our success depends on our people and that a culture that values difference creates a stronger, more dynamic business. We believe that everyone should be treated as an individual and have an equal opportunity to thrive in their careers.

Our policies are designed to ensure that our people are not to be disadvantaged in any way as a result of their background, beliefs or situation including but not limited to the protected characteristics. We recognise that people from different backgrounds and experiences can bring valuable insights to the workplace and enhance the way we work.

Our diversity and inclusion (D&I) Executive Working Group takes senior responsibility for forming and delivering our D&I initiatives. In addition, Board Director Angela Darlington is Rothesay's first independent Board sponsor for D&I.

In 2024, we encouraged employees to contribute ideas, organise and get involved in raising awareness and celebrating key cultural and religious events and occasions including Lunar New Year, Eid al-Fitr, Easter, Diwali, Hannukah, International Women's Day, Pride and Black History Month.

We encourage employees to share their views on D&I within Rothesay 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, events and external speakers which seek to educate, promote inclusion and highlight issues facing minority groups.

In the 2023 employee engagement survey, 85% of our employees agreed or strongly agreed with the statement "My co-workers respect my thoughts and feelings", and 90% agreed with the statement "My manager treats people fairly".

85%

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

Our people continued

We ask 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. We also encourage employees to share their views on D&I within Rothesay and to provide more detailed personal information, so that we can better track our progress in promoting D&I within our business.

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. During 2024, we again participated in the #10,000BlackInterns programme which seeks to address the lack of representation of Black interns in the financial sector.

Rothesay supports a family-friendly environment including providing fertility support and emergency back-up family care benefit which provides employees with up to ten days of back-up care per annum.

When new parents return to work, they and their managers are offered one-to-one coaching to support their return to work.

We believe that by implementing these initiatives, and others, we will stay competitive in the recruitment and retention of a more diverse workforce.

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.

Gender pay gap

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

	2024 Mean	2024 Median	2023 Mean	2023 Median
% by which hourly pay is lower for female employees than male	**18%**	**20%**	20%	15%
% by which bonuses are lower for female employees than male	**53%**	**29%**	61%	26%

The table shows some improvement between 2023 and 2024 in the mean hourly pay percentage, bonuses and overall our four year trends remain positive. We are also proud of our 47% female Board representation, compared to our overall Company female representation of 32% 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 employees 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 which will be published by 4 April 2025.

In our most recent annual employee survey, we received an outstanding response rate of 94%[1]. The results showed an engagement score of 78%. Our focus on serving the needs of our customers is reflected in the survey results, with 87% agreeing with the statement "We are responsive to the changing needs of our external customers".

1. The 2024 employee survey will be undertaken during early 2025 to allow for a refreshed process providing more useful results to drive strategies regarding our people.

The level of care
and attention to detail strives
to be best in class.

Caroline Dunne
Chief People Officer

Chief People Officer Q&A

Caroline Dunne, Chief People Officer (CPO), provides insights into her first six months at Rothesay.

Q.

Please tell us about your career journey and how this led you to your role as Rothesay's CPO?

A.

I started my professional life as an employment lawyer, advising clients, both organisations and individuals, on complex work-related people issues. Whilst in private practice I was seconded to Goldman Sachs which blended my legal skills and knowledge with direct interaction with employees and managers, helping me to develop as an HR professional. I ended up staying for 16 years working in HR in various locations! My main role was in Employee Relations, to advise, support and protect the firm and its employees on a range of complex people matters. I also worked as a Business Partner, in Diversity, Equity and Inclusion (DEI), Learning and Development (L&D) and Recruiting and other parts of HR. This breadth of experience was a perfect foundation for life as a CPO, and joining such a dynamic business like Rothesay.

Q.

You joined Rothesay in April this year, how has your experience been?

A.

It's been great. I am on a learning journey, understanding the organisation, getting to know and understand our people, continuing to build the HR team and developing our people strategy. Every person I have met is focused on excellence and delivering the best outcomes. The level of care and attention to detail strives to be best-in-class.

Q.

What do you think are the benefits of working at Rothesay?

A.

Rothesay is an incredible organisation offering many opportunities for its people. One of the main things I am struck by is how nimble and dynamic we can be given our size. We have also purposefully nurtured a culture which gives all levels of employees proximity and engagement from our senior leaders and our Board which is unusual and a huge advantage for our employees. Our employee benefits package aims to be among the best in the market, we continue to focus on delivering learning and development opportunities tailored to each business area, as well as investing in Rothesay People Manager skills and broader human skills development.

Q.

How has the diversity and inclusivity programme developed this year and what are your ambitions for the programme?

A.

We continue to focus on promoting equality and diversity and a culture that actively values difference. I'm absolutely delighted that the ideas and how we raise awareness and celebrate key cultural and religious events and occasions throughout the year, including Lunar New Year, Eid al-Fitr, Easter, Diwali, Hannukah, International Women's Day, Pride and Black History Month, are employee-led. I am also particularly proud that so many employees get involved and how positively received this is by employees at all levels. Going forward, we are focused on further developing a Diversity, Equity and Inclusion programme to continue to embed our values and best practices and maintain our sustainable, equitable and inclusive work culture. I strongly believe that in order to recruit, develop and retain the best talent, we must be proactive about creating equality of opportunity.

The community

Investment in the UK economy

Rothesay has invested £42.0bn[1] (2023: £38.0bn) in helping fund companies and projects that benefit the UK, such as transport, infrastructure, education and social housing.

Rothesay is an active supporter of the Government's ambition to unlock greater investment in long-term assets to help drive the UK's economic recovery and believes that there is a substantial opportunity for annuity providers to do more in this space.

As well as investing £29.1bn (2023: £27.0bn) in companies that benefit the UK, Rothesay also holds £13.0bn (2023: £11.0bn) of UK government debt which is used to finance spending across the public sector.

We actively seek out future opportunities to help finance reliable renewable energy projects and we are always willing to support the Government in its efforts to develop low carbon generation and infrastructure. We stand ready to fund projects that aid the transition to a low carbon economy.

In addition, by providing funding to back lifetime mortgages, Rothesay is helping older people access the equity in their houses, without the need for them to move. Mortgages are written with a no negative equity guarantee which means that borrowers don't have to worry about the liability growing above the value of the house.

1. The amount shown as invested in the UK economy is based on the current market value of the investments held. Prior year has been restated to include investments in UK Government bonds.

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 all 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 £450m remitted to UK tax authorities in relation to 2024 (2023: £434m). Rothesay had an effective corporation tax rate of 28.3% during 2024 (2023: 23.5%), please see note B.8. The increase in Rothesay's effective tax rate has been driven by the carry back of losses incurred at 25% which are relieved at the lower rate of 23.52%, therefore the Deferred Tax Asset reduction increases the tax charge in the period. Other taxes include property taxes, employer payroll taxes and irrecoverable indirect taxes.

Taxes paid	2024 £m	2023 £m
Corporation tax	**30**	106
Other taxes	**40**	31
Taxes collected	**380**	297
Total remitted	**450**	434

Giving back

During 2024 the Rothesay Group has donated £1.5m to the Rothesay Foundation and has a further £6.3m set aside to fund future charitable projects.

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 happy, safe and fulfilling ways. Following a successful pilot with Age UK where the Rothesay Foundation funded a free and confidential benefits check service, in 2024 the Rothesay Foundation made a £2.47m donation to expand Age UK's benefits check service (see case study). The Rothesay Foundation also partnered with Clarion Futures, the charitable foundation of Clarion Housing Group, to expand its Warm Spaces programme. The funding doubled the reach of the warm spaces programme and enabled warm packs to be distributed to those visiting the warm spaces. The Foundation was also pleased to provide funding to the East End Community Foundation's winter appeal and Life Chances campaign which seek to address the high levels of financial insecurity amongst older people in the East End of London.

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. We also continue to sponsor Alzheimer's Society's Carer's Guide and a number of their events as well as sponsoring Hospice UK with their annual carol concert and a number of their fundraising events.

On an annual basis we choose an employee-nominated Charity of the Year. In 2024, we supported Refuge, the largest specialist domestic abuse organisation in the UK. 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 and continues to provide a 4-to-1 matching for donations of up to £1,000. In addition, we provide our employees with the opportunity to use two working days for volunteering.

In addition to the funds raised for the Charity of the Year, over £370,000 was given to a wide range of charities by our people, including through Give As You Earn and use of the Charities Aid Foundation (CAF). We are proud that so many people have engaged in fundraising social events and volunteering days designed to give back to the community. In 2024, we partnered closely with Age UK to give our people the opportunity to volunteer for Age UK's telephone friendship service which supports older people struggling with loneliness.

We are a corporate partner of the British Museum and support a number of other charities including partnering with the Fullerton-Long Caribbean Scholarship Fund which was established alongside the IFoA Foundation, the charitable arm of the Institute and Faculty of Actuaries, to support high-performing young actuaries.

£42.0bn

Invested in the UK economy (2023: £38.0bn)

Community **case study**

Age UK benefits check service

As part of its commitment to helping older people in need, in 2024 the Rothesay Foundation completed a successful pilot campaign, funding a free and confidential benefits check service with Age UK. Following the success of the pilot, the Rothesay Foundation has made a £2.47m donation to expand Age UK benefits check service for older people.

The pilot helped 4,560 pensioners find out whether they were eligible for state benefits. Among those who used the benefits check service, 76% were not claiming their entitled benefits. From this group alone, an average of £6,600 in additional benefits was identified per person, amounting to a total of £23 million in benefits for older people in need.

The expansion of this vital service will help a further 11,000 older people check whether they are eligible for unclaimed benefits. The funding supports both Age UK's free national Advice Line and 11 local Age UK branches to deliver benefits checks over the phone and in local communities, providing dedicated employees to guide older people through the application process which includes help with filling out the forms.

This service will also support Age UK to follow up with callers on the progress and outcome of their claim, ensuring they receive the help they need to successfully navigate the benefits process. The expanded service will complement the Government's Pension Credit Awareness Drive which aims to uncover up to £55m more in annual benefits.

age UK
Let's change how we age

4,560
benefits checks delivered to support older people and £23m of benefits identified

£2.5m
donation to expand Age UK benefits check service

Penny, 75, received a letter from the Rothesay Foundation sharing the news of its partnership with Age UK and the benefits entitlement checks that Age UK offers. Penny didn't think she would be eligible for additional benefits and did not want it to impact her pension. But she phoned the Age UK Advice Line and was given an appointment for a benefits check where they identified that Penny would be eligible for Attendance Allowance – with no impact on her pension. Penny filled in the Attendance Allowance application and was awarded £68.10 each week giving her some peace of mind with the rising cost of heating. She was shocked to find out that she was awarded not only this, but also an increase in Pension Credit. Penny used the money to refurbish her flat, making her home safer as she is reliant on crutches because of broken hips and osteoporosis. Penny said:

> I thought I should have been claiming this years ago! Age UK arranged for me to be sent all the information, which was very helpful. I was so concerned with heating costs last winter, now, I think I'll be okay. I was so pleased with the service; it helped me so much. Without Age UK's help, I would never have been able to claim Attendance Allowance, or even known I was entitled to it.[1]

Aims to identify an additional

£55m

more in annual benefits over 2 years

1. Penny's story is true. However, names and some details have been changed to protect the privacy of the people we help.

Running a responsible business

Providing long-term pension security is at the heart of what we do.

As well as policyholders, Rothesay has responsibility to a number of other stakeholders, including suppliers, our people, our community, the regulators and our investors.

Stakeholder engagement and the way in which their interests have been taken into account by the Board in its decision making is described in the following pages.

The way in which the Board oversees the operations of Rothesay more broadly is covered in the Governance Report.

Section 172(1) statement

At each Board meeting, the Board considers the impact on stakeholders and the requirements of s.172 of the Companies Act 2006 when making decisions. The Company Secretary sets out the text of s.172 on every Board agenda.

Given the long-term nature of our business, the Board is very focused on the likely long-term consequences of decisions and believes that it has acted in a way that promotes the success of Rothesay. Our Corporate Social Responsibility policy describes the way in which Rothesay aims to engage positively with all our stakeholders – a key concern of the Board. By doing so, we also believe that Rothesay will achieve positive outcomes with respect to our sustainability objectives.

Examples of key Board decisions and impact on stakeholders

Decision 1: Decision to issue further Tier 2 debt	Decision 2: Decision to partner with The England and Wales Cricket Board (ECB).
The Board took the decision to approve the issuance of Tier 2 debt with both GBP and USD denominated issuances, and to repay an existing debt instrument which became callable in 2024. This provided additional capital for new business and refinanced existing debt at a lower overall cost of borrowing.	The Board took the decision to commit to a multi-year partnership which sees Rothesay become an Official Partner of England Cricket.
Taking stakeholder views into account **Our policyholders** Policyholder security remains the Board's priority, and the debt issuances increased the overall amount of solvency capital available to back the policyholder liabilities. **Our shareholders** The issuance allowed the Group to efficiently refinance £400m of existing subordinated debt which was repaid in September 2024, whilst further supporting its ability to execute substantial volumes of future new business. **Our bondholders** The issuance allowed new investors the opportunity to invest in Rothesay's debt and our inaugural USD bond issuance expanded our investor base. **The PRA** Rothesay notified the PRA of their intention to issue new debt, including providing pro forma solvency and liquidity metrics for each step of the process. There was no objection raised.	***Taking stakeholder views into account*** **Our policyholders** As was the case during our Rothesay Summer Series tennis partnership with the LTA, we will be able to offer policyholders the chance to attend county and Test cricket matches. **Our shareholders** The partnership will raise awareness of Rothesay which supports the growth of the Group. **Our people** Our people will be able to attend Test Matches as part of team building exercises. This not only allows employees to enjoy Test Match cricket but also socialise with their colleagues. **The community** By partnering with the ECB to become title sponsor of Test Match cricket, we can help secure the future of Test cricket aiming to inspire all generations by making cricket a game for everyone.
Outcome The Board approved the debt issuance during June 2024.	**Outcome** The Board approved the decision to partner with the ECB.

"We are excited to partner with the ECB and to become title sponsor of Test Match cricket. Rothesay is purpose-built to provide security for UK pensioners, and we are delighted that we can also help to secure the future of Test cricket aiming to inspire all generations by making cricket a game for everyone."

Tom Pearce
Chief Executive Officer

Stakeholder engagement

Overview	Engagement	Outcomes
Our people The commitment and quality of our people are integral to Rothesay's success. **Read more on page 76**	• Senior management and the Chairman have frequent, informal interaction with our people. • The Board reviews the results of our employee engagement surveys and the actions taken in response. • The Board oversaw enhancements to employee benefits.	• Rothesay's people have very high levels of engagement with 90% saying that their manager treats people fairly. • We were pleased to see excellent progress across all key areas of the survey including talent and staffing, leadership, diversity and inclusion.[1]
Our policyholders Providing long-term pension security to our 1,004,920 policyholders and working with trustees is at the heart of what we do. **Read more on page 71 and 74**	• The Customer Conduct Committee receives regular reports on customer service levels and complaints, and oversees customer interaction. • The Board discusses customer service issues and in 2024 ensured that Rothesay continued meeting the requirements of the Consumer Duty. • Directors and management have ad hoc meetings with pension scheme trustees throughout the year. • Terry Miller is Rothesay's Board-level Consumer Duty champion.	• 96% of policyholders rate our service 'good' or 'excellent'. • We executed 7 transactions during 2024 which allowed pension schemes to de-risk their liabilities.
Our business partners Our strategic outsourcing partners are critical to us delivering service excellence to our customers. **Read more on page 75**	• The Board receives regular updates on the performance of our strategic outsourcing partners, who are monitored against defined KPIs.	• Our partners have continued to deliver excellent service to Rothesay and our customers.
Our community We invest over £42bn in the UK economy and make a significant tax contribution in the UK. We have established the Rothesay Foundation and support a range of charities. **Read more on page 84**	• The Board has reviewed Rothesay's Corporate Social Responsibility policy. • The Board received updates on the activity of the Rothesay Foundation and members of the Board are trustees of the Foundation.	• We have dedicated £6.3m for future charitable projects. • We have remitted £450m to UK tax authorities in relation to 2024.

1. Results taken from the 2023 employee survey, the 2024 survey will be undertaken during early 2025 to allow for a refreshed process providing more useful results to drive strategies regarding our people.

Overview	Engagement	Outcomes
Our regulators Having a transparent, open and proactive relationship with our regulators is important to the performance of the business.	• The Chairman and Directors have regular meetings with the PRA. We have regular ongoing interaction with the PRA on all material matters relating to the business, led by the CRO. • The PRA attends the Board as part of the Periodic Summary Meeting cycle. • The Board receives regular updates on regulatory compliance from the CRO and Chief Compliance Officer. • Rothesay has responded to a number of consultations, including PRA's Review of Solvency II and Solvent Exit Planning. • We engage constructively with the FCA on key regulatory initiatives and matters impacting customers. We do this both directly and via trade associations.	• Our regulators remain fully engaged with Rothesay in a range of important matters, including in relation to the proposed Part VII transfer of business from Scottish Widows to Rothesay.
Our reinsurers Our reinsurers help us to manage our balance sheet by allowing us to hedge longevity risk via longevity swap transactions. **Read more on page 75**	• The Board Risk Committee oversees reinsurance counterparty risk management and approves all material reinsurance transactions. • The Audit Committee receives a report from the Chief Actuary on Rothesay's reinsurance arrangements and strategy.	• Our reinsurers have provided a further £14bn of longevity reinsurance protection. • The reinsurers have also responded quickly in support of us underwriting new business.
Our shareholders Rothesay benefits from the support and commitment provided by its two long-term institutional shareholders.	• Each of the institutional shareholders is represented on the Board by two Non-Executive Directors. • Representatives of the shareholders attend the Board and other Board committees. • The shareholders receive regular management information.	• GIC and MassMutual provide Rothesay with exceptional long-term support. • The shareholders assist in the sourcing of investments, share best practice and provide longevity reinsurance.
Our bondholders Rothesay appreciates the support of our bondholders.	• Senior management meets with debt investors on a regular basis and makes presentations to groups of investors and analysts.	• We were pleased with the response from investors to the issuance of our Tier 2 notes in June 2024.

ECB **case study**

Securing the future of Test cricket

Rothesay Protecting Pensions | WE ARE ENGLAND CRICKET

OFFICIAL PARTNER

Nearly 150 years since the first Test Match, the format continues to entertain cricket fans around the world. In 2024 Rothesay entered into a partnership with the ECB, as Official Title Partner of Men's and Women's Test Matches, to secure and invest in the future of the format, beginning with an England Men’s Test summer featuring the West Indies and Sri Lanka.

The long-term partnership started with the first Rothesay Men’s Test Match between England and the West Indies in July 2024 at Lord’s. The fixture was a historic occasion with interest from every corner of the cricketing world as Jimmy Anderson said farewell to the international game.

As Official Title Partner of Men’s and Women’s Test Matches, Rothesay branding will feature at every England Men’s and Women’s home Test, including the 2027 Men’s and Women’s Ashes Test Matches, and at England Women’s home matches across all formats.

Rothesay
TEST MATCH

> We are delighted to welcome Rothesay as our new title partner for Test Match cricket in England and Wales. With record viewing and attendance figures last year, Test cricket has never been more popular, and I am thrilled that Rothesay have endorsed our vision for growing the game across all formats. I look forward to seeing their brand proudly displayed at a series of iconic matches over the next few years – the Ashes in 2027 and the first ever England Women's Test Match to be held at Lord's.

Tony Singh
Chief Commercial Officer at the ECB

Section **three**

Governance

In this section

A robust governance framework helps ensure that we continue to provide pension security for our policyholders, value to our shareholders and positive outcomes for other stakeholders.

Governance at a glance

Board highlights from 2024

Board meeting attendance

99%

2023: 99%

Average Non-Executive Director tenure

5.4 yrs

Board female representation

47%

2023: 40%

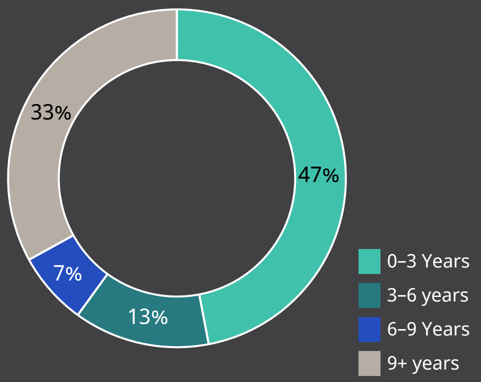
Independence of Board

53%

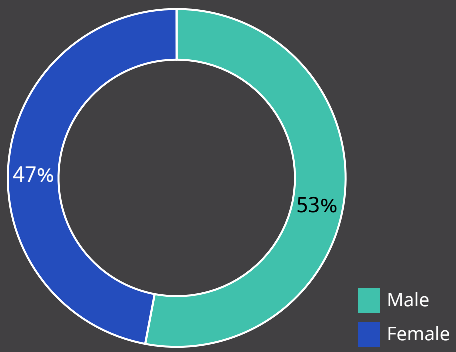
2023: 53%

Board composition dashboard

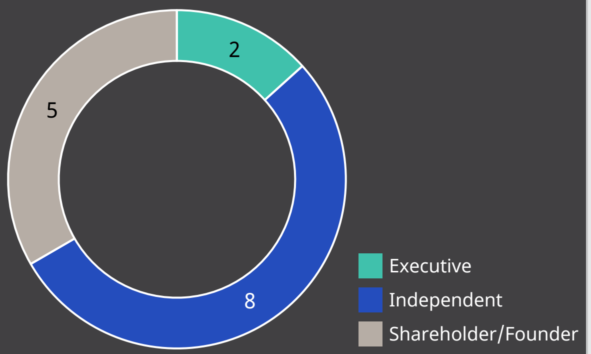
Board tenure



Gender diversity



Independence of Board

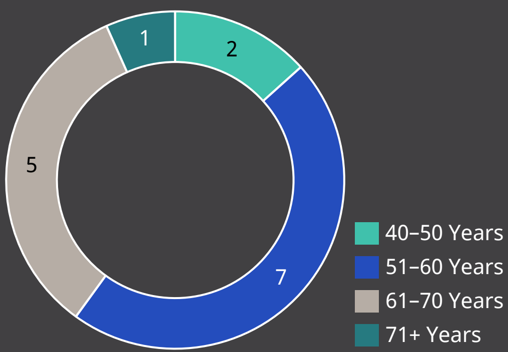


Directors with experience in

The Wates Corporate Governance Principles

For more information **see page 103**

Directors' age range



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

Naguib Kheraj
Chairman

Chairman's introduction

Robust corporate governance

Rothesay's governance structure means that decisions can be made quickly and efficiently whilst ensuring that there is robust oversight.

Corporate governance highlights

- Approval of the payment of the 2024 dividend.
- Approval of the strategic business plan and ORSA.
- Approval of the 2023 Climate and Sustainability Reports.
- Approval of the larger new bulk annuity and longevity reinsurance contracts.
- Approval of the issuance of Tier 2 notes and the repayment of £400m Tier 2 borrowings.

Board engagement

A strong Board with an effective committee structure is a key component of the governance framework of Rothesay. Our Board remains highly engaged; the discussion of the dividend and GIC reinvestment and other one-off items necessitated a number of additional Board meetings/sessions during the year, and the level of attendance and contributions was very high. In addition, many issues were dealt with virtually and by correspondence, enabling matters to be progressed efficiently and in a timely manner. The Board has decided to apply the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles), for further information please see page 103.

Shareholders

Following GIC's reinvestment during the year they now hold 50.2% of Rothesay Limited and MassMutual now hold 47.6% with the remainder being held by the Employee Benefit Trust, Directors, management and employees. 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.

Representatives of the shareholders beyond their appointed Directors are closely involved with Rothesay, and members of their teams regularly attend Board and other Board Committee meetings. The shareholders receive regular management information and their teams also interact directly with management. We believe that the enhanced interactions with shareholders are of benefit to the Company and help ensure that shareholders have good visibility, which aids the process of decision making when shareholder support is required.

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

The Shareholders' Agreement sets out a number of reserved matters, including:

- Changes to the rights of shareholders.
- Issuance of new equity or debt.
- Material changes to the business strategy of Rothesay.
- Material acquisitions or disposals.

The Board reviews and approves all related party transactions. For information on related party transactions see note I.4.

Board composition

On 31 March 2024, Charles Pickup stepped down from the Board. Charles joined in January 2012. Katherine Garner was appointed to the Board as an independent Non-Executive Director on 1 April 2024. An extensive induction programme is organised for all new independent Non-Executive Directors who commit significant time to the process of learning about the business and operations of the Company. For further information please see page 102.

How the Board operates

The Board is led by the Chairman, Naguib Kheraj. Naguib was appointed to the Board on 1 October 2014 and became Chairman on 18 December 2017. Day-to-day management of Rothesay is led by Tom Pearce, the Chief Executive Officer. Tom is supported by the Leadership Team, more details of which can be found at www.rothesay.com.

Terry Miller was appointed as Senior Independent Director (SID) of Rothesay on 11 January 2024.

The Board has responsibilities to shareholders, policyholders, the regulators, employees and other stakeholders for the overall performance of Rothesay. More information on stakeholder engagement can be found on page 90. The Board's role is to provide oversight and direction to the senior management team and to ensure that there is an appropriate risk and control framework for Rothesay.

The Board is supported by the Audit Committee, the Board Risk Committee, the Customer Conduct Committee, the Nomination Committee and the Remuneration Committee.

Terms of reference for these Committees can be found at **rothesay.com/about-us/environmental-social-governance/our-reports-and-governance.**

Chairman's introduction continued

In the following sections of the Governance Report, the chairs of these Committees provide a report on activity in the year.

Rothesay Limited Board

Responsible for:
- Strategy and business plans
- Material transactions
- Acquisitions and disposals
- Capital management policy including dividends and debt

Nomination Committee

Responsible for:
- Reviewing the size and composition of the Board
- Board and Senior Manager appointments
- Succession planning

Audit Committee

Responsible for:
- Financial reporting
- Internal controls
- Internal and external audit
- Regulatory compliance

Customer Conduct Committee

Responsible for:
- Delivering good customer outcomes
- Regulatory customer conduct

Board Risk Committee

Responsible for:
- Risk appetite
- Risk management framework
- Ongoing monitoring and controls of risks

Remuneration Committee

Responsible for:
- Executive Director and other Senior Manager remuneration
- Remuneration policy
- Share incentive plans

How the Board spent its time in 2024

The Board met formally 12 times during 2024, in addition to dealing with several matters via email correspondence.

The Board agenda is set by the Chairman, in consultation with management, and generally includes:

- An update from the CEO on business performance, material new investments and liability transactions.
- Reports from Board Committee chairs.
- An update on Rothesay's financial performance and expenditure against budget.
- An update on risk and regulatory matters.
- Discussion of key initiatives such as regulatory projects, and sustainability work.
- Development of Rothesay's IT and IS (Information security) platforms.
- An update from the Company Secretariat on governance and administrative matters.
- Approve interim and year end financial statements.

The Board is focused on ensuring that the growth of the business is appropriately controlled and received updates through the year on the steps being taken to strengthen control and oversight functions. The Board considered calibration of Rothesay's capital buffer risk appetite and solvency coverage target range.

The Board also spent time discussing and approving the payment of an interim dividend.

Following extensive consideration at Board Committee level, the Board approved Rothesay's Consumer Duty Annual Assessment.

The Board received regular updates on the ongoing development and enhancement of Rothesay's technology platform and other information technology and information security initiatives.

The Board considered Rothesay's longevity reinsurance strategy on more than one occasion. The Board approved new pension risk transfer and reinsurance transactions and received an update and a debrief on processes relating to existing pension risk transfer transactions.

The Board received regular updates on the impact of market conditions on Rothesay's financial and liquidity position and detailed commentary on various markets (e.g. the pension risk transfer market and debt capital markets as they related to insurers). The Board also received regular updates from Rothesay's operations in North America and Australia.

The Board approved Rothesay's 2023 ESG reporting: a Sustainability Report and a Climate Report.

The Board held a strategy off-site event during the year outside of the formal Board meeting schedule. The event included:

- Presentations from external speakers/panel sessions on:
  - Longevity and healthcare
  - The economy, defence & security, and politics.
- Discussion of the strategic business plan and projections.
- Discussion of business opportunities which could be considered in the future.

The discussion of the strategic business plan was focused on the pension risk transfer market and on the potential growth opportunity over the next five years and beyond. The Board was keen to ensure that Rothesay is appropriately positioned from both an operational and solvency perspective to capitalise on the opportunities that are likely to arise.

The Board makes extensive use of virtual communications and deals with matters by correspondence where it is effective to do so. On complex subjects, management provides Directors with the opportunity for one-to-one briefings outside of Board meetings which helps to make the process of dealing with these matters more efficient for the Board.

Board performance and effectiveness

The Board recognises that the continuous development of Directors is important to the Board's performance and effectiveness.

During the year, the following development activities took place:

- One-to-one induction sessions with the new independent Non-Executive Director.
- One-to-one briefing sessions for independent Non-Executive Directors on the annual report and accounts.
- One-to-one review sessions for independent Non-Executive Directors on the interim accounts.
- One-to-one review sessions for Independent Non-Executive Directors on the ORSA and new asset classes.

External speakers are regularly invited to engage with the Board, so that the Board can benefit from external perspectives. During 2024, the following sessions took place:

- Briefing session on economic outlook.
- Briefing session on the pension risk transfer market.

An annual process is undertaken to review the fitness and propriety of senior management and Directors. This is overseen by the Chairman and the Regulatory Legal Counsel.

An internally facilitated review of Board and Board Committee effectiveness was undertaken during the year by the Company Secretariat. This consisted of completion of a questionnaire by Directors and a number of other senior executives and collation and presentation of the results at a Board meeting.

The review concluded that the Board and its Committees are highly effective and led to a small number of recommendations which will be addressed over 2025.

In addition, the Chairman meets annually with all Directors individually to discuss their feedback on Board performance and their individual contribution. Furthermore, the Senior Independent Director met with the Chairman to discuss his performance.

Induction of new Board members

All newly appointed Directors receive a thorough, tailored induction on joining the Board, organised by the Company Secretary to provide the information required to become effective as soon as possible in their role.

The induction aims to:

a) Build an understanding of Rothesay's business, operations and markets, including opportunities and risks;

b) Develop links with people in the business and an understanding of the Company's culture and key external relationships; and

c) Ensure an understanding of the Board's governance framework and Board processes.

In addition to the core elements of the induction process outlined below, newly appointed Board members have ongoing access to the Company Secretary, members of the management team and resources as appropriate to update their knowledge and skills.

Meetings with Board members and external advisers
Newly appointed Directors meet with each member of the Board as well as certain of the Board's advisers and external stakeholders, including (as appropriate) the Company's auditors, and Remuneration Committee advisers.

Meetings with senior management and employees
New Board members spend time meeting with executive management including the Chief Executive Officer and Chief Financial Officer, as well as other members of the senior leadership team.

Training
An electronic induction pack is provided to ensure a thorough understanding of incoming Directors' roles and responsibilities, and the governance framework within which the Board operates.

The Wates Corporate Governance Principles

The Board has decided to apply the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles). Information can be found on our approach to compliance in the Strategic Report and in this Governance Report.

Principle	Where further information can be found
1. Purpose and leadership – An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.	Rothesay's purpose is to provide pension security for our policyholders and value to our shareholders over the long term. Rothesay's strategic objectives are discussed on page 30. More information can be found on Rothesay's culture on page 76.
2. Board composition – Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	Board effectiveness is described above under "Board performance and effectiveness". Board composition is described on page 99. The Nomination Committee is responsible for ensuring that Rothesay's Board and management team have the appropriate mix of expertise and experience. See page 108.
3. Board responsibilities – The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.	Board governance is described on page 99. The Audit Committee is responsible for overseeing the systems and controls that ensure the reliability of information provided to the Board. See page 110.
4. Opportunity and risk – A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	The Board has overall responsibility for identifying opportunities to create and preserve value and this is discussed above under "How the Board spent its time in 2024". The Board Risk Committee (BRC) is responsible for the operation of Rothesay's risk management framework. The framework is described on page 44 and more can be found on the BRC on page 117. Risks and opportunities are also highlighted as part of the description of strategic objectives on page 30.
5. Remuneration – A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	The Remuneration Committee is responsible for ensuring that Rothesay's remuneration policy appropriately rewards and incentivises our people. See page 120.
6. Stakeholder relationships and engagement – Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Rothesay's purpose is to provide pension security for our policyholders and value to our shareholders over the long term. Rothesay has responsibility to a number of other stakeholders, including our suppliers, our people, our community, the environment and our bondholders. The Customer Conduct Committee (CCC) is responsible for ensuring good outcomes for customers, and that clients and counterparties are treated fairly by us, and more can be found on the CCC on page 115. Further information on stakeholder engagement and examples of how we take their interests into account can be found on pages 88 to 90.

Board of Directors

Naguib Kheraj CBE
Independent Non-Executive Director and Chairman

Appointed: October 2014

Committees

Naguib Kheraj is Chair of Rothesay's Nomination Committee, Chair of the Remuneration Committee and member of the Board Risk Committee. Naguib is senior adviser to the Aga Khan Development Network and serves on the boards of various entities within the network. Naguib is also chairman of Petershill Partners and an advisor to Queensway Group, a hospitality business. Naguib began his career at Salomon Brothers and went on to hold a number of senior positions at leading financial institutions. He served as group finance director and vice-chairman and in various business leadership positions at Barclays and was CEO of JP Morgan Cazenove. He also served as deputy chairman of Standard Chartered plc and chaired its audit committee and risk committee during his tenure. Naguib was formerly a member of the board of GAVI the Vaccine Alliance and chaired it's audit and finance committee, a member of the investment committee of Wellcome Trust, the finance committee of Oxford University Press, the finance committee of the University of Cambridge and served on the boards of NHS England and the US–UK Fulbright Commission.

Antigone (Addy) Loudiadis
Founder Non-Executive Director

Appointed: May 2007

Committees

Antigone (Addy) Loudiadis is Rothesay's co-founder and former Chief Executive Officer from 2007 to 2022. As Founder Director, Addy is a Non-Executive member of the Board. She is also a member of the Nomination Committee. Addy is a Trustee of the Rothesay Foundation, Rothesay's charitable trust. Previously, Addy was a partner of Goldman Sachs and served as the co-head of the investment banking division in Europe. Before moving to investment banking, she was head of European fixed income sales at Goldman Sachs. She is also a former board member of the Association of British Insurers.

Thomas (Tom) Pearce
Chief Executive Officer

Appointed: August 2013

Committees

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Tom Pearce is Co-Founder and Chief Executive Officer of Rothesay. Tom founded Rothesay with Addy Loudiadis in 2007 and was previously its Managing Director. Tom has overall responsibility for Rothesay's strategy and operational delivery, including Business Development, Financing, Investment Origination and Operations. Tom has been a Board Director of Rothesay since 2016 and he also sits on the Board of the Association of British Insurers. Prior to founding Rothesay, Tom was part of the fixed income and investment banking team at Goldman Sachs with responsibility for pension fund and insurance company clients.

Graham Butcher
Chief Financial Officer

Appointed: October 2023

Committees

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Graham Butcher is Rothesay's Chief Financial Officer, responsible for all divisions of Rothesay's finance function, including financial reporting, capital management, product control and actuarial assurance. As Chief Financial Officer, Graham also oversees corporate strategy and new business underwriting. Graham joined Rothesay in 2007 and was previously the company Head of Strategy and Chief Underwriting Officer, where he led all strategic initiatives, business planning and the pricing, underwriting and risk management of new business. Prior to joining Rothesay, Graham was at Willis Towers Watson where he qualified as a Fellow of the Institute of Actuaries in 2006.

Audit Committee
Remuneration Committee
Customer Conduct Committee
Nomination Committee
Board Risk Committee
Chair

Lisa Arnold

Independent Non-Executive Director

Appointed: July 2023

Committees

Lisa Arnold is a member of both Rothesay's Customer Conduct Committee and Remuneration Committee. Lisa currently holds non-executive roles at Polar Capital Global Healthcare Trust PLC, PIMCO Europe Ltd, Whitbread UK Pension Fund and Allied Domecq Pension Fund. Lisa has held senior positions across financial services, specialising in pharmaceutical, healthcare and biotech. She previously held non-executive positions at J Sainsbury Pension Scheme, Aquila Energy Efficiency Trust PLC, GSK Pension Scheme & Fund, Tate & Lyle Pension Trust, Cheltenham Ladies College, John Laing Pension Trust, Futura Medical PLC and MHRA (Medicines and Healthcare products Regulatory Agency).

Angela Darlington

Independent Non-Executive Director

Appointed: August 2022

Committees

Angela Darlington is a member of Rothesay's Audit Committee, Board Risk Committee, Customer Conduct Committee and Nomination Committee. Angela is currently a council member of the London School of Hygiene & Tropical Medicine and a non executive director of Yorkshire Building Society. Angela started her career with Bacon & Woodrow and then worked with William M Mercer on a wide variety of actuarial assignments across many countries. Angela joined Aviva in 2001 where she held a number of senior roles including UK Life chief risk officer, group chief risk officer and CEO of Aviva's UK Life and Health Insurance business. Most recently, Angela was on the board of the Association of British Insurers as well as a member and chair of the Scenario Analysis Working Group as PRA-FCA Climate Change Forum.

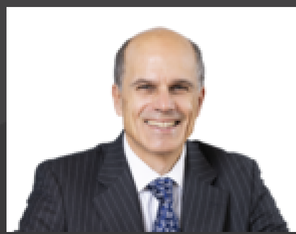
Katherine Garner

Independent Non-Executive Director

Appointed: April 2024

Committees

A Fellow of the Institute of Actuaries since 1997, Katherine Garner was previously the chief executive officer of Sun Life Financial of Canada in the UK and a member of its board of directors. Katherine started her employment with Sun Life Financial of Canada in 2008 and, prior to that, was employed by HSBC, where her roles included head of operations, head of life insurance and also finance director of the Dublin life company and deputy head of investments in the UK. Katherine was also a former non executive director of Reclaim Fund Limited.



Edward (Ed) Giera

Independent Non-Executive Director

Appointed: January 2021

Committees

Ed Giera is Chair of Rothesay's Board Risk Committee and a member of both the Audit Committee and Nomination Committee. Ed is managing partner of a private partnership investing in the global financial services sector. He is also the senior independent director of Santander UK Group Holdings and chair of the bank's risk committee. Previously, Ed was global head of pensions advisory at JP Morgan and held other senior roles during a twenty-year career with the investment bank. He also chaired Pension Insurance Corporation Group's audit & risk committee where he was also a member of the board origination committee.

Audit Committee
Remuneration Committee
Customer Conduct Committee
Nomination Committee
Board Risk Committee
Chair

Board of Directors continued

Heather Jackson
Independent Non-Executive Director

Appointed: April 2021

Committees

Heather Jackson is a member of Rothesay's Audit Committee, Board Risk Committee and Customer Conduct Committee. Heather currently holds non-executive directorship positions at Ikano Bank AB, Skipton Building Society Group and The Veterinary Defence Society. She is also a trustee with Yorkshire Cancer Research. Heather has held senior board positions across retail and financial services, specialising in technology and change leadership. She was chief information officer for Capital One (in the UK & Europe) and, subsequently, Global CIO at HBOS/Lloyds. At HBOS/Lloyds, she also led several functions, including payments, procurement, operations and human resources. She previously held non-executive directorship positions at JD Sports Fashion, Lookers PLC, Tandem Bank and the Child Maintenance Enforcement Commission.

Therese (Terry) Miller CBE
Senior Independent Non-Executive Director

Appointed: September 2017

Committees

Terry Miller is Chair of Rothesay's Customer Conduct Committee and a member of the Audit Committee, Nomination Commitee and Remuneration Committee. Terry is a director of the Rothesay Foundation, non-executive director of Goldman Sachs International Bank, a non executive director of Goldman Sachs International and a non executive director and safeguarding champion of the British Equestrian Federation. She is also chair of the nominations and remuneration committee of Goldman Sachs International Bank and Goldman Sachs International. Terry was previously with Goldman Sachs for 17 years, most recently as a partner and international general counsel. She went on to be general counsel of The London Organising Committee of the Olympic and Paralympic Games (LOCOG), director and trustee of the Invictus Games Foundation, non-executive director of the British Olympic Association and non executive director and the senior independent director of Galliford Try Plc and of Stelrad Group plc.

Sophie O'Connor
Independent Non-Executive Director

Appointed: October 2023

Committees

Sophie O'Connor is Chair of Rothesay's Audit Committee and a member of both the Board Risk Committee and Customer Conduct Committee. Sophie currently holds non-executive directorship roles at SMBC Bank International PLC, Bupa Insurance and Tide Holdings Limited. Sophie started her career at Ernst and Young, and then worked for Bank of America Merrill Lynch (previously Merrill Lynch) in the UK and US, where she held a number of senior finance and chief operating officer roles. She previously held non-executive positions at Scottish Widows, Lloyds Banking Group Insurance and Embark Group (subsidiaries of Lloyds Banking Group), Sanne PLC, BNY Mellon (International) Bank, Reliance Mutual and Mineworkers' Pension Scheme and was also a trustee of Chance to Shine.

M. Timothy (Tim) Corbett
Non-Executive Director

Appointed: November 2013

Committees

Tim Corbett is a member of both Rothesay's Nomination Committee and Remuneration Committee. Tim is the former chief investment officer of MassMutual. He joined as chief investment officer in 2011 with responsibility for MassMutual's overall investment strategy for the company's general account. He retired from the company in 2023. Prior to joining MassMutual, Tim had been chief investment officer and head of pension fund management with the State of Connecticut Treasurer's Office since 2009. Tim began his professional career at Aetna in 1982, where he ultimately became head of portfolio management, responsible for investment policy and strategy for the $20bn general account portfolio. From 2002 to 2008, Tim served as managing director and head of asset management at the Hartford Investment Management Company.

Audit Committee | Customer Conduct Committee | Board Risk Committee
Remuneration Committee | Nomination Committee | Chair

Geoff Craddock
Non-Executive Director

Appointed: January 2023

Committees

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Geoff Craddock is MassMutual's chief risk officer. Geoff began his career in a range of trading and brokerage positions with various investment banks beginning in Europe. Subsequently, he held roles at the Canadian Imperial Bank of Commerce (CIBC) where he oversaw global market risk management for the bank's investment banking, trading and retail activities. In 2008, Geoff joined MassMutual's asset management subsidiary, OppenheimerFunds, establishing and leading their risk management and asset allocation function after the global financial crisis, enhancing their governance structure and facilitating execution of strategic initiatives. Geoff also served as the leadership sponsor for OppenheimerFunds corporate giving programme. Geoff assumed his current role at MassMutual in 2017.

Arjun Gupta
Non-Executive Director

Appointed: January 2023

Committees

Arjun Gupta is president of Europe at GIC. In this role, Arjun heads GIC's London office, which covers Europe, the Middle East, and Africa. Arjun is a member of the GIC Global Leadership Group and in addition, he is co-chair of the GIC Healthcare Business Group, a member of the Integrated Strategies Group investment committee, and a member of the Global Leadership Group nominating committee. Arjun joined GIC Private Equity in 2010 and subsequently held roles as head, portfolio within private equity and head, consumer and healthcare for private equity. He also served on the private equity management and investment committees. Prior to joining GIC, Arjun spent over 20 years in the consumer goods industry with Kraft Foods, where his last two roles were as managing director, Greater China and president, Asia Pacific.

Robin Jarratt
Non-Executive Director

Appointed: December 2013

Committees

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Robin is a GIC global industrial adviser. He was formerly head of the Private Credit Group at GIC, with responsibility for all private credit investments in the US, Europe, and Asia. Robin retired from GIC in 2024.

Audit Committee
Remuneration Committee
Customer Conduct Committee
Nomination Committee
Board Risk Committee
Chair

Nomination Committee report

Appointing new talent

The Nomination Committee is responsible for ensuring that Rothesay's Board and management team have the appropriate mix of expertise and experience.

Naguib Kheraj
Chair of the Nomination Committee

Committee membership
Naguib Kheraj (Chair)
Tim Corbett
Angela Darlington
Ed Giera
Arjun Gupta
Addy Loudiadis
Terry Miller

I am pleased to present the Nomination Committee's report for the year ended 31 December 2024.

The Nomination Committee is responsible for monitoring the balance of skills, knowledge, experience, independence and diversity on the Board, identifying and recommending Board, Board Committee and certain senior management appointments to the boards of the various Group entities, as appropriate, and monitoring succession plans for the Executive Directors and the development plans of senior management within Rothesay.

The responsibilities of the Committee include reviewing the structure, size and composition of the Board of Directors, identifying and nominating candidates to fill Board vacancies as and when they arise, and approving certain senior management appointments.

The charts presented in the Governance at a glance section show the gender diversity of the Board, Board tenure and the composition of the Board from an independence perspective.

Committee membership and attendance

The Committee is composed of Non-Executive Directors with an appropriate mix of expertise and experience and a majority of independent Non-Executive Directors. The other shareholder Directors were also invited to attend Committee meetings. The CEO and CFO also regularly attended Committee meetings when deemed appropriate.

The Committee met formally on three occasions and made use of virtual communications and correspondence to deal with matters efficiently.

Committee activities during 2024

During 2024, the Committee was focused on succession planning in relation to members of the Board who are expected to step down in the next two years and also dealt with certain senior management appointments.

Given the length of my tenures as a Director of the Board, a process was initiated by the Committee (led by the Senior Independent Director (SID)) to identify a successor for the role of Chair of the Board. A headhunting firm was engaged to undertake a broad international search. The Chair succession process was lengthy and thorough, with various stages of short-listing and interviews. All Directors (including all members of the Committee) met the final preferred candidate, as did various representatives of the Shareholders. An extensive reference checking process was undertaken in respect of the final preferred candidate. Following all appropriate governance (including a formal recommendation from the Committee to the Board in respect of the appointment), such candidate was appointed to succeed me as Chair of the Board during 2025. The appointment is subject to regulatory approval and it is intended that the new Chair will be formally announced on receipt of such approval.

The Committee, alongside the Board, oversaw the extension of the terms of two Board Members and also dealt with composition of various Board Committees.

The mix of skills and experience of the Board is summarised in the graph on page 97.

Committee performance and effectiveness

The internal review of Board effectiveness also considered the effectiveness of the Nomination Committee, concluding that it worked effectively. Extensive sharing of information regarding nomination processes with Board members outside of the Committee continued to be well received in 2024 and is to be continued in 2025.

Board composition
For more details see Governance at a glance **on page 96.**

Audit Committee report

The Audit Committee plays a key role in monitoring the robustness of Rothesay's systems and controls.

Sophie O'Connor
Chair of the Audit Committee

Committee membership
Sophie O'Connor (Chair)
Angela Darlington
Katherine Garner
Ed Giera
Heather Jackson
Terry Miller

I am pleased to present the Audit Committee's report for the year ended 31 December 2024.

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes and Rothesay's process for monitoring compliance with laws and regulations and the business principles.

The Committee has unrestricted access to management and external advisers to help discharge its duties. It is satisfied that in 2024 it received adequate, reliable and timely information to perform its responsibilities effectively.

Committee membership and attendance

The Committee is composed of only independent Non-Executive Directors with an appropriate mix of expertise and experience.

The Committee met on seven occasions in 2024 at appropriate times in the financial and regulatory reporting audit cycle. The Committee also met once as a tripartite meeting with the Customer Conduct Committee and Board Risk Committee. The Chairman of the Board, CEO, CFO, CRO, Chief Actuary, Chief Auditor, Chief Compliance Officer and representatives of PwC and the shareholders regularly attended Committee meetings. Other members of senior management were also invited to attend as appropriate to present reports. During the year the Committee held regular private sessions with the Chief Auditor, Chief Compliance Officer and PwC without management present.

A number of Committee members are also members of, or regular attendees at, the Board Risk Committee and Customer Conduct Committee. This ensures effective coordination across the committees. As Chair of the Committee, I report on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

Committee activities during 2024

The work of the Committee during 2024 fell under four main areas: financial statements and accounting policies, regulatory compliance, internal control (including oversight of the Internal Audit function) and oversight of the external audit.

Financial statements and accounting policies

The Committee reviewed Rothesay's financial announcements, the annual report and accounts, the half-year results and the going concern assumptions in relation to the annual report and accounts, please see the Viability and going concern section on page 54.

An important focus of the Committee is assisting the Board in ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for stakeholders to assess Rothesay's position and performance, business model and strategy. The Committee has also considered compliance with the Companies (Miscellaneous Reporting) Regulations 2018 and that there is appropriate disclosure on compliance with the Wates Corporate Governance Principles. The Committee has reviewed the climate reporting disclosures.

During 2024, the Committee received regular reports on Rothesay's IFRS 17 reporting, and reviewed how our disclosures compared to those of our peers. The Committee reviewed and approved the IFRS 17 June and December 2024 disclosures.

The Committee reviewed the relevant Solvency disclosures including the Solvency and Financial Condition Report (SFCR). This included oversight of Rothesay's use of transitional solvency relief during the year, including consideration as to its continuing appropriateness.

The Committee reviewed the key assumptions used in calculating both the long-term insurance liabilities and the MCEV. Key assumptions included the annuitant mortality assumptions, the credit default allowance on the investment portfolio and the risk adjustment requirements around the IFRS assumptions. For IFRS and MCEV, the illiquidity premium is also a key assumption. The Committee also reviewed the categorisation and valuation of Level 3 assets. The following table provides more detail on material accounting issues considered by the Committee.

The Committee reviewed Rothesay's tax policy, strategy statement and reporting on payment practices and performance under regulations made under Section 3 of the Small Business, Enterprise and Employment Act 2015.

The Committee received reports from the Chief Actuary on areas including the reliability and adequacy of technical provisions, the quality of data, underwriting policy and reinsurance arrangements.

Audit Committee report continued

Significant IFRS accounting issues considered by the Committee

Issue	Committee's response
Longevity and credit default assumptions used to determine the valuation of insurance liabilities The inherent uncertainty involved in setting the assumptions used to determine the insurance liabilities for Rothesay, particularly in relation to longevity and credit defaults, represents the most significant area of judgement due to the potential impact these assumptions have on the financial statements.	The Committee focused on management's proposals for demographic, expense and economic reserving assumptions. **Longevity assumptions:** The Committee reviewed available data illustrating recent trends in longevity experience in the UK population, the longevity experience on different blocks of business, industry benchmarking data and reinsurer pricing. Scheme-specific base mortality assumptions were updated following this review. As 90% of the longevity risk is reinsured, Rothesay has visibility over market pricing for the majority of its liabilities. After consideration of the drivers of short-term longevity improvements, the Committee concluded that changes to assumed improvements to reflect expectations of lower short-term longevity improvements implemented in 2023 remained appropriate with no further adjustment required, with no change to assumed long-term longevity improvement rates. **Credit default assumptions:** The Committee reviewed the methodology used to determine credit default assumptions for liquid and illiquid assets utilised in determining the discount rate for valuing the liabilities, and considered available industry benchmarking data. The Committee concluded that the assumptions used are appropriate for the determination of the insurance liabilities.
Valuation of investments classified as Level 3 under IFRS 13 The valuation of Level 3 assets is based on either inputs into a valuation model or observable prices for proxy positions. This is inherently complex and requires the use of significant management judgement. Furthermore, the balances are material to the financial statements.	The Committee reviewed and approved the Group's valuation policy. The Committee also receives and reviews a report from the Finance function setting out the way in which all Level 3 assets have been valued and the range of plausible valuations. Key areas of focus included the valuation of Loans Secured on Property, in particular in relation to new investments in French Home loans (FHL), as well as scenario analysis relating to the Leasehold and Freehold Reform Act 2024.
IFRS 17 transition The transition to IFRS 17 has required the use of significant management judgement, in relation to the methodologies and assumptions and the presentation of the results.	The Committee has reviewed both the 2024 June and December disclosures, as well as the FRC thematic review. The Committee also reviewed peer analysis comparing our IFRS disclosures to those of our peers. The results of this were used as a basis for decisions regarding the 2024 year end accounts.

Regulatory compliance

The Committee received regular compliance updates, including:

- from the Chief Compliance Officer on compliance breaches by employees, on whistleblowing and the way in which Rothesay ensures compliance with relevant laws and regulations, including financial crime and market conduct;
- on compliance with Data Protection regulations, particularly UK GDPR;
- updates on Solvency compliance including the operation of the matching adjustment fund and calculation of transitional capital relief; and
- the results of the reviews undertaken by the Compliance function.

The Committee also reviewed and approved the 2024 Compliance plan.

Internal control and Internal Audit

The Board has overall responsibility for Rothesay's risk management and internal control systems and alongside the Board Risk Committee, the Committee seeks to ensure that Rothesay operates within a framework of prudent and effective controls and that the Board and its committees receive reliable information. The Group's internal controls are designed to manage rather than eliminate operational risks and can provide only reasonable assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place throughout the period covered by this report and up to the date of approval of the annual report and accounts for 2024. Where any significant weaknesses were identified, corrective actions have been taken, or are being taken and monitored by management and the relevant committees.

The Committee received reports from the Operational Risk function on the robustness of Rothesay's internal controls and from the Information Security function on the IT security framework. It also received reports from the Business Controls Committee, which is chaired by the COO and focuses on the control environment within Rothesay, the management of third parties and the risks arising from new activities.

During 2024, the Committee particularly considered the robustness of the controls over Rothesay's technology infrastructure. The Committee also oversaw work undertaken to improve Rothesay's operational resilience.

The Committee is supported in its oversight of the control framework by regular reports from the Internal Audit function. The Internal Audit Charter sets out the objectives, scope and responsibilities of the Internal Audit function and how it maintains independence from the first and second line management of Rothesay. The Committee reviews, and approves, the Internal Audit Charter annually. The Internal Audit Charter was updated in November 2024 to align with the new Global IIA Standards that come into effect in January 2025.

During 2024 the Committee welcomed a new Chief Auditor who reports directly to the Chair of the Committee and their remuneration is approved by the Remuneration Committee. Rothesay is supported in delivery of internal audits by use of external advisers to supplement the in-house Internal Audit team.

The Internal Audit plan for 2024 was reviewed and approved by the Committee, with internal audits being planned and prioritised following a risk-based assessment of the business. The Committee also reviewed the combined assurance plan which also considered the activity of compliance and operational risk.

Internal Audit also closely monitored the project to develop Rothesay's technology platform.

The Committee received regular reports from Internal Audit on the audits that have been carried out, management's response to findings and progress in addressing identified issues. Internal Audit also provided its annual report on Rothesay's risk management and internal control systems to the Audit Committee, concluding that governance, risk and control systems are satisfactory.

Through its close interaction with Internal Audit and feedback from management, the Committee is able to assess the effectiveness of the Internal Audit function. On this basis, the Committee concluded that the function has access to appropriate resources and that it was operating effectively.

Audit Committee report continued

External audit

The Committee ran a competitive tender process during 2016 and reappointed PwC as its auditors from the 2017 year end. The external audit contract is required to be put out for tender again no later than for the 2027 year end, at which time Rothesay will not be permitted to reappoint PwC.

Thomas Ferguson became Rothesay's external audit partner from the 2024 year end as Sue Morling had to rotate off the audit after the 2023 year end.

The Committee has approved an External Auditor Policy (which was reviewed during the year) which aims to:

- preserve the independence and objectivity of the external auditors in performing the statutory audits;
- ensure the effectiveness of the external auditors; and
- avoid any conflict of interest by outlining both the types of services that the external auditors can and cannot undertake and the considerations that should be applied in assessing potential conflicts of interest.

During 2024, the Committee performed its annual review of the independence, effectiveness and objectivity of the auditor. Management and Directors each completed a questionnaire which sought to evaluate the auditor against a range of criteria. The Committee then reviewed the results and concluded that PwC remains independent and effective.

The fees paid to PwC for the year ended 31 December 2024 are summarised in the table below:

	2024 £000s	2023 £000s
Audit of the financial statements of Rothesay and its subsidiaries	**2,748**	2,533
Total audit	**2,748**	2,533
Required by regulation	**316**	272
Audit-related assurance services	**274**	260
Other assurance services	**110**	55
Non-audit services	**—**	—
Total fees	**3,448**	3,120

Other assurance services provided in 2024 relate to work associated with the Euro Medium Term Note programme and debt issuances. These services are in compliance with applicable independence rules and Rothesay felt that the external auditors were best placed to provide these services because of their understanding of Rothesay.

Committee performance and effectiveness

The internal review of Board effectiveness also considered the effectiveness of the Audit Committee, concluding that it worked effectively.

Customer Conduct Committee report

The Customer Conduct Committee is responsible for ensuring the delivery of good outcomes for customers and that clients and counterparties are treated fairly by us, as well as overseeing Rothesay's approach to regulatory conduct of Consumer risk.

Terry Miller
Chair of the Customer Conduct Committee

Committee membership
Terry Miller (Chair)
Lisa Arnold
Angela Darlington
Katherine Garner
Heather Jackson
Sophie O'Connor

Customer Conduct Committee report continued

I am pleased to present the Customer Conduct Committee's report for the year ended 31 December 2024.

The Customer Conduct Committee was established as a Board-level committee in 2022. A new Executive-level committee was established at the same time with a remit similar to the previous hybrid committee. This restructuring is thought to have delivered the intended outcomes of enhancing our strong governance model while maintaining focus on providing excellent customer service as an essential element of our business model, brand and reputation.

In 2024, I have continued to work with the Chairs of the Board Risk Committee and Audit Committee to co-ordinate the customer and compliance-related accountabilities of the three committees to ensure appropriate coverage and to reduce duplication.

Committee membership and attendance

The Committee is composed solely of independent Non-Executive Directors with an appropriate mix of expertise and experience. The Chairman of the Board, CEO, CFO, Chief Operating Officer, Chief Auditor, Chief Compliance Officer, Chair of the Executive Customer Committee and General Counsel also regularly attended Committee meetings. Other members of management were also invited to attend as appropriate, including to present reports.

The Committee met formally on six occasions in 2024 (including once as a tripartite meeting with the Audit Committee and Board Risk Committee) in addition to reviewing customer conduct issues and data via email.

In addition to holding a tripartite meeting when such an approach is considered appropriate, a number of Committee members are also members of the Audit Committee and Board Risk Committee. Alongside my continued engagement with the Chairs of the other Board Committees, this ensures effective coordination across the three committees.

Committee activities during 2024

The Committee generally considers the following regular items:

- A report from the Executive Customer Committee, including:
  - Reporting from the Operations team on customer satisfaction, complaints and the performance of Rothesay's third party administrators on their operations;
  - Reporting on customer initiatives; and
  - Reporting from the mortgages team on complaints and on progress being made on long-outstanding cases;
- A report on regulatory updates;
- A report from the Compliance function on customer conduct risk; and
- A report from Internal Audit on customer-related audits.

Ahead of the 31 March 2025 regulatory deadline for the 2024/2025 Operational Resilience Self-Assessment Report, the Committee met to discuss operational risk scenarios during May 2024, considering aspects of operational risk and resilience with a customer impact has been an area of focus for the Committee. This included the development of customer harm-focused scenarios explored as part of the 2024 programme of operational risk scenario analysis and reviewing important business services and impact tolerances with a customer impact.

Other customer initiatives considered in 2024 included the Pensions Dashboards Programme, treatment of vulnerable customers, two feedback exercises carried out with the objective of understanding policyholder satisfaction and identifying ways to improve policyholder experience and continuation of the small pots exercise.

The Committee also reviewed and approved:

- the Committee's Reporting/Review Matrix (which set out the respective roles/obligations of relevant business teams, the Customer Working Group, the Executive Customer Committee and the Committee itself); and
- an updated version of the Policyholder Outcomes and Customer Vulnerability Policy.

Following Rothesay's acquisition of the Scottish Widows bulk annuity portfolio from Lloyds Banking Group, the Committee received regular reports on the preparations for the Part VII process.

Committee performance and effectiveness

The internal review of Board effectiveness also considered the effectiveness of the Customer Conduct Committee, concluding that it worked effectively.

Board Risk Committee report

The Board Risk Committee is responsible for the operation of Rothesay's risk management framework.

Ed Giera
Chair of the Board Risk Committee

Committee membership
Ed Giera (Chair)
Angela Darlington
Katherine Garner
Heather Jackson
Naguib Kheraj
Sophie O'Connor

Board Risk Committee report continued

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2024.

The Committee's primary responsibilities are the ongoing monitoring and control of all risks associated with the activities of Rothesay, within the parameters set by the Board and as set out in the risk and investment policies of Rothesay.

The Committee is also responsible for the oversight of the Executive Risk Committee (ERC) and its sub-committees, which are responsible for the ongoing monitoring and control of all financial risks, insurance risks and operational risks associated with the activities of Rothesay. The ERC has 17 members and is chaired by the CRO.

Committee membership and attendance

The Committee is composed of only independent Non-Executive Directors with an appropriate mix of expertise and experience.

The Committee met for five scheduled meetings during 2024 in addition to reviewing risk limit changes and approving certain investment transactions by circulation.

The CEO, CRO, CFO, Chief Underwriting Officer, General Counsel, Chief Actuary, Non-Executive Directors and shareholder representatives regularly attended Committee meetings. Other members of senior management were also invited to attend as appropriate to present reports. The Committee also meets independently with the CRO on a regular basis.

Committee activities during 2024

Risk appetite monitoring

The Committee received regular, detailed reports on key risk exposures and the drivers of risk, and monitored risk exposures against Rothesay's overall risk appetite. The Committee also reviewed and recommended amendments to ensure that Rothesay's Risk Appetite Statement; Risk Management Framework; and Risk Limit and Stress Testing Framework, effectively set appropriate limits and capacity for each primary risk type.

Risk management and governance

The Committee received regular reports from the ERC and the CRO presenting risk metrics and KRIs by exposure type, management's risk register of the key financial and non-financial risk exposures, as well as key changes in the risk ranking and risk profiles, management areas of focus, and emerging risks. The Committee also undertook a quarterly review of the internal model changes and trigger reports.

Regular reporting includes:

- Planned investment activity
- Compliance with risk limits including in relation to liquidity, market, and counterparty risks
- Changes to credit ratings
- Climate change and sustainability risk
- Changes in the risk register
- Stress testing
- Potential impact of emerging risks
- Changes in liability composition and exposures
- Non Standard assets
- Operational risk metrics and events
- Assessment and monitoring of IT resilience, transition, and cyber risk.

Specific areas of focus for the Committee during the year included updates on the Leasehold and Freehold Reform Act 2024, the UK water sector regulatory review and material developments in both liquid and illiquid credit and rates markets.

During 2024, the Committee reviewed and recommended for approval by the Board, Rothesay's Recovery and Resolution Plans, as well as Rothesay's Own Risk and Solvency Assessment (ORSA).

During the year, the Committee reviewed and approved updates to a number of policies including:

- Market risk policy
- Counterparty risk policy
- Underwriting, reinsurance and insurance risk policies
- ORSA policy
- Investment and credit policy
- Responsible investment policy.

Sustainability responsibilities
In conjunction with the other Committees, the Committee amended its terms of reference to explicitly reference sustainability risks and opportunities, appropriately reflect and incorporate the Committee's ESG responsibilities, including oversight of the Sustainability Committee. The Committee received updates on progress in relation to Rothesay's ESG risk management framework, governance enhancements, climate scenario analyses, and priorities for external reporting, including disclosure of climate metrics and climate change-related initiatives.

The Committee also received as in-depth reports on the portfolio assessments, including the environmental impact of specific sectors.

Operational, Technology and Cyber Risk
The Committee regularly received updates and assurance assessments from the risk and internal audit functions relating to the transition of Rothesay's risk management platform and technology infrastructure, including the management of cloud risks; the associated Technology Risk and Control Framework Project; and enhancements to technology risk and controls reporting.

The Committee also received periodic updates and considered Rothesay's operational resilience and Third Party risk profile, including progress on the Operational Resilience Programme and the Incident and Crisis Management Framework; information security and cyber risk exposure; and technological risk management.

New transactions
The Committee reviewed the underwriting assumptions made in relation to the large bulk annuity transactions undertaken and proposed. This included consideration of any associated reinsurance transactions and the asset investment approach. The Committee also reviewed and approved the reinsurance transactions entered into during 2024.

The Committee reviewed and approved a framework for Non Standard assets in respect of a number of illiquid investments and new asset exposures, both those received as premium on large liability transactions as well as French home loans and direct property investments which were the focus of recommended investment transactions.

The Committee also reviewed and approved management's recommendations regarding changes to certain risk limits.

Internal model
Rothesay's Full Internal Model has been in operation since Q2 2023. The Committee oversees the operation of the FIM and has reviewed minor model changes and ongoing validation work.

Committee performance and effectiveness
The internal review of Board effectiveness also considered the effectiveness of the Board Risk Committee, concluding that it worked effectively.

Remuneration Committee report

Implementing remuneration policy

The Remuneration Committee is responsible for ensuring that Rothesay's remuneration policy provides for, and is implemented in a way that delivers, appropriate reward and incentivisation of our people.

Naguib Kheraj
Chair of the Remuneration Committee

Committee membership
Naguib Kheraj (Chair)
Lisa Arnold
Tim Corbett
Arjun Gupta
Terry Miller

I am pleased to present the Remuneration Committee's report for the year ended 31 December 2024.

Committee membership and attendance

The Committee is composed solely of Non-Executive Directors with an appropriate mix of expertise and experience. Membership includes representation from Rothesay's shareholders facilitating the alignment of long-term interests. The independent Non-Executive Directors form a majority.

The Committee met formally on three occasions in 2024 in addition to considering remuneration matters via email. The CEO, CFO and CPO also regularly attended part of Committee meetings as appropriate and relevant. Following a tender process the Committee has also retained independent expert advise (from Deloitte). The advice provided includes benchmarking, independent input and industry insights, as well as general attendance at Committee meetings.

Committee responsibilities

The Committee is responsible for reviewing and making recommendations to the Board regarding the remuneration policy of Rothesay and for reviewing compliance with the policy in so far as it relates to senior managers and other employees. Within the context of the policy the Committee is specifically responsible for making recommendations for the remuneration packages of the independent Non-Executive Directors, Executive Directors and other senior managers of Rothesay. The Committee is further responsible for monitoring the overall level and structure of remuneration for the wider population.

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;
- 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 CRO provides input to the annual appraisal process and financial metrics are ignored when evaluating the performance of second and third-line employees. Considerable attention is paid to non-financial matters in assessing performance, including policyholder experience, contribution to sustainability goals, compliance with Consumer Duty, operational risk management, compliance, conduct and teamwork. Remuneration packages combine a base salary, cash bonuses, a deferred equity award plan and a long-term share appreciation rights plan (the SARs plan).

A summary of the components of remuneration of Executive Directors and senior management can be found in the table on the next page.

Committee activities during 2024

The Committee reviewed the Group's Remuneration Policy with a particular focus on ensuring that the importance of non-financial KPIs, including those relating to sustainability factors, is reflected in variable pay.

The Committee reviewed and approved recommendations for the remuneration packages of certain senior managers of Rothesay and also reviewed the recommendations of management in relation to the compensation for employees of the wider Group and in relation to leavers.

The Committee reviewed the total remuneration costs of the Group in relation to the generation of value.

Given continued high inflation in 2024, the Committee was particularly focused on salaries across the Group, particularly for employees on lower salaries. In considering remuneration packages, the Committee was also mindful of the pressure on employee retention and challenges of recruitment.

The Committee again approved the award of shares to all employees under the Schedule 2 Share Incentive Plan in order that all employees benefit from the success of Rothesay. The Committee also approved the offer by Rothesay to acquire vested shares from employees.

The Committee reviewed Rothesay's gender pay gap data for 2021 to 2024 and discussed the progress and actions that were being taken to reduce the gap.

The Committee also reviewed the composition of the material risk-taker population regularly this year and their individual performance was discussed at year end.

Committee performance and effectiveness

The internal review of Board effectiveness also considered the effectiveness of the Remuneration Committee, concluding that it worked effectively.

Remuneration Committee report continued

Components of remuneration

Component	Rationale
Salary	Salaries are set at a level which is intended to reflect the individual's responsibility, skill, competence and contribution to Rothesay's objectives, whilst at the same time taking note of the external value placed on the job in the market generally.
Bonus	The annual bonus rewards the achievement of strategic objectives and is linked to Rothesay's KPIs, adjusted for current and future risks. Part of the cash bonus may be deferred. Bonuses are intended to reward achievement.
Long-term share-based incentives	Part of the annual bonus may be awarded as equity (through the deferred equity award plan) or stock appreciation rights (the SARs plan). The deferred equity award plan ensures that stock vests and is delivered over several years. It is anticipated that when stock vests, a cash alternative will be offered. The SARs plan pays out at the end of at least three years, assuming performance triggers are met. Both plans ensure that the interests of shareholders and senior management are aligned. Under the Schedule 2 Share Incentive Plan, all eligible UK employees were offered shares in 2021, 2022 and 2023 which will not vest fully for three years. Further shares will be issued under this plan in 2024.
Benefits	Executive Directors and senior management are entitled to benefits in line with those provided to all employees.
Pension	Rothesay operates a defined contribution scheme. Executive Directors and senior management are entitled to membership of the scheme and receive contributions in line with those paid for all employees. Employees on lower salaries are entitled to an additional matched contribution of up to 2%.
Equity	Directors and senior management hold equity as a result of historic awards and annual vestings.
Shareholding guidelines	As the Company is not quoted, Directors and senior management are unable to sell shares except as approved by the Remuneration Committee.
Malus and clawback	Any bonus that has been deferred is capable of a downward adjustment or forfeiture and the rules of the deferred equity award plan ensure that equity can be clawed back even after vesting.

Report of the Directors

The Directors present their annual report and audited consolidated financial statements for Rothesay Limited (the Company), registered number 08668809, for the year ended 31 December 2024.

Comparative information has been presented for the year ended 31 December 2023.

1. General information

Rothesay Limited is the ultimate holding company of the Rothesay group of companies. Rothesay Limited is a registered limited company incorporated and domiciled in the United Kingdom.

All accounting policies, where relevant, have been included within the specific note disclosures.

2. Results

The consolidated results for Rothesay and its subsidiaries (the Group or Rothesay) for the year are set out in the consolidated statement of comprehensive income on page 138. All likely future developments and material assessments of the Group's performance are discussed in the Strategic Report. There were no post balance sheet events.

3. Registered office

Details of the Company and its subsidiaries, including registered offices, can be found in note H.2.

Copies of the annual accounts of subsidiary undertakings are publicly available on the Companies House website or can be obtained from the Company Secretary, The Post Building, 100 Museum Street, London WC1A 1PB.

4. Directors

The membership of the Board of Directors of the Company is given within the Corporate Governance Report on pages 104 to 107, which is incorporated by reference in this report.

During 2024 and up to the date of this report, the following changes to the Board took place:

- Charles Pickup stood down from the Board on 31 March 2024; and
- Katherine Garner was appointed to the Board as an independent Non-Executive Director on 1 April 2024.

5. Qualifying third-party indemnities

The Articles of Association of the Company provide for the Directors and Officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. The Company also provides certain protections for Group Directors and senior management against personal financial exposure that they may have incurred in their capacity as such. These include qualifying third-party indemnity provisions (as defined under Section 234 of the Companies Act 2006) in force for the benefit of the Directors of the Group during the year and at the date of approval of the financial statements.

6. Dividend

The Board approved the payment of an interim dividend on 9 August 2024 the size of the payment was £361m (2023: £351m) which was paid on 8 October 2024. The Directors have recommended no final ordinary dividend in respect of the year ended 31 December 2024 (2023: £nil).

7. Disclosure of information to auditors

In the case of each Director in office at the date the Directors' report is approved:

- So far as each Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- They have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

8. Auditors

PricewaterhouseCoopers LLP will continue in office as auditors of the Company pursuant to Section 487(2) of the Companies Act 2006. Resolutions to reappoint PricewaterhouseCoopers LLP as auditors to the Group and to authorise the Directors to determine their remuneration are proposed.

Report of the Directors continued

9. Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

10. Internal control and risk management systems

Rothesay has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. 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 checks on internal 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 appraised 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.

11. Streamlined Energy and Carbon Reporting

Rothesay Limited has prepared Streamlined Energy and Carbon Reporting (SECR) for the Rothesay Group. The Rothesay Limited Group SECR can be found in the ESG section of this report.

12. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 14 February 2025.

ON BEHALF OF THE BOARD

Tom Pearce
Chief Executive Officer
14 February 2025

Independent auditors' report to the members of Rothesay Limited

Report on the audit of the financial statements

Opinion

In our opinion, Rothesay Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts 2024 (the "Annual Report"), which comprise: Consolidated and Company statements of financial position as at 31 December 2024; the Consolidated statement of comprehensive income, the Consolidated and Company cash flow statements, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and, as agreed with the Audit Committee, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Other than those disclosed in note B.7 Auditors' remuneration, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Independent auditors' report to the members of Rothesay Limited continued

Our audit approach

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material consolidated Group and Company financial statement line items.

Key audit matters

- Valuation of certain financial investments classified as Level 3 under IFRS 13 (Group)
- Valuation of insurance contract liabilities – Longevity Methodology and Assumptions (Group)
- Valuation of insurance contract liabilities – Credit Default Risk Methodology and Assumptions (Group)
- Recoverability of the Company's investment in Rothesay Life Plc undertaking (parent)

Materiality

- Overall Group materiality: £85,000,000 (2023: £82,500,000) based on 1.08% of Adjusted Equity **(APM)**.
- Overall Company materiality: £27,810,000 (2023: £25,840,000) based on 1.00% of Total Assets.
- Performance materiality: £63,750,000 (2023: £62,000,000) (Group) and £20,857,500 (2023: £19,380,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Transition to IFRS 17, specifically the methodology and assumptions used to determine the coverage units for deferred members and the methodology and assumptions used to calculate the CSM for contracts measured using the Fair Value approach, which was a key audit matter last year, is no longer included. This is because these were specific risks related to the first time adoption of IFRS 17 Insurance Contracts, which was effective for the previous annual reporting period. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of certain financial investments classified as Level 3 under IFRS 13 (Group)	

As disclosed in note D.1 Financial Investments and D.7 Payables and financial liabilities.
 	
The valuation of certain investments classified as Level 3 is considered inherently complex and uses management judgement to determine the appropriate methodology and selection of assumptions. These assets are typically modelled using unobservable inputs. Furthermore, the balances are material to the financial statements.
 	
We have focused on the following Level 3 financial instruments within the scope of our Key Audit Matter based on magnitude and inherent risk: investments in lifetime mortgages (LTM), illiquid corporate bonds, and loans secured on property which primarily consists of commercial real estate loans, Dutch residential mortgages (DRM), loans secured on ground rent assets, and French home loans acquired during the year.
 	
Lifetime mortgages
Management's LTM portfolio is valued using an internal model which includes significant unobservable inputs impacting expected loan cashflows and the No Negative Equity Guarantee. Determining the valuation methodology to apply, and the calibration of key assumptions at the reporting date are areas requiring expert judgement.
 	
Illiquid corporate bonds and loans secured on property
Illiquid corporate bonds and loans secured on property are predominantly valued using discounted cash flow models. In determining the discount margin used to calculate the fair value of these securities, management will consider a range of information which may include the securities credit rating. Where not externally available, management will assign an internal credit rating. Determining the internal credit ratings and the discount margins require expert judgement.
 	
Certain balances within loans secured on property are valued using complex internal models which contain significant unobservable inputs. Determining the valuation methodology to apply, and the calibration of key assumptions at the reporting date are areas requiring expert judgement.
	The procedures to assess the appropriateness of the valuation of certain investments classified as Level 3 included the following:
	
	• Assessed the design and, where applicable, the operating effectiveness of controls, including the monthly price verification process and controls over the accuracy of significant data inputs;
	
	For lifetime mortgages, we;
	
	• Tested inputs into the valuation model to external sources, where possible, and contractual data;
	• Engaged our auditors' experts to consider the appropriateness of management's valuation methodology and relevant assumptions, including, but not limited to, property price assumptions, future prepayments, and illiquidity premiums;
	• Revalued a sample of LTM portfolios using an independent model, to confirm that management's valuations are in line with the reviewed methodology and assumptions.
	
	For illiquid corporate bonds and loans secured on property, we;
	
	• Tested inputs into the valuation models to external sources, where possible, and contractual data;
	• Engaged our auditors' experts to;
	    ◦ Consider the appropriateness, where relevant, of management's valuation and credit rating methodologies.
	    ◦ Assess the appropriateness of the year end calibration of key assumptions with reference to market information, historical performance, and expert judgement;
	    ◦ For a sample of investments, reperform management's valuation to confirm model calculations are appropriate.

Independent auditors' report to the members of Rothesay Limited continued

Key audit matter	How our audit addressed the key audit matter
The Leasehold and Freehold Reform Act 2024 was passed in 2024, however there remains legislative risk and valuation uncertainty related to the secondary legislation and the ultimate outcome of future legislative changes. This continued uncertainty impacts both the valuation of the loans secured on ground rent assets, which are included within Loans Secured on Property, as well as the Credit Default assumption associated with these assets (the latter of which is considered in the Key Audit Matter below). We note specifically that alternative judgements could be made which could be considered reasonable that would result in a materially different valuation to the assets held.	• Assessed the appropriateness of the expert judgements made in determining the impact of secondary legislation of the Leasehold and Freehold Reform bill on the valuation of the loans secured on ground rent assets, including ensuring that sufficient consideration was given to a range of likely outcomes of the secondary legislation and potential subsequent changes in legislation; and • Considered the appropriateness of the associated disclosure given the inherent uncertainty remaining. Based on the procedures performed and evidence obtained, we consider the valuation of Level 3 financial investments to be appropriate.
Valuation of insurance contract liabilities – Longevity Methodology and Assumptions (Group)	
As disclosed in note E - Insurance contracts and reinsurance. Annuitant mortality and specifically longevity improvements are inherently uncertain and continue to be an area of judgement. The potential long-term impact of the COVID-19 pandemic on longevity also involves significant expert judgement. Management utilises the Group's own historic experience and available market data in the calculation of the appropriate assumptions. For the rate of mortality improvement, this includes the latest model and datasets from the Continuous Mortality Investigation (CMI) bureau, CMI 2023. The IFRS 17 Risk Adjustment for longevity is calibrated using reinsurance pricing to determine stressed mortality assumptions to reflect the entity's required compensation for the risk. We consider the longevity methodology and assumptions underpinning the insurance contract liabilities to be a key audit matter, especially given the mono-line nature of the Group's insurance business.	The procedures to assess the appropriateness of the longevity methodology and assumptions used in the valuation of the insurance contract liabilities included the following: • Tested the reasonableness of the base mortality methodology and assumptions, including for new liability trades, with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; • Tested the controls in place around the performance of longevity experience analysis studies, approval of the proposed methodology and assumptions; and their implementation within actuarial models; • Assessed the appropriateness of expert judgements used in the development of the mortality improvement methodology and assumptions by applying our industry knowledge and experience. This includes the selection and parameterisation of the CMI model including the choice of the smoothing parameter and long term improvement rate, as well as any expert judgements used in relation to the potential future impact of the current economic environment and the potential long term impacts the COVID-19 pandemic have had on longevity; • Assessed the appropriateness of expert judgements used in the IFRS 17 Risk Adjustment calibration for longevity risk by applying our industry knowledge and experience; • Compared the longevity methodology and assumptions selected by the Group against those used by their peers using our annual survey of the market; and • Assessed the disclosure of the longevity methodology and assumptions and the associated financial impact on the liabilities arising from changes in these over 2024. Based on the audit procedures performed and evidence obtained, we consider the longevity methodology and assumptions used in the valuation of Insurance contract liabilities to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities – Credit Default Risk Methodology and Assumptions (Group)	
As disclosed in note E – Insurance contracts and reinsurance. The Group has significant holdings in complex and illiquid investments in addition to liquid assets. The credit default risk assumption determines a deduction from the yield on the assets assumed to back the liabilities; this asset yield is used to determine the top-down discount rate used to value the liabilities. The credit default risk for these illiquid assets is judgemental and is generally lower than the corresponding credit default risk deduction on a typical unsecured credit portfolio. The methodology used to determine the credit default risk for liquid assets is more complex than others in the market. The deduction from the asset yield reflects the Group's view of the value of the security held for the asset class which in itself is an area of judgement. The challenging economic environment has also increased the uncertainty in relation to the credit default assumptions made. For 2024 year end, the calibrations of the credit default assumptions for both the liquid and illiquid asset classes have been assessed and updated where necessary to reflect the most up to date information available. This includes loans secured on ground rent assets and the potential impact of the current Leasehold reform environment.	The procedures to assess the appropriateness of the credit default risk methodology and assumptions used in the valuation of the insurance contract liabilities included the following: • Assessed the methodologies used to derive the assumptions for both liquid and illiquid asset classes with reference to relevant rules and actuarial guidance, by applying our industry knowledge and experience and by assessing the consistency of the assumptions with those used for the asset valuations where appropriate; • Tested controls performed by management over the approval and implementation of credit default methodology and assumptions as well as controls over monitoring and updating the IFRS 17 discount rate to reflect changes in credit default assumptions; • Validated significant assumptions used by management against market observable data (to the extent available and relevant) and our experience of market practices; • Assessed the reasonableness of the expert judgements made in determining the impact of the current regulatory environment surrounding leasehold reform on the credit default assumptions for loans secured on ground rent assets; • Compared the assumptions selected against those adopted by peers using our annual survey of the market (to the extent available); • Tested the analysis of the movement in credit default risk assumption prepared by management for each asset class based on current market data and developments in the asset portfolio; and • Assessed the disclosure of the credit default risk assumptions and the associated financial impact on the liabilities from changes in these assumptions over 2024. Based on the procedures performed and evidence obtained, we consider the methodology and assumptions for Credit Default used in the valuation of Insurance contract liabilities to be appropriate.

Independent auditors' report to the members of Rothesay Limited continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of the Company's investment in Rothesay Life Plc undertaking (parent)	
Refer to Financial statements of the Company and Note H – Investments in subsidiaries Rothesay Limited Company has investment in subsidiaries held at cost less impairment. Rothesay Life Plc, the regulated life insurance company, is the material investment in subsidiary for the Company. Given the principal purpose of the parent Company is as a holding company, and the magnitude of the investment in subsidiaries, the assessment of whether there were any indicators of impairment was a key area of audit focus.	In respect to the carrying value of investments in Rothesay Life Plc ('RLP') we: • Verified that the accounting policy is in compliance with the applicable financial reporting framework; • Considered the reasonableness of management's assessment at to whether there is any indication of impairment; • Assessed other external and internal sources of information to determine whether any other indicators of impairment exist. Based on the procedures performed and the evidence obtained, we consider the carrying value of investments in RLP to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Decisions regarding scoping require professional judgement based on quantitative and qualitative considerations, including the size and nature of business activities in each operating entity.

The Group is predominantly based in the United Kingdom and its core business is the pension scheme Bulk Purchase Annuity market.

The Group consists of the parent Company, Rothesay Limited, and a number of subsidiary companies, of which the most significant is Rothesay Life Plc, the regulated life insurance company within the Group.

We have determined two components which were subject to full scope audits, Rothesay Limited (Company) and Rothesay Life plc. In addition, we performed a limited scope audit covering specific financial statement line items for a further three components. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement.

Our scoping resulted in 93% coverage of consolidated total assets, 93% coverage of consolidated total liabilities and 98% coverage of consolidated profit before tax.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate risk on the Group's Annual Report and Accounts. Within the Group's Environment, Social and Governance Report section of the Annual Report and Accounts, there is discussion on climate change (including the Task Force on Climate-related Financial Disclosures (TCFD)). Rothesay have made commitments to achieving net zero emissions by 2050 and to transitioning their 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. We have considered these disclosures as part of our consideration of other Information disclosed in the Annual Report and Accounts as set out in the 'Reporting on other information' section of this report. The key area of the financial statements where Rothesay evaluated that climate risk has a potential impact is in the valuation of financial investments, specifically Loans secured on property. We agree that this is the key area of potential impact and that the relevant disclosures that have been made within the financial statements are appropriate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£85,000,000 (2023: £82,500,000)	£27,810,000 (2023: £25,840,000)
How we determined it	1.08% of Adjusted Equity **(APM)**	1.00% of Total Assets
Rationale for benchmark applied	We determine a materiality that reflects the context of the business performance and benchmarks which represent key performance indicators considered important to the users of the financial statements. Adjusted Equity **(APM) i**s equivalent to total equity plus CSM net of tax, less the value of sterling-denominated RT1 debt. We consider Adjusted Equity **(APM)** to be the most appropriate benchmark as it represents a reflection of value that aligns with the long-term value of the Group. We have presented the materiality as a percentage of Adjusted Equity **(APM)** and considered alternative benchmarks including: Total assets; Insurance revenue and Insurance service result; and Profit before tax, in determining the appropriate materiality to be applied.	We consider that total assets is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark for the purpose of the Company financial statements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £6,000,000 and £80,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

Independent auditors' report to the members of Rothesay Limited continued

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £63,750,000 (2023: £62,000,000) for the Group financial statements and £20,857,500 (2023: £19,380,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,250,000 (Group audit) (2023: £4,100,000) and £1,390,500 (Company audit) (2023: £1,292,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Directors' going concern assessment, including key assumptions, using our knowledge of Group and Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Assessing the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been driven by the Group's ORSA as well as any relevant external factors;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the Directors' assessment of going concern; and
- inquiring and understanding the actions taken by management to mitigate the identified risks, including review of Board Risk Committee minutes and attendance of all Audit Committees.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates, including the valuation of insurance contract liabilities and the valuation of investments classified as Level 3 under IFRS 13. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the Group's whistleblowing register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;

Independent auditors' report to the members of Rothesay Limited continued

- Reviewing relevant meeting minutes including those of the Risk Committee and attending all Audit Committees;
- Reviewing data regarding policyholder complaints, the Group's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Assessing whether there is any indication of management bias in the key accounting estimates including the valuation of insurance contract liabilities and the valuation of certain investments classified as Level 3 under IFRS 13;
- Determining a fraud risk criteria to identify potential inappropriate journals and obtaining appropriate audit evidence as required; and
- Designing audit procedures that incorporated unpredictability around the nature, timing or extent of our testing to material and immaterial financial statement line items.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. As agreed with the Audit Committee, we also describe our audit approach, including communicating key audit matters.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Thomas Ferguson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 February 2025

Section **four**

Financial Statements

In this section

The financial statements set out the consolidated results for Rothesay Limited and its subsidiaries for the year ended 31 December 2024.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Insurance revenue	B.1	**4,234**	3,127
Insurance service expense	B.1	**(3,475)**	(2,658)
Net expense from reinsurance contracts held	B.1	**(63)**	(49)
Insurance service result		**696**	420
Total investment (loss)/return	B.2	**(1,699)**	5,100
Finance income/(expense) for insurance contracts issued	B.2	**2,031**	(4,380)
Finance (expense)/income for reinsurance contracts held	B.2	**(191)**	391
Net insurance finance result		**1,840**	(3,989)
Net insurance and investment result		**837**	1,531
Operating expenses	B.3	**(84)**	(118)
Finance costs	B.4	**(640)**	(507)
Profit before tax		**113**	906
Income tax expense	B.8	**(32)**	(213)
Profit for the year		**81**	693

	Note	2024 £m	2023 £m
Profit for the financial year		**81**	693
Other comprehensive income/(loss):			
Items that are or may be reclassified to profit or loss		**—**	—
Currency translation:			
Losses from translation of foreign operations		**—**	(1)
Cash flow hedges:			
Fair value gains/(losses) during the year	C.4	**4**	(3)
Total comprehensive income for the year		**85**	689

All income and expenses are related to continuing operations.

Notes A–I form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2024

	Notes	2024 £m	2023 £m
Assets			
Property, plant and equipment	I.1	**48**	27
Lease – right-of-use assets	I.6	**51**	57
Financial investments	D.1	**117,428**	98,968
Deferred tax asset	G.1	**586**	658
Reinsurance contract assets	E.2	**302**	216
Accrued interest and prepayments	D.3	**1,062**	870
Receivables	D.4	**3,836**	2,013
Cash and cash equivalents	D.5	**241**	267
Assets held for sale	D.6	**3**	127
Total assets		**123,557**	103,203
Equity and liabilities			
Equity			
Share capital	C.1	**3**	3
Share premium	C.4	**681**	507
Tier 1 notes	C.3	**793**	793
Employee scheme treasury shares and share-based payment reserve	C.2	**(148)**	(150)
Other reserves	C.4	**137**	133
Profit and loss reserve	C.4	**2,749**	3,065
Total equity		**4,215**	4,351
Liabilities			
Insurance contract liabilities	E.1	**64,222**	54,630
Reinsurance contract liabilities	E.2	**223**	461
Payables and financial investment liabilities	D.7	**52,012**	41,281
Leasehold liabilities	I.6	**64**	72
Borrowings	D.8	**2,616**	2,248
Accruals	D.9	**205**	160
Total liabilities		**119,342**	98,852
Total equity and liabilities		**123,557**	103,203

Notes A–I form an integral part of these financial statements.

The financial statements on pages 138 to 223 were approved by the Board of Directors on 14 February 2025 and signed on its behalf by:

Tom Pearce
Chief Executive Officer
14 February 2025
Company number 08668809

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Employee scheme treasury shares and share-based payment reserve £m	Profit and loss reserve £m	Other reserves £m	Total equity £m
As at 1 January 2024		**3**	**507**	**793**	**(150)**	**3,065**	**133**	**4,351**
Profit for the financial year	C.4	**—**	**—**	**—**	**—**	**81**	**—**	**81**
Tier 1 note coupon	C.3, C.4	**—**	**—**	**—**	**—**	**(47)**	**—**	**(47)**
Tier 1 coupon tax relief	C.3, C.4	**—**	**—**	**—**	**—**	**11**	**—**	**11**
Effective portion of changes in fair value of cash flow hedges	C.4	**—**	**—**	**—**	**—**	**—**	**4**	**4**
Share issuance	C.1, C.4	**—**	**174**	**—**	**—**	**—**	**—**	**174**
Dividends paid	C.4, C.5	**—**	**—**	**—**	**—**	**(361)**	**—**	**(361)**
Share-based payments	C.2	**—**	**—**	**—**	**2**	**—**	**—**	**2**
As at 31 December 2024		**3**	**681**	**793**	**(148)**	**2,749**	**137**	**4,215**

For the year ended 31 December 2023

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Employee scheme treasury shares and share-based payment reserve £m	Profit and loss reserve £m	Other reserves £m	Total equity £m
As at 1 January 2023		3	507	793	(143)	2,760	137	4,057
Profit for the financial year	C.4	—	—	—	—	693	—	693
Currency translation	C.4	—	—	—	—	—	(1)	(1)
Tier 1 note coupon	C.3, C.4	—	—	—	—	(47)	—	(47)
Tier 1 coupon tax relief	C.3, C.4	—	—	—	—	10	—	10
Effective portion of change in fair value of cash flow hedges	C.4	—	—	—	—	—	(3)	(3)
Dividends paid	C.4, C.5	—	—	—	—	(351)	—	(351)
Share-based payments	C.2	—	—	—	(7)	—	—	(7)
As at 31 December 2023		3	507	793	(150)	3,065	133	4,351

Other reserves as at 31 December 2024 includes a hedging reserve of £5m (2023: £1m) and the reorganisation reserve (please see glossary for further details) of £132m (2023: £132m) (which reflects the impact of Rothesay's reorganisation in 2013, specifically the excess of consolidated net assets to the historical cost of investment in subsidiary entities) (see note C.4).

Consolidated cash flow statement

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Profit for the year		**81**	693
Adjustments for non-cash movements in net profit for the year			
Hedging reserve	C.4	**4**	(3)
Currency translation	C.4	**—**	(1)
Exchange rate movement on USD borrowings		**6**	(19)
Amortisation of debt costs	B.4	**7**	4
Property, plant and equipment depreciation	I.1	**2**	3
Lease – right-of-use assets depreciation	I.6	**6**	4
Financing charge on leasehold liabilities	B.4	**4**	2
Employee benefit trust	C.2	**(12)**	6
Share-based payment	C.2	**14**	(14)
Interest income	B.2	**(3,086)**	(2,331)
Interest expense	B.4	**627**	499
Income tax (credit)/expense	B.8	**(39)**	157
Net (increase)/decrease in operational assets			
Financial investments	D.1	**(18,460)**	(8,039)
Deferred tax asset	G.1	**72**	55
Reinsurance contract assets	E.2	**(86)**	(162)
Receivables	D.4	**(1,741)**	94
Prepayments	D.3	**(21)**	55
Assets held for sale	D.6	**124**	(127)
Net increase/(decrease) in operational liabilities			
Insurance contract liabilities	E.1	**9,592**	13,659
Reinsurance contract liabilities	E.2	**(238)**	(387)
Financial investment liabilities	D.7	**10,652**	(5,775)
Other payables	D.7	**183**	(236)
Accrued expenses	D.9	**8**	8
Cash flows used in operating activities		**(2,301)**	(1,855)
Interest paid		**(590)**	(445)
Interest received		**2,915**	2,212
Taxes paid		**(137)**	—
Net cash flows used in operating activities		**(113)**	(88)
Cash flows generated from financing activities			
Interest payments on Tier 1 notes	C.3	**(47)**	(47)
Cash outflows for leases	I.6	**(10)**	(3)
Repayment of borrowings	D.8	**(400)**	—
Proceeds from issuance of debt (net of issuance costs)	D.8	**754**	498
Proceeds from issuance of ordinary share capital (including share premium)	C.1	**174**	—
Dividends paid	C.5	**(361)**	(351)
Net cash flows generated from financing activities		**110**	97
Net cash outflows used in investing activities			
Acquisitions of property, plant and equipment	I.1	**(23)**	(12)
Net cash outflows used in investing activities		**(23)**	(12)
Net decrease in cash and cash equivalents		**(26)**	(3)
Cash and cash equivalents at 1 January	D.5	**267**	270
Cash and cash equivalents at 31 December	D.5	**241**	267

Company statement of financial position

As at 31 December 2024

	Notes	2024 £m	2023 £m
Assets			
Investment in subsidiaries	H.2	**2,651**	2,476
Receivables	D.4	**119**	108
Cash and cash equivalents		**1**	—
Total assets		**2,771**	2,584
Equity and liabilities			
Share capital	C.1	**3**	3
Share premium	C.4	**681**	507
Share-based payment reserve		**(30)**	(45)
Profit and loss reserve		**1,939**	1,950
Total equity		**2,593**	2,415
Liabilities			
Other payables	D.7	**178**	169
Total liabilities		**178**	169
Total equity and liabilities		**2,771**	2,584

Notes A–I form an integral part of these financial statements.

The loss of the Company for the financial year was £11m (2023: loss of £9m). As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements.

The financial statements on pages 138 to 223 were approved by the Board of Directors on 14 February 2025 and signed on its behalf by:

Tom Pearce
Chief Executive Officer
14 February 2025
Company number 08668809

Company statement of changes in equity

For the year ended 31 December 2024

	Share capital £m	Share premium £m	Share-based payment reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2024	**3**	**507**	**(45)**	**1,950**	**2,415**
Loss for the financial year	**—**	**—**	**—**	**(11)**	**(11)**
Share issuance	**—**	**174**	**—**	**—**	**174**
Dividends received	**—**	**—**	**—**	**361**	**361**
Dividends paid	**—**	**—**	**—**	**(361)**	**(361)**
Share-based payments	**—**	**—**	**15**	**—**	**15**
As at 31 December 2024	**3**	**681**	**(30)**	**1,939**	**2,593**

For the year ended 31 December 2023

	Share capital £m	Share premium £m	Share-based payment reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2023	3	507	(46)	1,959	2,423
Loss for the financial year	—	—	—	(9)	(9)
Dividends received	—	—	—	351	351
Dividends paid	—	—	—	(351)	(351)
Share-based payments	—	—	1	—	1
As at 31 December 2023	3	507	(45)	1,950	2,415

Company cash flow statement

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Loss for the year	I.2	**(11)**	(9)
Adjustments for non-cash movements in net loss for the year			
Share-based payments		**14**	(1)
Amortisation of debt costs		**2**	2
Interest expense		**4**	3
Net increase in operational assets			
Receivables	D.4	**(11)**	(10)
Net increase/(decrease) in operational liabilities			
Other payables	D.7	**9**	20
Accruals		**—**	(1)
Net cash flows generated from/(used in) operating activities		**7**	4
Cash flows used in financing activities			
Proceeds from issuance of ordinary share capital	C.1	**174**	—
Interest paid		**(5)**	(5)
Dividends paid	C.5	**(361)**	(351)
Net cash flows used in financing activities		**(192)**	(356)
Cash flows generated from/(used in) investing activities			
Dividends received	I.2	**361**	351
Investment in subsidiaries	H.2	**(175)**	1
Net cash flows generated from investing activities		**186**	352
Net increase in cash and cash equivalents		**1**	—
Cash and cash equivalents at 1 January		**—**	—
Cash and cash equivalents at 31 December		**1**	—

Notes to the financial statements

Note A – Material accounting policy information

A.1 Basis of preparation and consolidation

The consolidated financial statements of Rothesay and those of the Company have been prepared and approved by the Directors in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. The accounting policies have been applied consistently. The financial statements have been prepared on a going concern basis. The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties measured at fair value and finance leases measured at fair value less cost to sell that are held for sale (see note D.6) and financial assets and financial liabilities that are measured at fair values (see notes D.1 and D.7) at the end of each reporting period.

The Directors have considered the appropriateness of adopting the going concern basis for the preparation of the consolidated financial statements. The Board has considered forward-looking scenarios intended to test the impact of stresses and scenarios that may impact Rothesay's ability to execute its business plan. The results demonstrate the robustness of Rothesay's solvency. Management and the Board believe Rothesay is well-capitalised on both a regulatory and economic capital basis and therefore the Board believes it is appropriate to continue to adopt the going concern basis of accounting (see viability and going concern section).

The consolidated and separate financial statements of the Company are presented in sterling (£) rounded to the nearest million (£m) except where otherwise stated. The separate Company statement of financial position is presented on page 142.

An analysis regarding recovery or settlement more than 12 months after the year end is presented in the notes.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by IFRS.

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Rothesay obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date Rothesay gains control until the date Rothesay ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. The notes to the financial statements reflect the Rothesay Group position unless otherwise stated.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions and dividends, are eliminated in full.

Control is achieved when Rothesay is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Rothesay controls an investee if and only if Rothesay has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Rothesay reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Notes to the financial statements continued

Note A – Material accounting policy information (continued)

A.1 Basis of preparation and consolidation (continued)

All of Rothesay's business risks and returns are within one business segment (i.e. long-term insurance annuities business). This includes the premiums generated on inwards reinsurance contracts; please refer to note B for Rothesay's total insurance revenue. Rothesay's insurance operations are within the United Kingdom.

During the preparation of the consolidated financial statements, Rothesay selects accounting policies and makes estimates and assumptions that impact on the items reported and their presentation. The Audit Committee reviews the reasonableness of these judgements and assumptions as well as the appropriateness of the accounting policies applied. Judgements are decisions which management has made in the process of applying Rothesay's accounting policies. Key considerations of the standard include:

- Assessment of the significance of insurance risk transferred to Rothesay in determining whether a contract should be accounted for as an insurance or investment contract (see note A.2);
- Assessment of the level of aggregation of insurance and reinsurance contracts which includes identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently (see note E);
- The method used to measure the risk adjustment for non-financial risk (see note E.7(e));
- The method used to measure the coverage units for both immediate and deferred annuities provided under insurance contracts (see note E.6); and
- The assessment of whether Rothesay controls underlying entities and investments (see note H.1).

Estimates are based on evidence available at the accounting date and opinions provided by subject matter experts. Actual results may vary from the estimates provided. As new facts become available estimates will be updated. Items considered particularly susceptible to changes in estimates are noted below:

- Fair value of financial investments where quoted market prices are not available (see note D.1).
- Measurement of (re)insurance contract liabilities (see note E).

In accordance with IAS 1 and published FRC guidance, within each of the relevant notes Rothesay has included the following information:

- the assumptions made and the uncertainties around these;
- how sensitive the assets and liabilities are to these assumptions;
- expected resolution of the uncertainty and the range of possible outcomes for the financial year ending 31 December 2025; and
- explanation of any changes made to past assumptions if the uncertainty is unresolved.

A.2 Contract classification

Contracts under which Rothesay accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are classified as insurance contracts. Rothesay has classified its policyholder contracts as insurance contracts based on a contract-by-contract assessment of substantive rights and obligations. Rothesay uses judgement to assess whether a contract transfers significant insurance risk and whether the transferred insurance risk is significant by considering scenarios with commercial substance in which Rothesay has the possibility of a significant loss. For Rothesay, the most material such risk is longevity risk, i.e. the risk that the policyholder lives for longer than expected. Unless otherwise stated, insurance contracts issued also includes reinsurance contracts issued by Rothesay.

Contracts that do not transfer significant insurance risk are investment contracts.

Note A – Material accounting policy information (continued)

A.3 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the financial statement date. Gains and losses on exchange are recognised in investment returns and operating expenses. The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate;
- income, expenses and cash flows denominated in foreign currency are translated at average exchange rates; and
- all resulting exchange differences are recognised through the statement of consolidated comprehensive income and taken to the currency transaction reserve within equity.

A.4 Accounting policies and changes in accounting policies

Accounting policies have been consistently applied in these consolidated financial statements. Where accounting policies can be directly attributed to a specific note, the policy is presented in that note. The following amendments to existing standards are effective on 1 January 2024:

Amendments to IAS 1, Presentation of Financial Statements

These amendments to classification of liabilities as current or non-current, and non-current liabilities with covenants clarify that the classification of liabilities as current or non-current is based solely on a Company’s right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance. The amendments improve the information an entity provides related to liabilities subject to these conditions. These amendments have no impact on Rothesay.

Amendments to IFRS 16, Leases

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. These amendments have no impact on Rothesay.

Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures

These amendments require an entity to disclose qualitative and quantitative information about its supplier finance programmes and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. These amendments have no impact on Rothesay.

Notes to the financial statements continued

Note A – Material accounting policy information (continued)
A.4 Accounting policies and changes in accounting policies (continued)
New amendments to existing standards that are not yet effective during the year:

Amendments to IAS 21, Foreign Exchange
The amendments impact an entity when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. These amendments are effective for reporting periods beginning on or after 1 January 2025. These amendments are not expected to have any impact on Rothesay.

Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures
The amendments to the classification and measurement of financial instruments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9. The amendments include: (i) clarifying the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; (ii) further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion; (iii) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and (iv) make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income. The amendments are effective for reporting periods beginning on or after 1 January 2026. These amendments are not expected to have any impact on Rothesay.

New accounting standards that are not yet effective during the year:

IFRS 18, Presentation and Disclosure in Financial Statements
This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss and related disclosures. The key new concepts introduced include: (i) changes in the structure of the statement of profit or loss; (ii) required disclosures in the financial statements for management performance measures; and (iii) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. This new accounting standard will be effective for reporting periods beginning on or after 1 January 2027. The adoption of this new accounting standard is expected to impact the presentation of the statement of income of Rothesay and additional disclosures in relation to management performance measures.

IFRS 19, Subsidiaries without Public Accountability: Disclosures
This new standard provides the option for an eligible subsidiary to apply the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries and will be effective for reporting periods beginning on or after 1 January 2027. This new accounting standard is not expected to have any impact on Rothesay.

Note B – Income statement notes

Insurance revenue
Insurance revenue is recognised as Rothesay provides services under groups of insurance contracts. Such contracts include reinsurance inwards, i.e. where Rothesay has reinsured a third-party insurer. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which Rothesay expects to receive consideration, and comprises the following items:
- *A release of the CSM, measured based on coverage units released during the year (see note E for further details).*
- *Changes in the risk adjustment for non-financial risk relating to current services.*
- *Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year.*
- *Other amounts, including experience adjustments for premium receipts for current or past services.*

In addition, Rothesay allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. Rothesay recognises the allocated amount as insurance revenue and an equal amount as insurance service expense.

The amount of CSM recognised in the profit or loss in the year represents the coverage units released based on the quantity of services provided to the policyholder during the year. The number of coverage units is a quantification of services provided under the contracts in the group. Services provided under insurance contracts include insurance coverage and investment services for generating an investment return for policyholders. The quantity of benefits provided as part of the investment return service includes both the value generated to the policyholder by investing deferred policy premiums, and the value that Rothesay stands ready to pay policyholders upon them exercising their options before the in-payment period, such as the policyholder's ability to take a transfer value or to commute part of the value of their pension in lieu of an annuity.

Insurance service expense
Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. The insurance service expense includes:
- *Incurred claims and other insurance service expenses.*
- *Amortisation of insurance acquisition cash flows. This is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows.*
- *Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.*

Payments relating to investment components and premium refunds are excluded from insurance service revenue and insurance service expense (see note E.1).

Net expense from reinsurance contracts held
Reinsurance expenses are recognised similarly to insurance revenue. Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. Rothesay recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each year represents the total of the changes in the asset for remaining coverage that relate to services for which Rothesay expects to pay consideration.

Allocation of reinsurance premiums paid include:
- *Expected recovery for insurance service expenses incurred during the year.*
- *Change in the risk adjustment for non-financial risk.*
- *Net cost/gain recognised in profit or loss for the services received.*
- *Amounts relating to recovery in reinsurance acquisition cash flows.*
- *Other amounts, including reinsurance premiums experience adjustment for current or past service.*

Amounts recoverable from reinsurers include:
- *Amounts recoverable for claims and other expenses incurred during the year.*
- *Changes in amounts recoverable arising from changes in liability for incurred claims.*
- *Amounts relating to recovery in reinsurance acquisition cash flows.*

Notes to the financial statements continued

Note B – Income statement notes (continued)

B.1 Insurance service results

Analysis of the total insurance revenue, insurance service expenses and net expense from reinsurance contracts held recognised during the year is shown in the following table. Note that Rothesay has not written any onerous insurance contracts nor have any insurance contracts that become onerous during the year. Consequently, Rothesay has not recognised any losses from onerous insurance contracts in the profit or loss.

	2024 £m	2023 £m
Insurance revenue		
Amounts relating to changes in liabilities for remaining coverage:		
– Expected insurance service expense incurred during the year	**3,449**	2,648
– Change in the risk adjustment for non-financial risk	**11**	8
– CSM recognised in profit or loss for the services provided during the year	**725**	442
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	**49**	29
Total insurance revenue	**4,234**	3,127
Insurance service expense		
Incurred claims and other incurred insurance service expenses	**(3,426)**	(2,629)
Amortisation of insurance acquisition cash flows	**(49)**	(29)
Total insurance service expense	**(3,475)**	(2,658)
Insurance service result before reinsurance contracts held	**759**	469
Net expense from reinsurance contracts held		
Amounts relating to changes in liabilities for remaining coverage:		
– Expected recovery for insurance service expenses incurred during the year	**(2,546)**	(2,132)
– Net cost recognised in profit or loss for the services received	**(62)**	(43)
– Amounts relating to recovery in insurance acquisition cash flows	**5**	2
Total allocation of reinsurance premiums paid	**(2,603)**	(2,173)
Amounts recoverable for claims and other expenses incurred during the year	**2,545**	2,126
Amounts relating to recovery in insurance acquisition cash flows	**(5)**	(2)
Amounts recoverable from reinsurers	**2,540**	2,124
Total net expense from reinsurance contracts held	**(63)**	(49)
Total insurance service result	**696**	420

Note B – Income statement notes (continued)
B.2 Investment return and net insurance finance income/(expense)

This note provides an analysis of the total investment income and net insurance finance expense recognised in profit or loss during the year. This includes amounts recognised under IFRS 9 and the net insurance finance expense from insurance contracts issued under IFRS 17. Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. Net insurance finance expense includes:

- *Interest accreted to (re)insurance contracts using current financial assumptions on fulfilment cash flows.*
- *Interest accreted to (re)insurance contracts using locked-in rate on the CSM.*
- *Effects of changes in interest rates and other financial assumptions.*
- *Net foreign exchange income/(expense).*
- *Effect of changes in non-performance risk of reinsurers.*

Rothesay disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expense. The groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items.

Net foreign exchange income/(expense) is not shown in the table below because it is not material.

	2024 £m	2023 £m
Interest income on financial investments at fair value through profit or loss FVTPL	**3,086**	2,331
Unrealised (losses)/gains on financial investments and liabilities at FVTPL	**(4,929)**	3,312
Realised gains/(losses) on financial investments and liabilities at FVTPL	**200**	(482)
Investment management expenses	**(56)**	(61)
Total investment (loss)/return	**(1,699)**	5,100
Finance income/(expense) from insurance contracts issued		
Interest accreted to insurance contracts using current financial assumptions on fulfilment cash flows	**(2,745)**	(1,878)
Interest accreted to insurance contracts using locked-in rate on the CSM	**(173)**	(112)
Effects of changes in interest rates and other financial assumptions	**4,949**	(2,390)
Total finance income/(expense) from insurance contracts issued	**2,031**	(4,380)
Finance (expense)/income from reinsurance contracts held		
Interest accreted to reinsurance contracts using current financial assumptions on fulfilment cash flows	**(178)**	(157)
Interest accreted to reinsurance contracts using locked-in rate on the CSM	**8**	5
Effects of changes in interest rates and other financial assumptions	**(22)**	543
Effect of changes in non-performance risk of reinsurers	**1**	—
Total finance (expense)/income from reinsurance contracts held	**(191)**	391
Total net insurance finance income/(expense)	**1,840**	(3,989)
Represented by:		
Amounts recognised in profit or loss	**141**	1,111
Amounts recognised in other comprehensive income	**—**	—

Given the approach to interest rate hedging, Rothesay is effectively over-hedged on an IFRS 17 basis. During 2024, long-term interest rates were higher driving losses (unrealised loss) on the financial investments.

Notes to the financial statements continued

Note B – Income statement notes (continued)

B.2 Investment return and net insurance finance income/(expense) (continued)

Interest accreted to insurance contracts using current financial assumptions on fulfilment cash flows is the change in the carrying amount of the fulfilment cashflows due to accruing interest over time. The interest rates used to determine this amount are based on those prevailing at the beginning of the period. Interest accreted to insurance contracts using locked-in rate on the CSM reflects the change in the carrying amount of the CSM due to accruing interest over time using interest rates that were prevailing when the insurance contracts were written. The interest accretion in 2024 is higher than 2023 due to new business written in 2024 and the change in the interest rate expectations between periods.

Effects of changes in interest rates and other financial assumptions represent the change in the liabilities due to updated economic assumptions. This also includes the basis differences arising when determining adjustments to the CSM using the locked in economic assumptions versus current economic assumptions.

The components of finance income and expenses arising from reinsurance contracts are measured in a similar way to the underlying insurance contracts but also includes a consideration for the effect of changes in non-performance risk of reinsurers.

Note B – Income statement notes (continued)

B.3 Operating expenses

Operating expenses are presented net of expenses attributed to insurance acquisition cash flows and other directly attributable expenses incurred by Rothesay relating to the fulfilment of the group of insurance contracts in the reporting period. Directly attributable expenses are included in measurement of fulfilment cash flows of the group of insurance contracts and recognised in insurance service expenses as incurred. The fulfilment cashflows for 2024 are higher than for 2023 as they include some expenses relating to new business which were incurred after the schemes incepted. Costs that are not directly attributable to a portfolio of insurance contracts are recognised in operating expenses as incurred.

The costs of acquiring new business are treated as insurance acquisition cash flows which are amortised in the insurance service expense over time. Where costs are incurred on business that is expected to be written in a subsequent period, an insurance acquisition asset is established.

Expenses can be broken down as follows:

	2024 £m	2023 £m
Attributable acquisition costs	**168**	161
Fulfilment cash flows	**107**	64
Non-attributable costs	**84**	118
Expenses	**359**	343

Non-attributable costs (shown as operating expenses in the statement of comprehensive income) can be broken down between reinsurance fees, property, plant and equipment and right-of-use assets depreciation, and other non-attributable costs. Other non-attributable costs have reduced due to an increase in costs during the year allowed for in fulfilment cashflows and attributed acquisition costs. Reinsurance fees can be positive or negative as this amount represents the change in provisions relating to such fees.

	2024 £m	2023 £m
Reinsurance fees	**(5)**	(3)
Property, plant and equipment depreciation	**3**	3
Lease – right-of-use assets depreciation	**6**	4
Other non-attributable costs	**80**	114
Operating expenses	**84**	118

No insurance acquisition asset was held at year end 2024 or year end 2023 as all acquisition cashflows were derecognised and included in the measurement of insurance contracts. An insurance acquisition asset held at the beginning of 2023 was derecognised and included in the measurement of the group of insurance contracts in 2023. The table below shows the movement in the value of that asset.

	2024 £m	2023 £m
Opening insurance acquisition asset	**—**	40
Acquisition cash flows during the year	**168**	161
Amounts derecognised and included in the measurement of insurance contracts	**(168)**	(201)
Closing insurance acquisition asset	**—**	—

Notes to the financial statements continued

Note B – Income statement notes (continued)
B.4 Finance costs

Finance costs consist of interest payable on financial liabilities and financing charge on leasehold liabilities. Finance costs are accounted for on an accruals basis.

	2024 £m	2023 £m
Interest payable on collateral	**246**	268
Interest payable on collateralised agreements and financing	**228**	116
Total interest payable on collateral and collateralised agreements	**474**	384
Interest payable on borrowings from related parties	**18**	18
Interest payable on third-party borrowings	**144**	103
Financing charge on leasehold liability	**4**	2
Total borrowing costs	**166**	123
Net finance costs	**640**	507

Debt issuance expenses associated with the issue of subordinated loans are recognised over the term of the loan within interest payable.

B.5 Employee information

	2024 No.	2023 No.
Average number of staff employed during the year	**500**	428
Employees by department at year end		
Management	**35**	30
New business origination and investments	**95**	95
Technology, operations and project management	**246**	203
Finance, legal and HR	**111**	89
Risk and Internal audit	**52**	43
	539	460

Rothesay employee costs during the financial year (including Directors' salaries and other pension costs) are as follows:

	2024 £m	2023 £m
Wages and salaries	**175**	179
Social security costs	**29**	26
Other pension costs	**8**	6
Total employee benefits expense	**212**	211

Note B – Income statement notes (continued)

B.5 Employee information (continued)

Total employee benefit expenses have increased slightly, differences have been driven by changes in the share price and movements in the employee population. The key management personnel who have the authority and responsibility for planning, directing and controlling the activities of Rothesay include its Directors. Further details of key management personnel transactions are included in note I.4.

Directors' emoluments in respect of qualifying services to Rothesay were as follows:

	2024 £m	2023 £m
Directors' remuneration		
Aggregate emoluments	**19**	9
Company pension contributions to money purchase schemes	**—**	—
Total Directors' remuneration	**19**	9
Highest paid Director		
Total amount of emoluments	**9**	4
Company pension contributions to money purchase schemes	**—**	—
Total highest paid Director	**9**	4

In accordance with the Companies Act 2006, Directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services. This total does not include the value of equity awards in accordance with the provisions of Schedule 5 of SI 2008/410.

During 2024, Directors received no emoluments for non-qualifying services which are required to be disclosed. Two Directors have been granted shares in Rothesay Limited (including the highest paid Director) (2023: four) in respect of long-term incentive schemes. No Directors have exercised options during the year. During 2024, three Directors were awarded a total of £10m compensation in relation to a long-term incentive plan, which rewards performance over a three-year period (2023: £nil).

B.6 Pension contributions

Rothesay operates a defined contribution pension scheme, sponsored by Rothesay Pensions Management Limited, and contributions to the scheme are charged to the consolidated statement of comprehensive income as they accrue. Contributions are also paid on behalf of employees of RAM NA and RAM Australia.

The amount charged for the financial year was £8m (2023: £6m). There were no outstanding contributions as at 31 December 2024 (2023: £nil).

Notes to the financial statements continued

Note B – Income statement notes (continued)

B.7 Auditors' remuneration

Fees paid and payable to Rothesay's auditors are as follows:

	2024 £000s	2023 £000s
Remuneration receivable by the Company’s auditors for the audit of the consolidated and Company financial statements	**105**	100
Remuneration receivable by the Company’s auditors for the audit of the financial statements of the Company’s subsidiaries	**2,643**	2,433
Total audit	**2,748**	2,533
Required by regulation	**316**	272
Audit-related assurance services	**274**	260
Other assurance services	**110**	55
Non-audit services	**—**	—
Total fees	**3,448**	3,120

Audit-related assurance services include the review of the Group’s interim accounts and MCEV statements. Other assurance services provided in 2024 and 2023 relate to work associated with the renewal of the Euro Medium Term Note Programme and debt issuances. These services are in compliance with applicable independence rules and Rothesay considered that the external auditors were best placed to provide these services because of their expertise and their understanding of Rothesay.

B.8 Income tax expense

Income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the financial statement date. Management uses previous experience and the advice of professional firms when assessing tax risks.

The major components of income tax expense/(credit) for the years ended 31 December 2024 and 31 December 2023 are set out below:

	2024 £m	2023 £m
Current income tax:		
UK corporation tax	**1**	157
Loss carry back to prior year	**(34)**	—
Adjustment in respect of prior year	**(6)**	—
Total current income tax	**(39)**	157
Deferred tax:		
Origination and reversal of temporary differences	**65**	56
Adjustment in respect of prior year	**6**	—
Total deferred tax	**71**	56
Total tax in the consolidated statement of comprehensive income	**32**	213

Note B – Income statement notes (continued)

B.8 Income tax expense (continued)

The tax expense in the consolidated statement of comprehensive income for the financial year and the standard rate of corporation tax in the UK of 25.00% (2023: 23.52%) is reconciled below:

	2024 £m	2023 £m
Profit on ordinary activities before taxation	**113**	906
Tax calculated at UK standard rate of corporation tax of 25.00% (2023: 23.52%)	**28**	213
Adjustment in respect of prior year	**1**	—
Impact of tax losses carried back at lower tax rate	**2**	—
Permanent differences	**1**	—
Total tax expense reported in the consolidated statement of comprehensive income	**32**	213

The Government of the United Kingdom, where the holding Company of the Group is incorporated, enacted the Pillar Two income taxes legislation, with effect from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. Based on the results for the period, the Group expects to be able to rely on the transitional safe harbour rules for the year ended 31 December 2024. As such, no top-up tax has been accrued during the period.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the financial statements continued

Note C – Equity

C.1 Share capital

At 31 December 2024 and 31 December 2023 the share capital of Rothesay Limited comprised:

	2024		2023	
	No.	£m	No.	£m
Ordinary share capital of £0.002 each	**1,589,914,455**	**3.2**	1,547,867,965	3.1
Ordinary share capital of £0.001 each	**1**	**—**	1	—
Authorised and issued share capital	**1,589,914,456**	**3.2**	1,547,867,966	3.1

On 24 September 2024, Rothesay Limited issued 42,046,490 ordinary shares for total cash consideration of £174m. No changes were made to equity share capital during the year ended 2023.

The ordinary shares issued are analysed into the following categories:

	2024		2023	
	No.	£m	No.	£m
A £0.002 ordinary	**1,555,720,122**	**3.1**	1,513,673,632	3.0
B £0.002 ordinary	**34,194,333**	**0.1**	34,194,333	0.1
D £0.001	**1**	**—**	1	—
Total	**1,589,914,456**	**3.2**	1,547,867,966	3.1

The A and B shares entitle the holder to participate in dividends. All ordinary shares entitle the holder to share in the proceeds of the winding up of the Company in proportion to the number of, and amounts paid on, the shares held. Only the A and D shares have full voting rights. The B ordinary shares have limited voting rights. All classes of shares have been fully paid.

C.2 Employee scheme treasury shares and share-based payment reserve

The Rothesay Employee Share Trust (EBT) was established to purchase and hold shares of the Company for delivery of employee share schemes. Shares owned by the EBT are included at cost in the consolidated statement of financial position and are shown as a deduction from shareholders' equity. Gains and losses on sale of shares are charged or credited to the share-based payment reserve in equity. They are disclosed as employee scheme shares until they vest. The table below provides an analysis of the movement in the number of B ordinary shares held by the EBT.

Number of shares	2024 No.	2023 No.
At 1 January	**19,013,488**	21,212,847
Shares acquired from employees	**988,012**	371,925
Shares transferred to the Employee Share Incentive Plan Trust (ESIP)	**(372,694)**	(380,066)
Shares issued to employees as Restricted Stock Units (RSU) vest	**(2,204,254)**	(2,191,218)
At financial statement date	**17,424,552**	19,013,488

On 28 March 2024, the EBT purchased 920,556 B ordinary shares for consideration of £4.2m, as well as 11,700 ESIP shares purchased from the UK trust. During 2024, it acquired 55,756 (2023: 10,006) B ordinary shares from employees leaving employment.

Note C – Equity (continued)

C.2 Employee scheme treasury shares and share-based payment reserve (continued)

The Rothesay Life UK Employee Share Incentive Plan (ESIP) has also been established. The plan has been structured to operate within specific rules set by HM Revenue & Customs. A new employee benefit trust was established to support the ESIP (the ESIP Trust). During the year, the Trust transferred 372,694 shares to the ESIP Trust (2023: 380,066 shares). These shares are held in trust for participating employees in accordance with the ESIP rules. Shares owned by the ESIP Trust are included at cost in the consolidated statement of financial position and are shown as a deduction from shareholders' equity. They are disclosed as employee scheme shares until they are withdrawn.

The table below provides an analysis of the movement in the number of B ordinary shares held by the ESIP Trust.

Number of shares	2024 No.	2023 No.
At 1 January	**1,120,107**	750,081
Shares acquired by employees	**(11,700)**	—
Shares transferred to employees	**(21,858)**	(10,040)
Shares transferred from the EBT Trust	**372,694**	380,066
At financial statement date	**1,459,243**	1,120,107

During 2024, the Trust transferred 21,858 (2023: 10,040) B ordinary shares to employees leaving employment.

The table below details the movement in both the employee benefit trust and the share-based payment reserve.

	Employee benefit trust £m	Share-based payment reserve £m
1 January 2024	**(57)**	**(93)**
Equity amortisation and fair value movement	**—**	**5**
Employee share buy back	**(3)**	**—**
Equity vesting and transfers	**(9)**	**9**
31 December 2024	**(69)**	**(79)**

	Employee benefit trust £m	Share-based payment reserve £m
1 January 2023	(63)	(80)
Equity amortisation and fair value movement	—	(6)
Employee share buy back	(1)	—
Equity vesting and transfers	7	(7)
31 December 2023	(57)	(93)

Notes to the financial statements continued

Note C – Equity (continued)

C.3 Restricted Tier 1 notes – sterling

The table below provides a summary of Rothesay's sterling-denominated RT1 notes:

Notional amount	Issue date	Callable at par at the option of the Group from	Coupon	Carrying amount 2024 £m	Carrying amount 2023 £m
Loan notes issued through public debt markets					
£350m	12 September 2018	12 September 2028	6.875%	**347**	347
£450m	13 October 2021	13 October 2031	5%	**446**	446
				793	793

Rothesay has the option to cancel the principal or coupon payment on all RT1 notes which becomes mandatorily cancellable upon breach or non-compliance with RLP's SCR, a breach of the minimum capital requirement (MCR) or where Rothesay has insufficient distributable reserves.

The full principal amount of each note is irrevocably and automatically reduced to zero on a permanent basis if RLP determines at any time that:

i) eligible Own Fund items are less than or equal to 75% of the SCR;
ii) eligible Own Fund items are less than or equal to 100% of the MCR; or
iii) a breach of the SCR has occurred and has not been remedied within three months.

Then either:

i) in the case of the £350m of RT1 notes (issued on 12 September 2018), the full principal amount of each note issued is irrevocably and automatically reduced to zero on a permanent basis; or
ii) in the case of the £450m of RT1 notes (issued on 13 October 2021) the notes convert into a new class B of non-voting ordinary shares of RLP.

Note C – Equity (continued)

C.4 Share premium account and reserve

	Share premium £m	Profit and loss reserve £m	Hedging reserve £m	Reorganisation reserve £m
Balances as at 1 January 2024	**507**	**3,065**	**1**	**132**
Profit for the financial year	**—**	**81**	**—**	**—**
Dividends paid	**—**	**(361)**	**—**	**—**
Share capital issuance	**174**	**—**	**—**	**—**
Effective portion of changes in fair value of cash flow hedges	**—**	**—**	**4**	**—**
Tier 1 note coupon	**—**	**(47)**	**—**	**—**
Tier 1 note coupon tax relief	**—**	**11**	**—**	**—**
Balances as at 31 December 2024	**681**	**2,749**	**5**	**132**

	Share premium £m	Profit and loss reserve £m	Hedging reserve £m	Translation reserve £m	Reorganisation reserve £m
Balances as at 1 January 2023	507	2,760	4	1	132
Profit for the financial year	—	693	—	—	—
Dividends paid	—	(351)	—	—	—
Effective portion of changes in fair value of cash flow hedges	—	—	(3)	—	—
Currency translation	—	—	—	(1)	—
Tier 1 note coupon	—	(47)	—	—	—
Tier 1 note coupon tax relief	—	10	—	—	—
Balances as at 31 December 2023	507	3,065	1	—	132

Notes to the financial statements continued

Note C – Equity (continued)

C.4 Share premium account and reserve (continued)

Hedging reserve

Foreign currency exposure arises on the $400m RT1 notes and $325m Tier 2 notes, and the associated coupon payments (see note D.8). The risk arises from the fluctuation in exchange rates, which would cause volatility in the biannual coupon payments and the principal repayment.

As part of Rothesay's foreign currency risk management objective, cash flow hedges were put in place to remove the volatility caused by exchange rate movements, using bespoke fixed-for-fixed cross-currency swaps. The swaps are designated as hedges of probable forecasted transactions, being the foreign currency sterling costs of the coupons and principal payments.

Rothesay determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currencies, interest rates, amounts and timing of their respective cash flows. Rothesay assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item under the hypothetical derivative method. It is Rothesay's policy to align the critical terms of the hedging instruments or the swaps with the hedged items or the USD notes. As the hedging instruments were bespoke derivatives, the hedge relationship is assessed to be highly effective and any ineffectiveness is expected to be immaterial. As allowed under IFRS 9, Rothesay continues to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The total fair value of the currency swap hedging instruments is £38m as at 31 December 2024 (2023: £25m) with total nominal amounts of £546m as at 31 December 2024 (2023: £291m). The currency swaps are included in the derivative assets as part of the total financial investments (see note D.1).

C.5 Dividends on ordinary shares

The Board approved the payment of an interim dividend on 9 August 2024. The size of the payment was £361m (or 23p per share) (2023: £351m or 23p per share), which was paid on 8 October 2024. The Directors have recommended no final ordinary dividend in respect of the year ended 31 December 2024 (2023: £nil).

Note D – Financial assets and liabilities

D.1 Financial investments

Financial investments are designated, at initial recognition, as financial investments at fair value through profit or loss, with the exception of (i) derivative assets and lifetime mortgages which are mandatorily measured at fair value through profit or loss and (ii) receivables, cash and accrued interest, which are carried at amortised cost. Fair value is considered consistent with the risk management of the portfolio.

Financial investments at fair value through profit or loss are both financial investments held for trading and financial investments designated upon initial recognition at fair value. Such investments are carried in the consolidated statement of financial position at fair value with net changes in fair value presented in investment income. Transaction costs, which are incremental costs that are directly attributable to the acquisition of a financial asset, are expensed. Financial investments include collective investment schemes, Government, sub-sovereign and agency obligations, derivative assets, corporate bonds and other corporate debt, certificates of deposit, loans secured on property, mortgages and collateralised agreements and financing.

The fair value of a financial instrument is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. the exit price. Financial investments are marked to bid prices and financial liabilities are marked to offer prices. Fair value gains or losses are included in investment income.

The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use, as inputs, market-based or independently sourced parameters, including but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, credit curves and funding rates. The fair value of certain financial investments and financial liabilities require valuation adjustments for counterparty credit quality, funding risk, transfer restrictions, illiquidity, property prices and bid/offer inputs based on market evidence.

Financial instruments such as corporate debt securities, covered bonds, government, sub-sovereign and agency obligations, certificate of deposits and certain money market instruments are valued using quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources. Valuation adjustments are typically made if (i) the cash instrument is subject to regulatory or contractual transfer restrictions; and/or (ii) for other premiums and discounts that a market participant would require to arrive at fair value.

Certain financial instruments, including collateralised agreements and financing, loans secured on property and mortgages, have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, these instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. When a pricing model is used, the model is adjusted so that the model value of the cash instrument at inception equals the transaction price. Subsequently, Rothesay uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realised on sales.

Rothesay uses derivative contracts for the purposes of efficient portfolio management and to mitigate the risk of adverse market movements. Rothesay's derivative contracts consist primarily of over the counter (OTC) derivatives. Rothesay measures the derivative assets and liabilities on the basis of our net exposure to the relevant risk and the fair value is the price paid to transfer the net long or short position at the balance sheet date. OTC derivatives are generally valued using market transactions and other market evidence, including market-based inputs to models, calibration to market clearing transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations and the relationship of recent market activity to the prices provided from alternative pricing sources.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)
D.1 Financial investments (continued)

Where models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, model selection does not involve significant management judgement because outputs of models can be calibrated to market clearing levels. In circumstances where Rothesay cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

Hedge accounting
In 2021 and 2024, Rothesay designated certain derivatives as hedging instruments in order to effect cash flow hedges. At the inception of the hedge Rothesay documented the relationship between the hedging instrument and the hedged item. In addition, Rothesay has and will continue to document whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item. Note C.4 provides further details.

Where a cash flow hedging relationship exists, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in net investment income.

Amounts previously recognised in other comprehensive income and accumulated in equity will be reclassified to profit and loss in the accounting period when the hedged item affects profit or loss, in the same line as the hedged item. Hedge accounting will be discontinued when Rothesay cancels the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time is recycled to profit or loss over the period the hedged item impacts profit or loss.

Derecognition
A financial investment (or, where applicable, a part of a financial investment or part of a group of similar financial investments) is primarily derecognised (i.e. removed from Rothesay's statement of financial position) when (i) the rights to receive cash flows from the investment have expired; or (ii) Rothesay has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and either (a) Rothesay has transferred substantially all the risks and rewards of the asset; or (b) Rothesay has transferred control of the investment.

When Rothesay has transferred its rights to receive cash flows from an investment or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred all of the risks and rewards of the investment nor transferred control of the investment, Rothesay continues to recognise the transferred investment to the extent of Rothesay's continuing involvement. In that case, Rothesay also recognises an associated liability. The transferred investment and the associated liability are measured on a basis that reflects the rights and obligations that Rothesay has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Rothesay could be required to repay.

Collateralised agreements and financing
Collateralised agreements (securities purchased under agreements to re-sell and deposits placed as collateral for stock borrowed) and collateralised financing (securities sold under agreements to repurchase and deposits received as collateral for stock loans) are treated as collateralised financing transactions and are carried at fair value through profit and loss under the fair value option, as the securities are managed on a fair value basis. The collateral can be in the form of cash or securities.

Note D – Financial assets and liabilities (continued)
D.1 Financial investments (continued)

Cash collateral is recognised/derecognised when received/paid. Collateral posted by Rothesay in the form of securities is not derecognised whilst collateral received in the form of securities is not recognised on the consolidated statement of financial position. If collateral received is subsequently sold, the obligation to return the collateral and the cash received are recognised in the consolidated statement of financial position.

Impairment of financial assets

In applying the IFRS 9 impairment requirements, Rothesay follows the general approach. Under the general approach, Rothesay determines and recognises the amount of expected credit losses (ECL) depending on the extent of credit deterioration since initial recognition of a financial asset. If there is no significant deterioration in credit risk since initial recognition of a financial asset, Rothesay determines the 12-month expected credit losses; if there has been a significant increase in credit risk since initial recognition of a financial asset, Rothesay determines and recognises the lifetime expected credit losses.

Rothesay's financial assets that are subject to impairment include receivables, cash and cash equivalents, and accrued interest. Considering these assets are due within one year, highly liquid with low credit risk, Rothesay assesses the amortised cost balances to approximate to their fair value and recoverable amounts. Due to the short-term nature and low credit risk of these assets, Rothesay assesses no deterioration in credit quality and measures the ECL at 12-month ECL.12-month ECL results from default events that are possible within the 12 months after the reporting date. Rothesay measures the ECL using a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

Rothesay considers evidence of impairment for these assets at both individual asset and collective levels. All individually significant assets are individually assessed for impairment. Rothesay assumes that credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the end of the reporting date.

Rothesay monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, Rothesay will measure the loss allowance based on lifetime rather than 12-month ECL. When assessing whether credit risk for a financial instrument has increased significantly since initial recognition, Rothesay considers reasonable, supportable and forward-looking information. This evaluation encompasses both qualitative and quantitative data, leveraging from Rothesay's expert credit assessments. The quantitative information is a primary indicator of significant increase in credit risk where Rothesay compares the lifetime probability of default as at the end of the reporting date against the lifetime risk of default on initial recognition of the exposure.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)
D.1 Financial investments (continued)
Rothesay's financial assets and liabilities are grouped into the following categories:

	2024 £m	2023 £m
Financial investments designated at FVTPL	**71,084**	59,139
Financial investments mandatorily measured at FVTPL	**46,344**	39,829
Total financial investments at FVTPL	**117,428**	98,968
Accrued interest at amortised cost	**848**	677
Receivables at amortised cost	**3,836**	2,013
Cash and cash equivalents at amortised cost	**241**	267
Total other financial assets at amortised cost	**4,925**	2,957
Total financial assets	**122,353**	101,925
Financial liabilities designated at FVTPL	**6,519**	2,969
Financial liabilities mandatorily measured at FVTPL	**40,095**	32,993
Total financial liabilities at FVTPL	**46,614**	35,962
Payables at amortised cost	**5,398**	5,319
Borrowings at amortised cost	**2,616**	2,248
Accrued interest at amortised cost	**151**	114
Total other financial liabilities at amortised cost	**8,165**	7,681
Total financial liabilities	**54,779**	43,643

Determination of fair value and fair value hierarchy
Rothesay uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: inputs are unadjusted quoted prices in active markets to which Rothesay had access at the measurement date for identical unrestricted assets and liabilities;
- Level 2: inputs to valuation techniques are observable either directly or indirectly; and
- Level 3: one or more inputs to valuation techniques are significant and unobservable.

The fair value of certain debt securities classified as Level 3 instruments is determined using inputs that are not based on observable market data. One of the most significant inputs is liquidity premiums. The valuation model discounts future cash flows using interest rate swap curves in addition to a spread to reflect the associated credit risk and liquidity premiums.

When assessing the fair value of our Level 3 financial investments, we consider and allow for the extent to which the investments may be vulnerable to climate change, either because of vulnerability to physical climate risk or the risk of being stranded assets in the drive to Net Zero carbon emissions. The valuation of Level 1 and Level 2 financial investments is also assumed to allow for climate change exposure.

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

The following tables show an analysis of financial investments recorded at fair value by Level of the fair value hierarchy for 2024 and 2023 (please refer to note D.7 for financial liabilities):

31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	5,999	—	93	6,092
Government sub-sovereign and agency obligations	16,278	7,744	—	24,022
Corporate bonds and other corporate debt	—	33,154	1,253	34,407
Collateralised agreements and financing	—	61	—	61
Loans secured on property	—	98	6,267	6,365
Certificates of deposit	—	137	—	137
Financial investments designated at FVTPL	**22,277**	**41,194**	**7,613**	**71,084**
Derivative assets (see note D.2)	—	38,374	1,567	39,941
Lifetime mortgages	—	—	6,403	6,403
Financial investments mandatorily measured at FVTPL	**—**	**38,374**	**7,970**	**46,344**
Total financial investments measured at FVTPL	**22,277**	**79,568**	**15,583**	**117,428**
Assets held for sale	—	—	3	3
Total assets measured at fair value	**22,277**	**79,568**	**15,586**	**117,431**

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)
D.1 Financial investments (continued)

31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	4,238	—	157	4,395
Government sub-sovereign and agency obligations	12,328	7,555	—	19,883
Corporate bonds and other corporate debt	—	27,394	817	28,211
Collateralised agreements and financing	—	63	—	63
Loans secured on property	—	103	6,344	6,447
Certificates of deposit	—	140	—	140
Financial investments designated at FVTPL	**16,566**	**35,255**	**7,318**	**59,139**
Derivative assets	—	31,723	1,894	33,617
Lifetime mortgages	—	—	6,212	6,212
Financial investments mandatorily measured at FVTPL	**—**	**31,723**	**8,106**	**39,829**
Total financial investments measured at FVTPL	**16,566**	**66,978**	**15,424**	**98,968**
Assets held for sale	—	—	127	127
Total assets measured at fair value	**16,566**	**66,978**	**15,551**	**99,095**

Rothesay discloses offsetting derivative asset and derivative liability contracts separately in line with IAS 32 requirements and the value of both has increased significantly during the year due to changes in economic conditions. However, the movement in the value of derivative assets is offset by the movement in the value of derivative liabilities such that on a net basis the value of derivatives decreased by £778m during 2024 (2023: increased by £613m).

Collective investment schemes represent money market funds with same-day liquidity. Rothesay utilises these funds as an additional form of financial investment to back insurance contract liabilities. In 2024, there were other investments in funds which are classified within collective investment schemes which are classified as Level 3 assets.

Loans secured on property mainly comprise investments in Commercial real-estate loans, UK and European residential mortgages and loans, and assets secured on cashflows from residential freehold properties.

Approximately 13% (2023: 16%) of the total financial investments recorded at fair value are valued based on estimates using unobservable inputs and recorded as Level 3 investments.

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

The following table shows a reconciliation of the opening and closing recorded amounts in relation to the Level 3 financial instruments recorded at fair value (excluding lifetime mortgages which are discussed in the lifetime mortgages in the subsequent section below):

	Financial assets measured at fair value on a recurring basis			Others			Financial liabilities measured at fair value on a recurring basis		
	Corporate bonds & other corporate debt £m	Loans secured on property £m	Derivative assets £m	Collective investment schemes £m	Assets held for sale £m	Total £m	Collateralised agreements and financing £m	Derivative liabilities £m	Total £m
As at 1 January 2024	**817**	**6,344**	**1,894**	**157**	**127**	**9,339**	**(119)**	**(1,985)**	**(2,104)**
Total gains/(losses) in the statement of comprehensive income:									
Realised gains	**—**	**8**	**—**	**13**	**7**	**28**	**—**	**—**	**—**
Unrealised (losses)/gains	**(12)**	**(162)**	**(312)**	**—**	**(2)**	**(488)**	**12**	**359**	**371**
Transfer out of Level 3	**—**	**—**	**—**	**—**	**(5)**	**(5)**	**—**	**—**	**—**
Transfer into Level 3	**—**	**—**	**1**	**—**	**—**	**1**	**—**	**(1)**	**(1)**
Net purchases/(sales)	**448**	**77**	**(16)**	**(77)**	**(124)**	**308**	**—**	**9**	**9**
As at 31 December 2024	**1,253**	**6,267**	**1,567**	**93**	**3**	**9,183**	**(107)**	**(1,618)**	**(1,725)**
As at 1 January 2023	756	5,846	1,817	—	—	8,419	(113)	(1,882)	(1,995)
Total gains/(losses) in the statement of comprehensive income:									
Unrealised (losses)/gains	(8)	(225)	77	—	—	(156)	(6)	(94)	(100)
Transfer into Level 3	38	—	—	—	—	38	—	(2)	(2)
Net purchases	31	723	—	157	127	1,038	—	(7)	(7)
As at 31 December 2023	817	6,344	1,894	157	127	9,339	(119)	(1,985)	(2,104)

Please see note D.7 for further details of Level 3 financial liabilities. Please refer to note D.6 for the details of assets held for sale.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Rothesay's policy is to determine the relevant categorisation of financial assets and liabilities at each reporting period and, where availability of inputs has changed, transfers will be made between Levels. No corporate debt was transferred from Level 2 to Level 3 during the year (2023: £38m). No corporate debt was transferred from Level 3 to Level 2 in 2024 (2023: £nil).

The unrealised losses on Level 3 financial assets were mainly driven by the increase in the interest rates. The gain observed in Level 3 derivative liabilities largely offsets with the loss from the Level 3 derivative assets.

Lifetime mortgages

Lifetime mortgages allow the borrowers to take equity from their homes either as a lump sum or in smaller, regular amounts. The total amount, capital plus interest, is repaid when the borrower dies or moves into long-term care. All lifetime mortgage loans provide a ‘no negative equity guarantee’ (NNEG), which means that the mortgage repayment amounts (loan principal plus interest on redemption) are subject to a maximum of the sale proceeds of the property on which the loan is secured.

Lifetime mortgages are valued using a discounted cash flow model by projecting future net cash flows on a closed form basis allowing for demographic assumptions, consistent with those used for insurance contracts adjusted for transfer to long-term care, prepayment rates, future expenses and potential cost of providing the NNEG. Cash flows are then discounted at a risk-free rate plus liquidity premium inferred from market-observed levels.

The NNEG can be thought of as a series of options written by Rothesay which allow the lifetime mortgage holders to extinguish their loan by selling their property back to Rothesay at the current market value and at the point at which the mortgage must be redeemed (typically on death or transfer to long-term care), even when property values are lower than the outstanding loan balance.

Underlying house prices have been updated in line with the latest available data. Sensitivities to interest rates and house prices are shown later in this note as these are the most material assumptions given the way in which the potential cost of the no negative equity guarantee is derived.

Given the various assumptions used in valuing the lifetime mortgages, the instruments are recorded as Level 3 assets. The table below provides an analysis of the movement in the value of lifetime mortgages. New business includes both the acquisition of back books of lifetime mortgages and new origination through Rothesay’s strategic partners. The impact of the change in economic assumptions for 2024 is dominated by the increase in interest rates.

	2024 £m	2023 £m
Carrying amount at 1 January	**6,212**	5,086
Increase in respect of new business	**481**	745
Redemptions/repayments	**(351)**	(288)
Accrued interest for the financial year	**351**	305
Change in economic assumptions	**(283)**	369
Change in demographic assumptions	**(7)**	(5)
Closing balance at end of the year	**6,403**	6,212

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Lifetime mortgages (continued)

The table below provides a summary of the discounted cash flows arising from the lifetime mortgage portfolio:

	2024 £m	2023 £m
Less than one year	**458**	469
One to five years	**1,358**	1,336
Over five years	**4,587**	4,407
Total	**6,403**	6,212

Collateralised agreements

Assets are transferred under repurchase and securities lending agreements with other financial institutions. The nature and carrying amounts of the assets (all carried at fair value) subject to repurchase and securities lending agreements, as well as their related liabilities, are as follows:

	2024		2023	
Group	Asset £m	Related liability £m	Asset £m	Related liability £m
Government and agency obligations	**6,189**	**(5,770)**	3,215	(2,969)
Corporate debt	**111**	**(107)**	—	—
Total collateralised agreements	**6,300**	**(5,877)**	3,215	(2,969)

The asset collateral continues to be recognised in full and the related liability reflecting Rothesay's obligations to repurchase the transferred assets at a future date is recognised in other liabilities. Rothesay remains exposed to interest rate risk and credit risk on these pledged instruments. The counterparties' recourse is not limited to the transferred assets.

The net exposure to certain OTC derivatives is collateralised through cash. As at 31 December 2024, the total cash collateral received was £5,121m (2023: £4,940m). Other OTC contracts are collateralised with fixed income securities which are not recognised on the balance sheet of Rothesay.

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions

The following table shows the impact on the fair value (FV) of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument. Changes are made in isolation so, for example, no change is made to property price inflation in the property price sensitivities. Since part of any spread movement is likely to be included in the derivation of the valuation rate of interest, changes in fair value of assets also impact liabilities. The following table also shows the potential impact on profit before tax (PBT) and equity of the same alternative assumptions, assuming that all other pricing inputs remain constant.

For corporate bonds and other corporate debt, a 25bp sensitivity is applied to secured debt and a 50bp sensitivity is applied to unsecured corporate bonds. The range of reasonably possible alternative inputs has been reviewed for an indication of changes based on market measures such as the quoted bid-offer spreads in liquid bond markets relevant to the investment portfolio and it was deemed to remain appropriate at the reporting date. The sensitivity to the assumed illiquidity premium for assets secured on cashflows from residential freehold properties remains at +/- 50bps to reflect potential legislative uncertainty following the passage of the Leasehold and Freehold Reform Act 2024.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions (continued)

Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	2024 Current FV £m	2024 (Decrease)/ Increase in FV £m	2024 (Decrease)/ Increase in PBT £m	2024 (Decrease)/ Increase in equity £m
Financial assets						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	**1,253**	**(21)**	**(3)**	**(2)**
		-25bps/-50bps	**1,253**	**21**	**2**	**2**
Collective investment schemes	Fund price	+10%	**93**	**9**	**9**	**7**
		-10%	**93**	**(9)**	**(9)**	**(7)**
Loans secured on property	Liquidity premium	+25bps/+50bps	**6,267**	**(198)**	**—**	**—**
		-25bps/-50bps	**6,267**	**220**	**—**	**—**
Loans secured on property	Property prices	+10%	**6,267**	**22**	**26**	**19**
		-10%	**6,267**	**(23)**	**(30)**	**(22)**
Lifetime mortgages	Liquidity premium	+25bps	**6,403**	**(168)**	**—**	**—**
		-25bps	**6,403**	**176**	**—**	**—**
Lifetime mortgages	House prices	+10%	**6,403**	**71**	**53**	**40**
		-10%	**6,403**	**(96)**	**(74)**	**(55)**
Derivative assets	LPI bid-mid spread	+15bps	**1,567**	**6**	**6**	**4**
		-15bps	**1,567**	**(6)**	**(6)**	**(4)**
Assets held for sale	Property prices	+10%	**3**	**—**	**—**	**—**
		-10%	**3**	**—**	**—**	**—**
Financial liabilities						
Derivative liabilities	LPI bid-mid spread	+15bps	**1,618**	**73**	**73**	**54**
		-15bps	**1,618**	**(73)**	**(73)**	**(54)**
Collateralised financing agreements	Liquidity premium	+25bps	**107**	**5**	**5**	**3**
		-25bps	**107**	**(5)**	**(5)**	**(3)**

Note D – Financial assets and liabilities (continued)
D.1 Financial investments (continued)
Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions (continued)

			2023			
Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	Current FV £m	(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
Financial assets						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	817	(15)	(1)	(1)
		-25bps/-50bps	817	16	1	1
Collective investment schemes	Fund price	+10%	157	16	16	12
		-10%	157	(16)	(16)	(12)
Loans secured on property	Liquidity premium	+25bps/+50bps	6,344	(227)	—	—
		-25bps/-50bps	6,344	258	—	—
Loans secured on property	Property prices	+10%	6,344	13	15	11
		-10%	6,344	(24)	(30)	(23)
Lifetime mortgages	Liquidity premium	+25bps	6,212	(164)	—	—
		-25bps	6,212	171	—	—
Lifetime mortgages	House prices	+10%	6,212	71	54	41
		-10%	6,212	(95)	(74)	(57)
Derivative assets	LPI bid-mid spread	+15bps	1,894	7	7	6
		-15bps	1,894	(7)	(7)	(6)
Assets held for sale	Property prices	+10%	127	13	13	10
		-10%	127	(13)	(13)	(10)
Financial liabilities						
Derivative liabilities	LPI bid-mid spread	+15bps	1,985	86	86	66
		-15bps	1,985	(86)	(86)	(66)
Collateralised financing agreements	Liquidity premium	+25bps	119	6	6	4
		-25bps	119	(6)	(6)	(4)

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.2 Derivatives

Rothesay uses derivative financial instruments as part of its risk management strategy and to hedge its solvency position. Objectives include managing exposure to market, foreign currency, inflation and interest rate risks on assets and liabilities (see also note F.2.2). The large movement in the fair value of assets and liabilities has been driven by the change in economic conditions over the year. The total net fair value of Rothesay's derivative assets and liabilities has moved from an asset of £624m as at 31 December 2023 to a liability of £154m as at 31 December 2024.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities.

	2024		2023	
Group	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Derivatives held for risk management				
Interest rate swap	**31,541**	**(32,084)**	25,920	(26,094)
Inflation swap	**3,959**	**(3,414)**	4,326	(3,911)
Currency swap	**4,278**	**(4,505)**	3,215	(2,849)
Credit derivative	**96**	**(26)**	40	(105)
Forwards	**67**	**(66)**	116	(34)
Total	**39,941**	**(40,095)**	33,617	(32,993)

Derivatives are used solely for efficient portfolio and risk management purposes, allowing market risks to be hedged in line with our risk appetite. Under IFRS certain restrictions apply in relation to the offset of assets and liabilities. Derivatives where the fair value is positive are recognised as an asset, and where the fair value is negative they are recognised as a liability.

Rothesay's exposure under derivative contracts is closely monitored as part of the management of Rothesay's market risk (see also note F.2.2).

D.3 Accrued interest and prepayments

Group	2024 £m	2023 £m
Accrued interest	**848**	677
Prepaid expenses	**214**	193
Total accrued interest and prepayments	**1,062**	870

Note D – Financial assets and liabilities (continued)
D.4 Receivables

Receivables are recognised initially at fair value of the amount recoverable. Receivables are subsequently stated at amortised cost.

Finance lease receivables are initially measured at fair value plus initial direct cost of entering the lease, and subsequently measured at amortised cost. Rothesay determines at the lease inception, or on lease purchase date, whether the lease is a finance lease or an operating lease. Rothesay classifies a lease as a finance lease if the terms of the lease transfers substantially all of the risk and rewards incidental to the ownership of the underlying asset. Rothesay applies derecognition and impairment requirements of IFRS 9 to the finance lease receivables, and regularly reviews any estimated unguaranteed residual values used in calculating the gross investment in the lease.

Group	2024 £m	2023 £m
Deposits pledged as collateral to third parties	**3,614**	1,619
Tax receivable	**82**	—
Finance lease receivable	**90**	—
Other receivables	**50**	394
Total receivables	**3,836**	2,013

Other receivables includes trade date adjustments. Receivables of £3,746m (2023: £2,013m) are due within one year. The fair value of receivables excluding finance lease receivables is £3,746m (2023: £2,013m). At 31 December 2024 and 31 December 2023, Rothesay conducted an impairment review of the receivables and found no impairment necessary.

The net exposure to certain OTC derivatives is collateralised through cash posted, as per the terms of the OTC contracts. At 31 December 2024, the total cash collateral posted was £3,614m (2023: £1,619m). Further details of the full extent of collateral usage can be found in the credit risk disclosure in note F.2.1.

The Finance lease receivable includes a long-dated commercial property lease. The undiscounted lease payments to be received after the reporting date are shown below. The cashflows provided below are the estimated minimum payments to be received, while the actual cashflows may differ as the lease includes a clause to enable an upward revision of lease payments based on an index with maximum upper limit. The unearned finance income represents the discounting effect of the lease payments receivable.

Group	2024 £m	2023 £m
Less than one year	**3**	—
One to two years	**3**	—
Two to three years	**3**	—
Three to four years	**3**	—
Four to five years	**3**	—
More than five years	**3,295**	—
Total undiscounted lease receivable	**3,310**	—
Unearned finance income	**(3,220)**	—
Net investment in finance lease	**90**	—

Rothesay recognised a total of £0.6m finance income on the finance lease receivable in 2024 (2023: £nil).

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.4 Receivables (continued)

The table below shows other receivables for the Company. Other receivables relates to a loan to the employee benefit trust and inter-group balances.

Company	2024 £m	2023 £m
Other receivables	**119**	108
Total receivables	**119**	108

D.5 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement held for the purpose of meeting short-term cash commitments.

The cash at bank and in hand of Rothesay at the year end is as follows:

Group	2024 £m	2023 £m
Cash at bank and in hand	**241**	267
Total cash and cash equivalents	**241**	267

D.6 Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement. Impairment losses on initial classification and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, investment properties are not depreciated and other financial investments and finance lease receivables are not amortised.

The assets held for sale of Rothesay at the year end is as follows:

	2024 £m	2023 £m
Investment properties	**3**	48
Finance lease receivables	**—**	79
Total assets held for sale	**3**	127

At year end 2023, investment properties included residential properties and a hotel under short-term lease. Finance lease receivables included long-term leases of commercial ground rent properties. During 2024, Rothesay succeeded in its plan to sell the majority of these assets, leaving one investment property which is expected to be sold in early 2025.

The fair value measurement of assets held for sale at year end 2024 and 2023 was categorised as Level 3 as one or more inputs was significant and unobservable.

Note D – Financial assets and liabilities (continued)
D.7 Payables and financial liabilities

Financial investment liabilities are recognised at fair value. The effects of mark-to-market changes in financial liabilities designated at fair value are reported in profit or loss. Payables are recognised initially at fair value of the amount payable, and subsequently stated at amortised cost.

Group	2024 £m	2023 £m
Derivative financial instruments	**40,095**	32,993
Collateralised agreements and financing	**6,519**	2,969
Total financial investment liabilities	**46,614**	35,962
Deposits received as collateral from third parties	**5,121**	4,940
Current tax payable	**—**	105
Employee payables	**200**	196
Other taxes and social security costs	**26**	22
Other payables	**51**	56
Total payables	**5,398**	5,319
Total payables and financial investment liabilities	**52,012**	41,281

Employee payables include deferred cash of £68m (2023: £63m) and the fair value of share-based payments awarded to employees over the lifetime of the incentive plans of £67m (2023: £75m[1]). Other payables include reinsurance fees and trade date adjustments.

Financial investment liabilities are recorded at fair value, of which £1,725m are valued using Level 3 techniques (2023: £2,104m). The Level 3 financial liabilities are predominantly LPI linked derivatives. The remainder of the financial liabilities are valued using Level 1 and Level 2 techniques.

The impact on the fair value of Level 3 financial liabilities of using reasonably possible alternative assumptions is included in note D.1.

Payables and financial liabilities of £11,149m (2023: £11,055m) are all due within one year. Please note, that for financial liabilities the balance is calculated using undiscounted expected contractual cash flows consistent with note F.2.3.

The net exposures to certain OTC derivatives are collateralised through cash. As at 31 December 2024, the total cash collateral received was £5,121m (2023: £4,940m). Other OTC contracts are collateralised with fixed income securities which are not recognised on the consolidated statement of financial position for Rothesay.

The table below shows total payables for the Company. Other payables are amounts due to other Group undertakings and Company employee payables include deferred cash:

Company	2024 £m	2023 £m
Employee payables	**68**	63
Other payables	**110**	106
Total payables	**178**	169

1. The fair value of share-based payments awarded to employees over the lifetime of the incentive plans was overstated in the narrative at year end 2023 by £58m.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)
D.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Transaction costs are amortised over the period of the borrowings.

Rothesay's borrowings are as follows:

Group and Company	2024 £m	2023 £m
Subordinated loans from related parties	**299**	299
Subordinated loan notes	**1,999**	1,636
US$400m contingent convertible RT1 notes	**318**	313
Total borrowed	**2,616**	2,248

During June 2024, Rothesay Life Plc (RLP) issued £500m of 10-year Tier 2 debt in the sterling market and $325m of 10-year Tier 2 debt in the US dollar market. The sterling notes mature on 10 December 2034 and can be called at par at any time from 10 June 2034. A fixed coupon of 7.019% is payable annually in arrears. The US Dollar notes mature on 11 September 2034 and can be called at par at any time from 11 June 2029 up to 10 September 2029. A fixed coupon of 7.00% is payable annually in arrears. If the notes are not repaid by 11 September 2029, the fixed rates of interest per annum will be reset.

In September 2024, Rothesay called £400m of Tier 2 borrowings.

The £300m revolving credit facility entered into in March 2017 was renegotiated in March 2023 and increased to £750m. During January 2023, the facility was extended to February 2028 and remains effective but undrawn.

Note D – Financial assets and liabilities (continued)

D.8 Borrowings (continued)

The carrying amounts, fair values and features of Rothesay's borrowings are summarised in the table below:

					Carrying amount		Fair value	
Notional amount	Issue date	Redemption date	Callable at par at the option of the Group from	Coupon	2024 £m	2023 £m	2024 £m	2023 £m
Subordinated loans from related parties								
£300m	19 September 2017	19 September 2028	19 September 2023 and annually thereafter	6.05%	**299**	299	**287**	297
Subordinated loans								
£250m	30 October 2015	30 October 2025	No call option	8.00%	**250**	250	**255**	258
£500m	12 July 2019	12 July 2026	No call option	3.38%	**496**	492	**486**	472
£400m	17 September 2019	17 September 2029	17 September 2024	5.50%	**—**	396	**—**	396
$400m	27 October 2021	Perpetual	13 April 2027	4.88%	**318**	313	**295**	252
£500m	16 May 2023	16 May 2033	16 November 2032	7.73%	**498**	498	**532**	535
£500m	3 June 2024	10 December 2034	10 June 2034	7.02%	**498**	—	**510**	—
$325m	4 June 2024	11 September 2034	11 June 2029	7.00%	**257**	—	**269**	—

For the year ended 31 December 2024, an interest expense of £162m (2023: £121m) was recognised in the consolidated statement of comprehensive income in respect of these borrowings.

Reconciliation of borrowings

The table below provides a reconciliation between opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activity:

Group	1 January 2024 £m	Net Cash flows £m	Non-cash flows £m	31 December 2024 £m
Subordinated loans from related parties	**299**	**—**	**—**	**299**
Subordinated loan notes	**1,636**	**354**	**9**	**1,999**
US$400m contingent convertible RT1 notes	**313**	**—**	**5**	**318**
Total borrowings	**2,248**	**354**	**14**	**2,616**

Group	1 January 2023 £m	Net Cash flows £m	Non-cash flows £m	31 December 2023 £m
Subordinated loans from related parties	299	—	—	299
Subordinated loan notes	1,135	498	3	1,636
US$400m contingent convertible RT1 notes	330	—	(17)	313
Total borrowings	1,764	498	(14)	2,248

D.9 Accruals

Group	2024 £m	2023 £m
Accrued interest	**151**	114
Accrued expenses	**54**	46
Total accruals	**205**	160

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance

Insurance contract liabilities and reinsurance assets and liabilities are determined in line with IFRS 17 using methods and assumptions recommended by the Actuarial function of RLP and approved by the Board.

Segmental analysis and level of aggregation

All of Rothesay's business risks and returns are within one business segment (i.e. long-term insurance business). Rothesay's insurance operations are within the United Kingdom.

Under IFRS 17, insurance contracts are aggregated into groups of contracts for measurement and presentation purposes. Rothesay has identified a single portfolio of annuity contracts and manages all of its annuity business together regardless of whether contracts are insurance or reinsurance issued as they are all subject to similar risks and are managed together. The portfolio of annuity contracts are disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

a) Contracts that are onerous at initial recognition;
b) Contracts that have no significant possibility of becoming onerous subsequently; and
c) Remaining contracts in the portfolio.

Rothesay determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. The profitability of the annuity contracts is assessed and determined based on expert judgement, which compares the premium applicable to a group of contracts with the estimated fulfilment cash flows and allocated insurance acquisition cash flows at initial recognition (accounting policies are described below). Whether a group of insurance contracts has no significant possibility of becoming onerous subsequently is based on expert judgement using Rothesay's Solvency II capital requirements, which include quantitative assessment of whether the contract premium is sufficient to exceed the sum of the contract's day one fulfilment cash flows and the SCR required to cover the material risks of the contract to the level required under Rothesay's Capital Management Policy. Based on the quantitative assessment, the majority of trades would not remain profitable under a wide range of scenarios, in line with Rothesay's expectations.

Based on the information available, we have categorised all our insurance contracts at initial recognition as "remaining contracts in the portfolio". Rothesay currently does not have any onerous contracts or "contracts that have no significant possibility of becoming onerous subsequently", which are contracts that will remain non-onerous in almost all reasonable future financial and non-financial conditions.

The aggregation of portfolios of reinsurance contracts held is assessed separately from insurance contracts issued. We apply a similar categorisation approach to reinsurance contracts, which results in the following group categories:

a) Contracts with a net gain at initial recognition;
b) Contracts that have no significant possibility of a net gain arising subsequently; and
c) Remaining contracts in the portfolio.

The aggregation assessment of reinsurance contracts held is performed on an individual contract level in a similar manner to the approach for insurance contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current estimates of the future cash flows within the contract boundary of a group of contracts that Rothesay expects to collect as premiums and pay out as claims, benefits and directly attributable expenses, adjusted to reflect the timing and the uncertainty of those amounts. The fulfilment cash flows are made up of the present value of the best estimate liabilities and the risk adjustment for non-financial risk (discussed further in the initial measurement section).

The estimates of future cash flows:

a) are based on a probability-weighted mean of the full range of possible outcomes;
b) are determined to be consistent with observable market prices for market variables; and
c) reflect conditions existing at the measurement date.

Note E – Insurance contracts and reinsurance (continued)

Fulfilment cash flows within contract boundary (continued)

We only include cash flows that are within the contract boundary in measuring groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or Rothesay has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide services ends when:

- *Rothesay has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or*
- *Rothesay has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.*

In practice, Rothesay's obligation to provide services generally ends with the death of the last insured life.

The reassessment of risks considers only risks transferred from policyholders to Rothesay, which may include both insurance and financial risks, but exclude lapse and expense risks.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of Rothesay that exist during the reporting period in which Rothesay is compelled to pay amounts to the reinsurer or in which Rothesay has a substantive right to receive insurance contract services from the reinsurer. A substantive right to receive services from the reinsurer ends at the later of:

- *When the reinsurer can reassess the services and reprice and set a new premium or change the level of benefits which fully reflect the reassessed risk, thereby ending the substantive right of the holder of the reinsurance to receive the service; and*
- *The insurer is no longer compelled to pay a premium, thereby ending the substantive obligation.*

Insurance acquisition cash flows

Cash flows which have been identified as insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering all reasonable and supportable information that is available without undue cost or effort. Insurance acquisition cash flows arising before the recognition of the related group of contracts can be recognised as an asset. The asset is derecognised when the insurance acquisition cash flows are included in the measurement of the group of contracts. At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, Rothesay recognises an impairment loss in profit or loss.

Initial recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- *The beginning of the coverage period;*
- *The date when the first payment from the policyholder is due or actually received, if there is no due date; or*
- *When the Group determines that a group of contracts becomes onerous.*

Insurance contracts acquired in a portfolio transfer are accounted for as if they were entered into at the date of transfer. Note that insurance contract liabilities include reinsurance inwards, i.e. where Rothesay has reinsured a third-party insurer. Where such contracts benefit from third-party reinsurance, the insurance contract liabilities are shown net of those reinsurance arrangements.

Reinsurance contracts held are recognised as follows:

- *Reinsurance contracts held that provide proportionate coverage are recognised at the later of the beginning of the coverage period of the group, and the initial recognition of any underlying insurance contract.*
- *Other reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.*

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

Initial measurement

Rothesay has adopted the General Measurement Model (GMM) for the derivation of all our insurance liabilities. Under the GMM, on initial recognition our liabilities comprise the following building blocks:

a) ***Best estimate liabilities (BEL)***

The BEL represents an explicit and unbiased estimate of future cash flows that will arise as Rothesay fulfils the contracts discounted using an approach that reflects the characteristics of the liability (refer to note E.7). In determining the BEL, we use best estimate assumptions based on available market data in an unbiased way. These include demographic assumptions and financial assumptions (refer to note E.7 for the key demographic and financial assumptions applied) which are generally consistent with those used for deriving the best estimate liabilities under other financial reporting metrics such as MCEV and Solvency II.

Rothesay uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held as the estimates for the underlying groups of insurance contracts.

b) ***Risk adjustment (RA)***

The RA reflects the compensation that Rothesay requires for bearing the non-financial uncertainty about the amount and timing of cash flows in the liabilities. In determining the RA, we use the provision for adverse deviation approach (the PAD approach) under which we apply margins to the best estimates for material demographic and expense risk. Allowances are made for operational risk and diversification between these risk factors. These allowances reflect Rothesay's compensation for bearing the uncertainty around these risks. A consistent technique is applied to both insurance and reinsurance contracts held, with the RA related to reinsurance reflecting the amount of additional or reduced compensation that Rothesay requires for holding the reinsurance contracts. For more details on Risk adjustment please see note E.7 (e).

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note E.7.

c) ***Contractual service margin (CSM)***

The CSM represents the unearned profit that Rothesay will recognise over time as it provides services in the future of the insurance contract. The CSM is calculated at the inception of the contract and is released as profit as the liability is discharged. Determination of CSM amortisation and coverage units are discussed in note E.6.

The CSM is calculated as the difference between the premiums received by Rothesay and the fulfilment cash flows (the sum of BEL and RA), and any allocated acquisition cash flows. When this calculation results in a net outflow, the group of insurance contracts issued is onerous. This loss is recognised in profit or loss immediately and a loss component is established in the amount of loss recognised.

For reinsurance contracts, the CSM represents the net cost or gain on purchasing reinsurance based on the net outflow to the reinsurer, which is calculated as the sum of the reinsurance premiums, reinsurance BEL and RA, any allocated acquisition cash flows on reinsurance, and any income recognised in profit or loss when Rothesay recognises a loss on initial recognition of an onerous group of underlying insurance contracts. A loss-recovery component is established within the remaining coverage for the income recognised from the loss recognised for the onerous group of underlying insurance contracts.

Insurance contracts subsequent measurement

Rothesay measures the carrying amount of a group of insurance contracts at each reporting date as the sum of:

- *the liability for remaining coverage which comprises the future BEL and RA cash flows that relate to services to be delivered in future periods and any remaining CSM; and*
- *the liability for incurred claims which includes unpaid incurred claims and expenses.*

Note E – Insurance contracts and reinsurance (continued)

Changes in fulfilment cash flows

The BEL and RA are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

i) Changes relating to future services to the extent that the future BEL and RA cash flows change due to non-financial risks, e.g. because experienced longevity varies from the levels assumed or due to changes in long-term demographic assumptions, adjust the CSM;
ii) Changes relating to current or past services are recognised in the insurance service result in profit or loss; and
iii) The effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses in the profit or loss.

The most significant non-financial risks that Rothesay is exposed to include demographic risks (including longevity and member option risk) and expense risks, while the most material financial risks include discount rates (including those used in member option calculations) and prospective inflation risk (refer to note E.7 for the details of the key financial and non-financial risks).

Changes in the CSM

The CSM is adjusted to reflect the following at the end of each reporting period:

i) the effects of new contracts added to the group;
ii) CSM interest accretion using discount rates determined on initial recognition ("locked-in" economic conditions);
iii) CSM adjustments due to changes in non-financial assumptions impacting the fulfilment cash flows relating to future service, also calculated using locked-in economic conditions;
iv) impact of any currency exchange differences; and
v) amortisation of the CSM for the services provided in the period in line with the coverage units released.

Reinsurance contracts subsequent measurement

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset/liability for remaining coverage and the asset/liability for incurred claims. The asset/liability for remaining coverage comprise of the fulfilment cash flows related to future service and any remaining CSM. The asset/liability for incurred claims comprise of the fulfilment cash flows related to future services allocated to the group of reinsurance contracts.

The reinsurance CSM is adjusted to reflect the following at the end of each reporting period:

i) the effect of any new contracts added to the group;
ii) interest accretion using the locked-in discount rates;
iii) income recognised in profit or loss in the reporting period related to losses on initial recognition of underlying contracts;
iv) reversals of a loss-recovery component recognised to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
v) adjustments to the extent that the changes are due to changes to future service, using locked-in economic conditions;
vi) impact of any currency exchange differences; and
vii) CSM amortisation recognised in the profit or loss for the services received in the period in line with the coverage units released.

Changes in the fulfilment cash flows adjust the CSM if they relate to future coverage and other future services. Changes in fulfilment cash flows related to the change in risk of non-performance by the reinsurer do not relate to future service and do not adjust the reinsurance CSM, rather the change is recognised in the profit or loss.

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

Modification and derecognition

Rothesay derecognises an insurance contract (and reinsurance contract) when:

- *the contract is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled; or*
- *the contract terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.*

Pension scheme de-risking is generally a two-step process starting with a pension buy-in contract between Rothesay and the pension scheme and followed by conversion from buy-in to buy-out at which point individual contracts are issued to pension scheme members. In general, we do not consider conversion from buy-in to buy-out as a modification and derecognition event, as the terms and conditions of a buy-out are set out in the original buy-in contract and the benefits provided are unchanged. However, we assess the underlying terms and conditions of each contract to assess whether this treatment is appropriate.

When Rothesay acquires books of annuities from other insurers this is usually achieved by initially entering into a reinsurance contract between Rothesay and the insurer selling the block, followed by a Part VII transfer where the individual annuity contracts transfer from the insurer to Rothesay along with any associated reinsurance. Rothesay considers the conversion from reinsurance contracts issued into Part VII as a derecognition event as the Part VII is subject to court approval and there is a legal change in the counterparty. At the Part VII date, we derecognise the carrying amount of the CSM and set up a new CSM based on the fair value of the scheme or group at that date.

Rothesay also carries out scheme upsizes and data cleanses that lead to premium adjustments. Scheme upsizes occur when there is an increase in the scheme liabilities due to additional policyholders or additional benefits to existing policyholders. Data cleanses relate to the process required in updating the liabilities insured with respect to an individual scheme, following changes to use more recent policyholder data rather than the data used when the scheme was initially priced. We assess each scheme upsize and data cleanse premium adjustment by reviewing the terms and conditions of the original scheme contract. If the modification does not result in contract derecognition, we reassess the treatment of the changes in cash flows on a case-by-case basis.

Investment components and premium refunds

Investment components relate to amounts that are payable to policyholders in all circumstances, regardless of whether an insured event occurs. Whilst there are no distinct investment components, our insurance products do often include a non-distinct investment component which is identified at the time when incurred claims and revenue are recognised. Investment components are excluded from insurance revenue and insurance service expenses.
For immediate annuities the investment component is the guaranteed annuity payments specified in the contractual terms.

For deferred annuities that provide policyholders with a right to transfer or commute the contract during the accumulation period, Rothesay determines that these contracts do not include any investment component, because Rothesay is not required to pay any amount if the policyholder does not transfer the contract. Consequently, lump sum payments, including transfer value and pension commencement lump sum payments, are treated as premium refunds. Even though the premium refunds do not represent repayment of investment components, we disclose them together with investment components as their treatment is the same.

Note E – Insurance contracts and reinsurance (continued)

The notes in this section show insurance and reinsurance liability balances as negative numbers.

E.1 Insurance contracts issued – Analysis of liabilities for remaining coverage and incurred claims

The tables below show the roll-forward of the liability for insurance contracts issued, showing the liabilities for remaining coverage (excluding loss components) and liabilities for incurred claims.

2024	Liabilities for remaining coverage £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2024	**(54,630)**	**—**	**(54,630)**
Insurance revenue			
Contracts under fair value approach at transition	**1,061**	**—**	**1,061**
New contracts and contracts under full retrospective approach at transition	**3,173**	**—**	**3,173**
Total insurance revenue	**4,234**	**—**	**4,234**
Insurance service expense			
Incurred claims and other incurred insurance service expenses	**—**	**(3,426)**	**(3,426)**
Amortisation of insurance acquisition cash flows	**(49)**	**—**	**(49)**
Total insurance service expense	**(49)**	**(3,426)**	**(3,475)**
Investment components and premium refunds	**470**	**(470)**	**—**
Insurance service results	**4,655**	**(3,896)**	**759**
Finance income from insurance contracts issued	**2,031**	**—**	**2,031**
Total change in profit or loss	**6,686**	**(3,896)**	**2,790**
Cash flows			
Premiums received	**(16,406)**	**—**	**(16,406)**
Claims and other expenses paid	**—**	**3,426**	**3,426**
Investment components and premium refunds	**—**	**470**	**470**
Insurance acquisition cash flows	**128**	**—**	**128**
Total cash flows	**(16,278)**	**3,896**	**(12,382)**
Insurance contract liabilities as at 31 December 2024	**(64,222)**	**—**	**(64,222)**

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.1 Insurance contracts issued – Analysis of liabilities for remaining coverage and incurred claims (continued)

2023	Liabilities for remaining coverage £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	(40,971)	—	(40,971)
Insurance revenue			
Contracts under fair value approach at transition	926	—	926
New contracts and contracts under full retrospective approach at transition	2,201	—	2,201
Total insurance revenue	3,127	—	3,127
Insurance service expense			
Incurred claims and other incurred insurance service expenses	—	(2,629)	(2,629)
Amortisation of insurance acquisition cash flows	(29)	—	(29)
Total insurance service expense	(29)	(2,629)	(2,658)
Investment components and premium refunds	349	(349)	—
Insurance service results	3,447	(2,978)	469
Finance expense from insurance contracts issued	(4,380)	—	(4,380)
Total change in profit or loss	(933)	(2,978)	(3,911)
Cash flows			
Premiums received	(12,827)	—	(12,827)
Claims and other expenses paid	—	2,629	2,629
Investment components and premium refunds	—	349	349
Insurance acquisition cash flows	141	—	141
Insurance acquisition asset	(40)	—	(40)
Total cash flows	(12,726)	2,978	(9,748)
Insurance contract liabilities as at 31 December 2023	(54,630)	—	(54,630)

Note E – Insurance contracts and reinsurance (continued)

E.2 Reinsurance contracts held – Analysis of liabilities for remaining coverage and incurred claims

The table below shows the roll-forward of the net liability for reinsurance contracts held, showing the liabilities for remaining coverage (excluding loss-recovery component) and amounts recoverable on incurred claims arising on business ceded to reinsurers.

2024	Liabilities for remaining coverage £m	Asset for incurred claims £m	Total £m
Reinsurance contract liabilities as at 1 January 2024	(461)	—	(461)
Reinsurance contract assets as at 1 January 2024	216	—	216
Net reinsurance contract liabilities as at 1 January 2024	(245)	—	(245)
Allocation of reinsurance premiums paid			
Changes in the liabilities for remaining coverage	(2,608)	—	(2,608)
Amortisation of reinsurance acquisition cash flows	5	—	5
Total allocation of reinsurance premiums paid	(2,603)	—	(2,603)
Amounts recoverable from reinsurers			
Amounts recoverable for claims and other expenses incurred	—	2,545	2,545
Amortisation of reinsurance acquisition cash flows	(5)	—	(5)
Total amounts recoverable from reinsurers	(5)	2,545	2,540
Net (expense)/income from reinsurance contracts held	(2,608)	2,545	(63)
Finance expense from reinsurance contracts held	(191)	—	(191)
Total change in profit or loss	(2,799)	2,545	(254)
Cash flows			
Premiums paid	3,083	—	3,083
Amounts received	—	(2,545)	(2,545)
Acquisition cash flows	40	—	40
Total cash flows	3,123	(2,545)	578
Net reinsurance contract liabilities as at 31 December 2024	79	—	79
Reinsurance contract liabilities as at 31 December 2024	(223)	—	(223)
Reinsurance contract assets as at 31 December 2024	302	—	302

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.2 Reinsurance contracts held – Analysis of liabilities for remaining coverage and incurred claims (continued)

2023	Liabilities for remaining coverage £m	Asset for incurred claims £m	Total £m
Reinsurance contract liabilities as at 1 January 2023	(848)	—	(848)
Reinsurance contract assets as at 1 January 2023	54	—	54
Net reinsurance contract assets as at 1 January 2023	(794)	—	(794)
Allocation of reinsurance premiums paid			
Changes in the liabilities for remaining coverage	(2,175)	—	(2,175)
Amortisation of reinsurance acquisition cash flows	2	—	2
Total allocation of reinsurance premiums paid	(2,173)	—	(2,173)
Amounts recoverable from reinsurers			
Amounts recoverable for claims and other expenses incurred	—	2,126	2,126
Amortisation of reinsurance acquisition cash flows	(2)	—	(2)
Total amounts recoverable from reinsurers	(2)	2,126	2,124
Net expense from reinsurance contracts held	(2,175)	2,126	(49)
Finance income from reinsurance contracts held	391	—	391
Total change in profit or loss	(1,784)	2,126	342
Cash flows			
Premiums paid	2,273	—	2,273
Amounts received	—	(2,126)	(2,126)
Acquisition cash flows	60	—	60
Total cash flows	2,333	(2,126)	207
Net reinsurance contract liabilities as at 31 December 2023	(245)	—	(245)
Reinsurance contract liabilities as at 31 December 2023	(461)	—	(461)
Reinsurance contract assets as at 31 December 2023	216	—	216

At 31 December 2024 and 31 December 2023, Rothesay conducted an impairment review of the reinsurance contract assets and found no impairment necessary.

Note E – Insurance contracts and reinsurance (continued)

E.3 Insurance contracts issued – Analysis of the measurement components of contract balances

This reconciliation presents a roll-forward of the liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for the portfolio's insurance service results during the year.

2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin: Contracts under fair value approach at transition £m	Contractual service margin: New contracts and contracts under full retrospective approach at transition £m	Total £m
Insurance contract liabilities as at 1 January 2024	**(46,324)**	**(1,695)**	**(1,199)**	**(5,412)**	**(54,630)**
Changes that relate to current services					
CSM recognised for services provided	—	—	208	517	725
Change in risk adjustment for the risk expired	—	11	—	—	11
Experience adjustments relating to insurance service expenses	23	—	—	—	23
Changes that relate to future services					
Contracts initially recognised during the year	846	(434)	—	(412)	—
Changes in estimates that adjust the CSM	562	385	(179)	(768)	—
Insurance service results	**1,431**	**(38)**	**29**	**(663)**	**759**
Finance income/(expense) from insurance contracts issued	**2,044**	**160**	**(26)**	**(147)**	**2,031**
Total changes in profit or loss	**3,475**	**122**	**3**	**(810)**	**2,790**
Cash flows					
Premiums received	(16,406)	—	—	—	(16,406)
Claims and other expenses paid	3,426	—	—	—	3,426
Investment components and premium refunds	470	—	—	—	470
Insurance acquisition cash flows	128	—	—	—	128
Total cash flows	**(12,382)**	**—**	**—**	**—**	**(12,382)**
Insurance contract liabilities as at 31 December 2024	**(55,231)**	**(1,573)**	**(1,196)**	**(6,222)**	**(64,222)**

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.3 Insurance contracts issued – Analysis of the measurement components of contract balances (continued)

2023	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin: Contracts under fair value approach at transition £m	Contractual service margin: New contracts and contracts under full retrospective approach at transition £m	Total £m
Insurance contract liabilities as at 1 January 2023	(34,521)	(1,512)	(773)	(4,165)	(40,971)
Changes that relate to current services					
CSM recognised for services provided	—	—	78	364	442
Change in risk adjustment for the risk expired	—	8	—	—	8
Experience adjustments relating to insurance service expenses	19	—	—	—	19
Changes that relate to future services					
Contracts initially recognised during the year	825	(447)	—	(378)	—
Changes in estimates that adjust the CSM	1,078	547	(486)	(1,139)	—
Insurance service results	1,922	108	(408)	(1,153)	469
Finance expense from insurance contracts issued	(3,977)	(291)	(18)	(94)	(4,380)
Total changes in profit or loss	(2,055)	(183)	(426)	(1,247)	(3,911)
Cash flows					
Premiums received	(12,827)	—	—	—	(12,827)
Claims and other expenses paid	2,629	—	—	—	2,629
Investment components and premium refunds	349	—	—	—	349
Insurance acquisition cash flows	141	—	—	—	141
Insurance acquisition asset	(40)	—	—	—	(40)
Total cash flows	(9,748)	—	—	—	(9,748)
Insurance contract liabilities as at 31 December 2023	(46,324)	(1,695)	(1,199)	(5,412)	(54,630)

Note E – Insurance contracts and reinsurance (continued)

E.4 Reinsurance contracts held – Analysis of the measurement components of contract balances

The tables below show the roll-forward of the net asset or liability for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios during the year.

2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin: Contracts under fair value approach at transition £m	Contractual service margin: New contracts and contracts under full retrospective approach at transition £m	Total £m
Reinsurance contract liabilities as at 1 January 2024	(2,078)	518	477	622	(461)
Reinsurance contract assets as at 1 January 2024	(777)	673	—	320	216
Net reinsurance contract liabilities as at 1 January 2024	**(2,855)**	**1,191**	**477**	**942**	**(245)**
Changes that relate to current services					
CSM recognised for services received	—	—	19	(81)	(62)
Change in risk adjustment for the risk expired	—	—	—	—	—
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(1)	—	—	—	(1)
Changes that relate to future services					
Contracts initially recognised during the year	(367)	517	—	(150)	—
Changes in estimates that adjust the CSM	140	(416)	(191)	467	—
Net (expense)/income from reinsurance contracts held	**(228)**	**101**	**(172)**	**236**	**(63)**
Finance (expense)/income from reinsurance contracts held	**(37)**	**(162)**	**6**	**2**	**(191)**
Total changes in profit or loss	**(265)**	**(61)**	**(166)**	**238**	**(254)**
Cash flows					
Premiums paid	3,083	—	—	—	3,083
Amounts received	(2,545)	—	—	—	(2,545)
Acquisition cash flows	40	—	—	—	40
Total cash flows	**578**	**—**	**—**	**—**	**578**
Net reinsurance contract liabilities as at 31 December 2024	**(2,542)**	**1,130**	**311**	**1,180**	**79**
Reinsurance contract liabilities as at 31 December 2024	(1,296)	458	311	304	(223)
Reinsurance contract assets as at 31 December 2024	(1,246)	672	—	876	302

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)
E.4 Reinsurance contracts held – Analysis of the measurement components of contract balances (continued)

2023	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin: Contracts under fair value approach at transition £m	Contractual service margin: New contracts and contracts under full retrospective approach at transition £m	Total £m
Reinsurance contract liabilities as at 1 January 2023	(2,135)	1,039	161	87	(848)
Reinsurance contract assets as at 1 January 2023	(309)	134	—	229	54
Net reinsurance contract liabilities as at 1 January 2023	(2,444)	1,173	161	316	(794)
Changes that relate to current services					
CSM recognised for services received	—	—	(17)	(26)	(43)
Change in risk adjustment for the risk expired	—	—	—	—	—
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(6)	—	—	—	(6)
Changes that relate to future services					
Contracts initially recognised during the year	(230)	418	—	(188)	—
Changes in estimates that adjust the CSM	(492)	(677)	332	837	—
Net (expense)/income from reinsurance contracts held	(728)	(259)	315	623	(49)
Finance income from reinsurance contracts held	110	277	1	3	391
Total changes in profit or loss	(618)	18	316	626	342
Cash flows					
Premiums paid	2,273	—	—	—	2,273
Amounts received	(2,126)	—	—	—	(2,126)
Acquisition cash flows	60	—	—	—	60
Total cash flows	207	—	—	—	207
Net reinsurance contract liabilities as at 31 December 2023	(2,855)	1,191	477	942	(245)
Reinsurance contract liabilities as at 31 December 2023	(2,078)	518	477	622	(461)
Reinsurance contract assets as at 31 December 2023	(777)	673	—	320	216

Note E – Insurance contracts and reinsurance (continued)

E.5 Insurance contracts issued and reinsurance held initially recognised during the year

This note presents the components of new business for insurance contracts issued and reinsurance contracts held measured at initial recognition. All groups of contracts written during the year and in 2023 are non-onerous at initial recognition and none fall into the "Contracts that have no significant possibility of becoming onerous subsequently" classification.

(a) New insurance contracts issued

	Contracts issued	
	2024 £m	2023 £m
Estimates of present value of future cash inflows	**15,658**	12,694
Estimates of present value of future cash outflows, including estimates of acquisition cash flows	**(14,812)**	(11,869)
Risk adjustment for non-financial risk	**(434)**	(447)
CSM	**(412)**	(378)
Losses recognised on initial recognition	**—**	—

(b) New reinsurance contracts

All of our longevity reinsurance agreements are unfunded, i.e. we retain the assets and pay a series of reinsurance premiums based on expected longevity and receive a series of reinsurance claim amounts based on actual experience. The contracts written in the year and in 2023 provided longevity reinsurance in relation to profitable underlying insurance contracts and therefore these reinsurance contracts held are initiated without the loss-recovery component. Contracts are split between those for which the CSM is positive (shown as "Net cost") and those for which the CSM is negative (shown as "Net gain"). During the period an existing reinsurance contract was amended and de-recognised in accordance with IFRS 17. The net cost contract shown for 2024 reflects the re-recognition of this transaction.

	New reinsurance contracts			
	2024		2023	
	Net cost £m	Net gain £m	Net cost £m	Net gain £m
Estimates of present value of future cash inflows	**3,115**	**13,963**	—	10,081
Estimates of present value of future cash outflows, including estimates of acquisition cash flows	**(3,308)**	**(14,137)**	—	(10,311)
Risk adjustment for non-financial risk	**65**	**452**	—	418
CSM	**128**	**(278)**	—	(188)
Amount included in reinsurance contract assets for the year	**—**	**—**	—	—

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.6 Contractual Service Margin recognition expectation in the profit and loss

In determining the CSM amortisation, we consider the services delivered under the contract and define the coverage units that should be used to amortise the CSM over time. The CSM is amortised in line with the release of the coverage units during the year as the services are provided to the policyholders.

The methods used to measure the coverage units for both immediate and deferred annuities require significant judgement. We define the coverage units as the quantity of benefit provided as part of the insurance service as the expected payment due to the policyholder during the period contingent on the insured event occurring (i.e. survival until the payment date). For reinsurance contracts held, the insured event is the survival of the reinsured policyholder until the payment date, with the payment being that due from the reinsurer to Rothesay under the terms of the contract (see note A.1).

For deferred annuities, the services delivered include both the insurance service and the investment return service. Rothesay uses judgement in assessing the quantity of benefits by determining the relative weighting of the benefits provided to the policyholder by these services. To determine the relative weighting of the benefits provided by insurance coverage (which represents the whole period of an immediate annuity) and investment services (provided in the deferred phase of the annuity before vesting and in any guarantee period), the coverage units across the deferred and in-payment periods are combined (or 'blended') to create a profile of expected CSM amortisation across the lifetime of the contract. The blended coverage units are calculated by appropriately weighting the expected insurance and investment return service coverage units such that by the time a deferred annuitant reaches retirement, the CSM is consistent with that of an equivalent immediate annuitant, and ensures that the relative values ascribed to the different services are consistent throughout the CSM amortisation over the lifetime of the contract.

For immediate annuities, the services delivered also include both the insurance service and the investment return service (provided during the guarantee period). The insurance services provided during the in-payment phase are the annuity cash flow payments, which are outside the guarantee period, expected to be paid out in the event of the insured event occurring (i.e. survival of the policyholders).

The following table presents the projected release of the CSM into future period maturity buckets.

2024	0–5 years £m	5–10 years £m	More than 10 years £m	Total £m
Insurance contracts issued	**2,033**	**1,539**	**3,846**	**7,418**
Reinsurance contracts held	**(407)**	**(350)**	**(734)**	**(1,491)**
Net CSM release	**1,626**	**1,189**	**3,112**	**5,927**

2023	0–5 years £m	5–10 years £m	More than 10 years £m	Total £m
Insurance contracts issued	1,735	1,340	3,536	6,611
Reinsurance contracts held	(390)	(336)	(693)	(1,419)
Net CSM release	**1,345**	**1,004**	**2,843**	**5,192**

Note E – Insurance contracts and reinsurance (continued)

E.7 Significant judgements and estimates in determining the value of fulfilment cash flows

The fulfilment cash flows include estimates of future cash flows, adjusted to reflect the time value of money, and a risk adjustment for non-financial risk (as described in note E.7(f)).

Estimate of future cash flows

In estimating future cash flows, we incorporate all reasonable and supportable information that is available without undue cost or effort at the reporting date. The estimates of future cash flows reflect our view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices. In estimating the future cash flows, we determine the cash flows to be included and how these are derived, and the boundary of insurance contracts.

Cash flows within the boundary of an insurance or reinsurance contract are those that relate directly to the fulfilment of the contract, which include:

a) Policyholder premiums including premium adjustments;
b) Policyholder claims and benefit payments, including annuity payments, death benefit lump sums, pension commencement lump sums, guarantee period cash flows and transfer value lump sums;
c) Insurance acquisition cash flows from writing new business; and
d) Other costs and expenses which relate to directly fulfilling the obligations within the contract such as claims handling costs, policy administration and maintenance costs, premium taxes, allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts, investment management expenses to the extent that they enhance benefits from insurance coverage, and any other costs that may be charged specifically to the policyholder under the terms of the contract.

In determining the best estimate cash flows, we use observable market variables (or economic variables) and non-market variables (or demographic variables). Estimates of economic variables are consistent with observable market prices, while demographic variables reflect all reasonable and supportable evidence available without undue cost or effort. Below are the key economic and demographic variables or assumptions with the greatest impact on Rothesay's insurance and reinsurance contract liability and asset valuations under IFRS 17.

(a) Mortality assumptions

Best estimate mortality assumptions are determined separately for each insurance contract (with consistent assumptions used when valuing reinsurance contracts). The resulting assumptions are equivalent to using the base mortality assumptions set out in the table below:

	2024		2023	
	Pensions originated	Insurance originated	Pensions originated	Insurance originated
Males	**106.1% S3PMA**	**103.4% S3PMA**	105.9% S3PMA	101.1% S3PMA
Females	**106.1% S3PFA**	**103.4% S3PFA**	105.9% S3PFA	101.1% S3PFA

The change over 2024 reflected the inclusion of new business and differences from expected mortality in recent years. For pension scheme originated business, ultimate mortality has been used in all cases. For insurance originated business, the stated base mortality basis incorporates the effect of selection adjustments for relevant policies.

Recent mortality experience is analysed annually for each pension scheme and for insurance originated business. The last review was carried out during 2024. The best estimate base mortality assumptions used in the valuation are based on this actual mortality experience. Mortality experience has been compared to expected levels with allowance for population level experience, hence heavy experience due to the COVID-19 pandemic has not been projected indefinitely. Mortality assumptions are generally set with reference to a Rothesay-specific suite of

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)
E.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)
(a) Mortality assumptions (continued)
mortality tables. For the purpose of our reporting disclosures, these have been expressed as a single adjustment equivalent to the CMI S3 series of mortality tables drawn up by the Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries. The S3 tables are based on industry-wide experience. For the S3 tables, past mortality improvements are applied assuming the base mortality rates are as at 2013.

Mortality improvements used to roll base tables forward to the current date use an advanced calibration of the CMI 2023 model with limited period smoothing and including 2020 to 2023 experience in order to represent realised population mortality improvements. This is allowed for in the base table and mortality improvement equivalents shown in the preceding/proceeding tables.

Allowance is made for future improvements in annuitant mortality with reference to statistical analysis of historical rates of mortality improvements, expert judgement of future changes in mortality improvements, industry benchmarking and reinsurance pricing. During 2024, mortality improvement assumptions were updated to reflect recent mortality improvements, including adoption of the CMI 2023 improvement model. The CMI 2023 model places no weight on 2020 or 2021 data, and limited weight on 2022 and 2023 data, which significantly reduces the impact of COVID-19 on our improvement projections. For both 2024 and 2023, an advanced calibration of the model has been used.

The chosen long-term improvement rate assumption varies by age using a bespoke calibration that tapers non-linearly from age 70 to 0% at age 120. The long-term rates in the table below are expressed as core CMI model long-term rates and are equivalent on a present value basis to the actual long-term rate adopted. The bespoke calibration of the best estimate long-term improvement rates remain unchanged from 2023, however due to the addition of new business the single equivalent long-term improvement rate has increased slightly. The assumed initial rates of improvements are unchanged for 31 December 2024. The initial adjustment parameter ("A" parameter) has not been adopted, with adjustment to the initial rate of mortality improvements to allow for socio economic effects continuing to be made through the Sk parameter. Best estimate improvements are equivalent to those shown in the table below:

	Future mortality improvements (excluding margins)	
	2024	**2023**
Males	**CMI_2023*_M[1.8%; Sκ=7.6]**	CMI_2022*_M[1.7%; Sκ=7.4]
Females	**CMI_2023*_F[1.8%; Sκ=7.6]**	CMI_2022*_F[1.7%; Sκ=7.4]

* Calibration ages 20-90.

The impact of the assumption changes can be seen through the changes in estimates that adjust the CSM in notes E3 and E4. These estimates are shown on a locked-in rate basis. Due to the significant increase in interest rates since many of the schemes were written, a material offset is included through Insurance Finance Expense reflecting the impacts being significantly smaller when calculating the change in present value of future cash flows and risk adjustment using current interest rates.

(b) Discount rates
Under IFRS 17, the discount rate used must reflect the characteristics of the liabilities both in terms of timing and liquidity. The rate can be determined using either a bottom-up or a top-down approach. Under a bottom-up approach the discount rate is based on a liquid risk-free yield curve and then an addition is made to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts. Rothesay uses judgement to assess liquidity characteristics of the liability cash flows. Where the asset cash flows do not perfectly match the liability cash flows a reinvestment assumption is assumed for the rate at which surplus asset cash flows within the asset model are reinvested. The approach to setting the assumed reinvestment rate was updated during 2024. Under a top-down approach the discount rate is based on a yield curve that reflects the current market rates of return of a reference portfolio of assets adjusted to eliminate any factors that are not relevant to the insurance contracts, including credit risk. The reference portfolio comprises a mix of assets that Rothesay owns or expects to buy backing insurance liabilities, such as sovereign bonds, corporate bonds, infrastructure and secure illiquid assets, which

Note E – Insurance contracts and reinsurance (continued)

E.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

(b) Discount rates (continued)

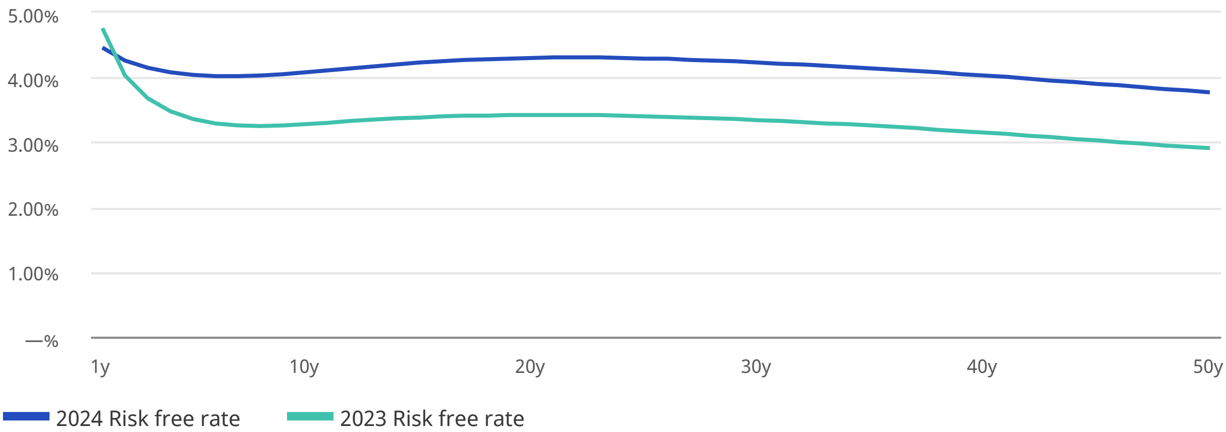
in aggregate closely match the cash flow profile of the liabilities. As such it is materially equivalent, and similar in composition to the total portfolio owned by Rothesay as detailed in note D.

We apply separate discount rates to value our insurance contracts and our longevity swap reinsurance contracts.

- For insurance contracts, we use a top-down approach to derive the discount curve based on the market consistent rate of return on a reference portfolio of assets appropriate to back the liabilities. In determining the rate of return on the assets in the reference portfolio, a deduction is made to reflect retained risks, i.e. credit default risk and property price risk.
- For collateralised longevity swap reinsurance contracts, we use a bottom-up approach which reflects the overall higher liquidity of assets cash flows which can be posted as collateral under the relevant contracts.

We use discount rates to measure the BEL and RA and to determine the interest to accrete on the CSM, to measure the impact of adjustments to the CSM, and to derive the amortisation profile for CSM recognised during the year. The locked-in rates used for the CSM calculations for insurance and reinsurance contracts are in line with the discount rates used to discount the projected BEL and RA at initial recognition.

The table below summarises the overall weighted average discount rate, and spread above the risk-free curve (SONIA), for determining the BEL and RA for insurance contracts issued and reinsurance contracts held. For disclosure purposes the full yield curves have been converted into a spread over the risk free rate.



	2024 bps	2023 bps
Risk-free rate	**409**	330
Spread above risk-free rate	**137**	141
Aggregate discount rate	**546**	471

(c) Other economic assumptions

An important actuarial assumption relates to the future rate of escalation of certain annuity benefits. Where possible such rates are derived from inflation swap markets. Whilst that is still the case for more liquid inflation rates, there is not a sufficiently deep, liquid market to support setting the rate of limited price indexation (LPI). We have therefore projected these rates using LPI models based on realised LPI and other market inputs.

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

(d) Expense assumptions

Rothesay includes estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 in the measurement of insurance contracts. These expenses include those attributable to the groups of contracts, which include an allocation of fixed and variable overheads. The allowance made for future expenses was updated at the end of 2024 following the regular review of allowances compared to total costs incurred by Rothesay during 2024 and projected 2025 expenses.

The insurance contract liabilities future cash flows include the projected expenses payable covering administration agreements, long-term business overhead expenses and investment management expenses. For disclosure purposes these have been expressed as an amount per policy. The average per policy allowance is £68 per policy per annum (2023: £63 per policy per annum). Additional allowances are made for short-term project costs.

Within these expense provisions, an allowance for future expense inflation has been made to cover the impact of both salary and price inflation. Where applicable, the future rate of expense inflation is assumed to be RPI (as implied by the RPI swap curve) for maintenance expenses, with an additional 0.25% p.a. on some expenses (2023: 0.25% p.a. on some expenses).

(e) Risk adjustment (RA)

The RA reflects the compensation that Rothesay requires for bearing the non-financial uncertainty in the liabilities. The RA is an explicit measurement of the non-financial risks based on Rothesay's view of the economic burden imposed by the non-financial risks associated with the insurance contracts.

In determining the RA, we reflect this compensation by using the provision for adverse deviation approach (the PAD approach), under which we apply margins to the best estimates for demographic and expense risks. Allowances are also made for directly attributable operational risk and diversification between these risk factors.

The key risk factors considered in the RA for insurance contracts and the approach to calculating these risks include:

- Longevity/mortality risk margins are applied to the best estimate assumptions which are set based on quotes obtained for longevity reinsurance pricing, which represents the market price of longevity risk, which Rothesay considers an appropriate compensation for this risk.
- Spouse ratio/financial dependant risk margins are applied to the best estimate assumption used, which Rothesay considers an appropriate compensation for this risk.
- Expense risk, including both level and expense inflation risk. Expense level risk corresponds to the risk of an immediate and permanent change in the reserved expense levels, and expense inflation risk corresponds to the risk that the expenses increase in the future at a different rate to that assumed in the best estimate reserves. A fixed percentage increase over the best estimate assumptions is used for expense risk and expense inflation. Rothesay considers expense inflation based on an index as a financial risk, but any growth assumption basis above the index is considered a non-financial risk which is considered in the risk adjustment.

The calibration of these parameters is in line with the calibration of the underlying best estimate assumptions for these risk factors which is typically annually. The impact of the assumption changes can be seen through the changes in estimates that adjust the CSM in notes E3 and E4. These estimates are shown on a locked-in rate basis. Due to the significant increase in interest rates since many of the schemes were written, a material offset is included through Insurance Finance Expense, reflecting the impacts being significantly smaller when calculating the change in risk adjustment using current interest rates.

Allowance in the RA is also made for less significant risk factors such as risk of data error and impact of the timing of retirement. For reinsurance contracts held, the risk factors considered in determining the risk adjustment include the longevity/mortality risk and spouse/financial dependant risk. A consistent technique is applied to both insurance and reinsurance contracts, with the RA related to reinsurance reflecting the marginal change in RA as a result of transacting reinsurance contracts. Changes in RA are taken through profit and loss, rather than other comprehensive income.

Note E – Insurance contracts and reinsurance (continued)

E.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

(e) Risk adjustment (RA) (continued)

We estimate that the calculated RA corresponds to a confidence level as follows:

Net of reinsurance	2024	2023
Confidence level – 1 year basis	**90%**	91%
Confidence level – ultimate basis	**63%**	65%

The confidence level on an ultimate basis is derived by comparing the value of the RA to the relevant one year, 1-in-200 Solvency II SCR stresses on an IFRS 17 basis, projected for the lifetime of the liabilities. Confidence levels may vary from period to period due to changes in economic conditions or changes in the risk profile.

(f) Timing of cash flows

The table below shows the estimates of the present value of future cash flows of the insurance contract liabilities and net reinsurance contract liabilities that are expected to arise during each year. As noted in the segmental analysis and level of aggregation description for Note E, reinsurance contracts are managed as a single portfolio and as such Net reinsurance liabilities are shown below, which includes reinsurance contract assets.

	2024							
	0–1 years £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	6 to 10 years £m	More than 10 years £m	Total £m
Insurance contract liabilities	**(3,939)**	**(3,724)**	**(3,557)**	**(3,376)**	**(3,214)**	**(13,395)**	**(24,026)**	**(55,231)**
Net reinsurance contract liabilities	**(141)**	**(135)**	**(132)**	**(130)**	**(129)**	**(604)**	**(1,271)**	**(2,542)**

	2023							
	0–1 years £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	6 to 10 years £m	More than 10 years £m	Total £m
Insurance contract liabilities	(2,824)	(2,990)	(2,935)	(2,833)	(2,707)	(11,284)	(20,751)	(46,324)
Net reinsurance contract liabilities	(129)	(124)	(124)	(123)	(122)	(643)	(1,590)	(2,855)

There are no amounts payable on demand as at 31 December 2024 (2023: £nil).

For deferred annuities, the services Rothesay delivers include both insurance service and investment return service. Rothesay exercises judgement in assessing the quantity of benefits by determining the relative weighting of the benefits provided to the policyholder by each of these services (see note E.6 for further details).

(g) Credit risk analysis

Long-term business is ceded to reinsurers under collateralised contracts to transfer part of the insurance risk associated with the underlying insurance contracts. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of the reinsurance company.

At 31 December 2024, the maximum exposure to credit risk arising from reinsurance contract assets prior to allowance for collateral is £178m (2023: £91m). The credit quality of reinsurance contract assets include £141m of AA and £37m of A (2023: £86m of AA and £5m of A). The ratings are generally based on the median of the ratings assigned by Standard & Poor's, Moody's and Fitch.

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.8 Sensitivity analysis

We assess the significant assumptions in measuring insurance and reinsurance contracts and provide sensitivities to the changes in the most material assumptions below. The schedule below provides an analysis of the reasonably possible movements in key assumptions that would have a material impact on adjusted operating profit **(APM)**, profit before tax ('PBT') and equity, at gross and net of reinsurance. Analysis is shown separately for adjusted operating profit **(APM)** and PBT because the former excludes the impact of assumption changes on the CSM. We have assessed the key risks in our insurance contracts and have shown the sensitivities of the material risks. The analysis is based on a change in a single assumption whilst holding all other assumptions constant. The analysis assumes an instantaneous shock to the assumptions other than for the interest rate and inflation sensitivities where the impact of dynamic hedging is allowed for as market conditions change.

		Increase/(Decrease) in adjusted operating profit (APM)		Increase/(Decrease) in PBT		Impact on equity	
2024	Change in assumptions	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
Annuitant mortality	+5% qx	**843**	**100**	**(452)**	**(78)**	**(339)**	**(58)**
Annuitant mortality	-5% qx	**(888)**	**(103)**	**465**	**76**	**349**	**57**
Interest rate	+100bps	**—**	**—**	**(962)**	**(928)**	**(722)**	**(696)**
Interest rate	-100bps	**—**	**—**	**1,141**	**1,135**	**856**	**852**
Inflation	+100bps	**—**	**—**	**714**	**731**	**536**	**548**
Inflation	-100bps	**—**	**—**	**(554)**	**(562)**	**(415)**	**(422)**
Credit spread widening	+100bps	**—**	**—**	**(794)**	**(699)**	**(596)**	**(524)**
Change in property prices	+10%	**—**	**—**	**79**	**79**	**59**	**59**
Change in property prices	-10%	**—**	**—**	**(103)**	**(103)**	**(77)**	**(77)**
Expenses	+10%	**(104)**	**(104)**	**34**	**34**	**25**	**25**

		Increase/(Decrease) in adjusted operating profit (APM)		Increase/(Decrease) in PBT		Impact on equity	
2023	Change in assumptions	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
Annuitant mortality	+5% qx	837	117	(371)	(59)	(284)	(45)
Annuitant mortality	-5% qx	(884)	(119)	374	55	286	42
Interest rate	+100bps	—	—	(931)	(853)	(712)	(653)
Interest rate	-100bps	—	—	1,158	1,097	886	839
Inflation	+100bps	—	—	562	555	430	424
Inflation	-100bps	—	—	(431)	(419)	(330)	(320)
Credit spread widening	+100bps	—	—	(427)	(329)	(327)	(252)
Change in property prices	+10%	—	—	68	67	52	52
Change in property prices	-10%	—	—	(104)	(103)	(79)	(79)
Expenses	+10%	(100)	(100)	39	39	30	30

The sensitivities shown capture non-linearity effects, which may be significant following large market movements.

Note E – Insurance contracts and reinsurance (continued)

E.8 Sensitivity analysis (continued)

The annuitant mortality sensitivity is defined in terms of a qx stress, where qx represents the probability of a life dying during the year. Given the qx stress relates to a non-economic assumption, any changes in the BEL and RA also lead to an adjustment of the CSM using locked-in economic conditions from group inception. As most historic business was incepted at a time when long-term interest rates were significantly lower than as at year end 2024, the impact of the qx stress on the CSM is larger than on the BEL and RA. This results in the impact on IFRS 17 profits being the opposite of that which might be expected (and which would be seen on other financial metrics), i.e. an increase in longevity would result in an increase in IFRS profits. This was also the case for the 2023 comparatives.

Notes to the financial statements continued

Note F – Risk and capital management

F.1 Capital management

Rothesay's capital resources are of critical importance. Rothesay's capital management framework is designed to meet the following objectives:

- to maintain financial strength in adverse conditions;
- to give customers long-term confidence in Rothesay;
- to satisfy its regulatory obligations;
- to match the profile of its assets and liabilities, taking account of the risk inherent in the business;
- to allocate capital efficiently to support new business growth;
- to retain financial flexibility by maintaining strong liquidity; and
- to provide an appropriate return to shareholders.

Rothesay had sufficient capital available to meet its regulatory capital requirements at all times during the year ended 31 December 2024.

Rothesay operates under the Solvency II regime. This regime has been adapted for the UK market as part of an HM Treasury review – several reforms relating to the Risk Margin and Matching Adjustment have already been implemented, and the remainder of the planned reform came into effect at the end of 2024.

Rothesay is required to hold sufficient assets to meet:

- Rothesay's technical provisions, being:
  - the liabilities of Rothesay calculated on a best estimate basis (the BEL); plus
  - the risk margin; less
  - available transitional solvency relief.
- The capital required to meet a 1-in-200-year stress (known as the solvency capital requirement or SCR).

Rothesay's application to use a full internal model (FIM) for the calculation of the SCR was approved by the PRA for use in 2023. The FIM means that Rothesay's bespoke models are used for calculation of all risks and ensure that the allocation of capital to investment is consistent with the risk inherent in the types of highly secured and collateralised investments which are core to Rothesay's investment strategy.

Note F – Risk and capital management (continued)

F.1 Capital management (continued)

Capital in excess of that required to meet the technical provisions is known as Own Funds. As at 31 December 2024, Own Funds for Rothesay were £9,098m (unaudited) (2023: £8,776m) made up as follows:

	2024 unaudited £m	2023 £m
Total IFRS equity	**4,215**	4,351
Liability valuation differences and other regulatory adjustments	**2,679**	2,565
Total Tier 1	**6,894**	6,916
Tier 2 debt valuation	**1,733**	1,402
Tier 3 debt valuation	**471**	458
Own Funds available to meet SCR	**9,098**	8,776
Own Funds eligible to meet SCR	**8,525**	8,466

Rothesay holds both debt and equity to optimise its capital structure and improve shareholder return. During June 2024, RLP issued £500m of GBP Tier 2 notes and $325m of USD Tier 2 notes to provide additional capital for new business. Given Rothesay's solvency position and, in particular, the size of the SCR, some capital is not currently eligible as Own Funds to meet SCR. However, as we continue to write new business, solvency capital requirements will increase and all the capital is expected to be fully eligible.

During September 2024 Rothesay repaid £400m of Tier 2 borrowings.

The capital position is sensitive to changes in market conditions, due to changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities. Rothesay seeks to mitigate these risks through the close matching of asset and liability cash flows, and through the use of derivative hedges and reinsurance. Management monitors market conditions and emerging longevity experience on a regular basis. As these conditions change, management will take remedial action such as adjustment of hedging strategies and reinvestment of assets as appropriate.

Solvency sensitivities

The table below provides a range of sensitivities as at 31 December 2024 and comparatives as at 31 December 2023. To better reflect the long-term impacts, sensitivities have been calculated against available Own Funds rather than eligible Own Funds. The sensitivities show that Rothesay can withstand a wide range of stresses.

Unaudited	Change in assumptions	Impact on RL coverage ratio % 2024	Impact on RL coverage ratio % 2023
Base reported SCR coverage		**261%**	273%
Annuitant mortality	**+5% qx**	**11%**	14%
Annuitant mortality	**-5% qx**	**(13%)**	(14%)
Interest rate	**+100bps**	**16%**	23%
Interest rate	**-100bps**	**(24%)**	(27%)
Inflation	**+100bps**	**(13%)**	(20%)
Inflation	**-100bps**	**6%**	17%
Credit spread widening	**+100bps**	**9%**	5%
Property value	**-10%**	**(8%)**	(10%)
Expenses	**+10%**	**(6%)**	(5%)

Notes to the financial statements continued

Note F – Risk and capital management (continued)

F.2 Risk management and analysis

Rothesay is exposed to credit, market and liquidity risk through its financial assets and financial liabilities. Rothesay is exposed to insurance risk through its insurance liabilities and to operational risk as a result of its activities. These risks are described below and are managed in accordance with risk management policies and procedures established by Rothesay.

Climate change risk is considered within the relevant risk type, for example credit risk includes the potential impact of climate change on the creditworthiness of counterparties.

Please see pages 42 to 53 of the Strategic Report for further detail on risk management arrangements and the governance framework within Rothesay. Please refer to Rothesay's latest Climate Report for further detail on our commitments and progress towards Net Zero.

F.2.1 Credit risk

Credit risk represents the potential for loss, or solvency deterioration, due to the default or deterioration in credit quality of a counterparty or an investment we hold. In some instances this risk may arise as a result of sustainability factors including climate change, for example the risk of stranded assets, potential litigation exposure or the impact of sustainability considerations, on a counterparty's assets and/or liabilities. Credit risk also arises from cash placed with banks or money market funds, collateralised financing transactions (i.e. resale and repurchase agreements) and receivables from third parties.

Management is responsible and accountable for managing credit risks within prescribed limits. Effective management of credit risk requires disciplined underwriting, accurate and timely information, strong collateral management, a high level of communication and knowledge of customers, countries, industries and products. We continue to actively monitor and manage potential downgrade risk across the investment portfolio, particularly as continued sustained inflation and uncertain central bank monetary responses may drive macro and individual counterparty weakness.

The independent Risk function, led by the CRO, has responsibility for ensuring an appropriate framework is in place for assessing and monitoring credit risk. All credit exposures are actively monitored by the Risk function, including the use of regular sector and position reviews and a number of early warning indicators, resulting in regular reporting to the investment team and key governance bodies such as the Board Risk Committee.

Risk mitigants

Rothesay manages our investments in-house which allows us to proactively manage the composition of our investment portfolio. We are able to diversify exposures across and within sectors, controlling position sizes through limits, and regular monitoring and oversight of investments. For more liquid investments, we are able to actively reduce exposure where we have credit or other concerns.

When making new investments, Rothesay considers the potential exposure to climate change risk and other sustainability factors. Where such risks are likely to be financially material over the life of the transaction then this will be considered during the internal credit rating assessment. Such considerations can also lead to investment in shorter duration assets and avoidance of risk exposure, for example when Rothesay funds the origination of residential mortgages, our lending criteria includes a specification of the type of properties that are acceptable including factors such as construction, location and environmental perils such as flood risk.

To mitigate the credit exposures on derivatives and collateralised agreement transactions, Rothesay obtains collateral from counterparties on an upfront or contingent basis. Rothesay also enters into netting agreements with counterparties that permit it to offset receivables and payables with such counterparties for transaction settlements and upon a counterparty default.

When Rothesay does not have sufficient visibility into a counterparty's financial strength, or when it believes a counterparty requires support from its parent company, Rothesay may obtain third-party guarantees of the counterparty's obligations. Rothesay also mitigates its investment and counterparty credit risk using credit derivatives.

Note F – Risk and capital management (continued)

F.2 Risk management and analysis (continued)

F.2.1 Credit risk (continued)

Credit exposures

Rothesay is exposed to credit risk from its receivables from third parties. Receivables from counterparties are generally comprised of collateralised receivables related to derivatives or collateralised agreements transactions and have minimal credit risk due to the value of the collateral received. In addition, Rothesay invests in assets that are typically highly rated, or assets where there is underlying structural security in the event of a default. These assets include supranationals, sovereign bonds, sub-sovereign bonds, covered bonds, higher education bonds, infrastructure assets, unsecured corporate bonds and secured residential lending.

Further information is provided below:

Cash and cash equivalents

Cash and cash equivalents include both interest bearing and non-interest bearing deposits and investment in money market funds. To mitigate the risk of credit loss, Rothesay diversifies its exposure and places its deposits with multiple banks.

Collateralised agreements

Collateralised agreements are reported at fair value or contractual value before consideration of collateral received on the balance sheet. Rothesay bears credit risk related to sale and repurchase agreements and securities borrowing only to the extent that cash advanced to the counterparty exceeds the value of the collateral received or charges over assets. Therefore, Rothesay's credit exposure on the transactions is significantly lower than the amounts recorded on the balance sheet. Rothesay also has credit exposure on repurchase agreements and securities loaned, which are liabilities on its consolidated statement of financial position, to the extent that the collateral pledged for these transactions exceeds the amount of cash received.

Offsetting of financial assets and financial liabilities

The following table shows the impact of the netting arrangements result in the derivative assets and liabilities presented net in the balance sheet, including balances which do not qualify for netting under IAS 32:

Notes to the financial statements continued

Note F – Risk and capital management (continued)
F.2 Risk management and analysis (continued)
F.2.1 Credit risk (continued)

	2024						
	Effects of offsetting			Related amounts not offset			
	Gross amounts £m	Amounts offset £m	Net amounts presented in the statement of financial position £m	Netting under master netting agreements £m	Cash collateral £m	Security collateral and charges £m	Net credit exposures £m
Derivative assets	**40,752**	**(811)**	**39,941**	**(36,419)**	**(2,072)**	**(1,439)**	**11**
Collateralised agreements and financing	**61**	**—**	**61**	**—**	**—**	**(61)**	**—**
Total	**40,813**	**(811)**	**40,002**	**(36,419)**	**(2,072)**	**(1,500)**	**11**
Derivative liabilities	**(40,906)**	**811**	**(40,095)**	**36,419**	**1,695**	**1,981**	**—**
Collateralised financing agreements	**(5,877)**	**—**	**(5,877)**	**—**	**—**	**5,871**	**(6)**
Total	**(46,783)**	**811**	**(45,972)**	**36,419**	**1,695**	**7,852**	**(6)**

	2023						
	Effects of offsetting			Related amounts not offset			
	Gross amounts £m	Amounts offset £m	Net amounts presented in the statement of financial position £m	Netting under master netting agreements £m	Cash collateral £m	Security collateral and charges £m	Net credit exposures £m
Derivative assets	33,781	(164)	33,617	(29,340)	(2,436)	(1,823)	18
Collateralised agreements and financing	63	—	63	—	—	(63)	—
Total	33,844	(164)	33,680	(29,340)	(2,436)	(1,886)	18
Derivative liabilities	(33,157)	164	(32,993)	29,340	761	2,892	—
Collateralised financing agreements	(2,969)	—	(2,969)	—	—	2,953	(16)
Total	(36,126)	164	(35,962)	29,340	761	5,845	(16)

Credit default swaps have been purchased to protect Rothesay from the default of some of its counterparties. The table above does not reflect the protection provided. Rothesay calls margins, receivable in cash and gilt instruments, against this exposure and other derivative positions. Bilateral derivative transactions have benefited from additional collateral security in the form of Initial Margin since 1 September 2021.

In a distressed situation the value of collateral may vary depending on credit quality and interest rates. The effectiveness of collateral as a credit risk mitigant will depend on the operational expertise of the collateral manager and the ability to seize, value and sell the collateral in a distressed scenario.

Rothesay has the right of offset for certain financial assets and liabilities. Netting under master netting agreements of £36,419m (2023: £29,340m) reflects the offsetting of derivative assets with liabilities for which Rothesay has a right to set off in the event of default. Cash and security collateral have been offset to the extent there are credit exposures on the balance sheet.

Note F – Risk and capital management (continued)
F.2 Risk management and analysis (continued)
F.2.1 Credit risk (continued)
Credit ratings

The table below shows Rothesay's credit exposure from financial investments (excluding derivatives), receivables and cash based on external and internal ratings, consistent with management's view of credit risk. The external rating is generally based on the median of the ratings assigned by Standard & Poor's, Moody's and Fitch. For the purpose of Solvency II, unrated assets are internally rated by Rothesay's independent Credit Risk function under a framework which has been externally validated.

	AAA £m	AA £m	A £m	BBB £m	BB £m	B £m	CC £m	C £m	Unrated £m	Total £m
2024	**10,964**	**28,263**	**21,449**	**11,482**	**320**	**8**	**23**	**—**	**9,057**	**81,566**
2023	8,829	22,499	18,182	9,397	175	1	—	3	8,625	67,711

We have excluded derivatives and other assets in the table in order to increase the clarity of the disclosure, as this aligns to the way in which we measure the credit risk given that the derivatives are fully collateralised. The difference between the total assets shown in the table above and the assets under management **(APM)** is:

- Derivative assets of £39,941m (2023: £33,617m); and
- Other assets of £1,164m (2023: £1,002m[1]); less
- Payables and financial liabilities of £52,012m (2023: £41,281m).

AAA rated assets include Government bonds, supranational bonds, sub-sovereigns, covered bonds, US not-for-profit private universities, rate reduction bonds and certificates of deposit. AA rated assets include gilts and corporate bonds. Other net credit exposures rated A and BBB include investments in regulated infrastructure assets and commercial real estate loans, as well as unsecured corporate bonds.

Unrated assets include UK and European residential mortgages that are not individually rated.

Other than a small number of residential mortgages, as of the current and prior year end there were no financial assets past due.

1. Prior year numbers have been restated from £1,660m to £1,002m due to an overstatement.

Notes to the financial statements continued

Note F – Risk and capital management (continued)

F.2 Risk management and analysis (continued)

F.2.2 Market risk

Market risk is the risk of changes in the value of Rothesay's net financial position due to changes in market prices. Financial investments are accounted for at fair value and, therefore, fluctuate on a daily basis. Certain liabilities are also exposed to market risk. Categories of market risk include the following:

- Interest rate risk arises from discounting cash flow mismatches across all future dates. Profits and losses are generated through changes in the level, slope and curvature of interest rate curves. The risk is hedged closely by matching assets and liabilities and by using interest rate swaps. Consideration is given to Rothesay's IFRS, MCEV and solvency risk positions when determining the appropriate hedging strategy.
- Inflation rate risk results from mismatches in the index linkage of liabilities and assets. Profits and losses are generated through changes to the level, slope and curvature of inflation curves. The risk is hedged by closely matching assets and liabilities and by using inflation swaps.
- Currency rate risk results from mismatches in the denomination of liabilities and assets. Profits and losses are generated due to changes in the level of foreign exchange rates. The risk is hedged using spot foreign exchange and cross-currency swaps.
- Property risk results from investments that are secured on commercial or residential properties. In some instances, this risk may arise from the potential impact of climate change on properties (including the need to improve the carbon efficiency of buildings). Profits and losses may be generated by material movements in spot or forward property prices. This risk is mitigated through strict underwriting criteria, aggregate risk monitoring, consideration of sustainability risks and low loan-to-value limits. Where the property risk becomes more material then prudent allowance is made for this within the credit risk adjustment.

Rothesay manages market risk by diversifying exposures, controlling position sizes through limits and regular stress and scenario testing and establishing economic hedges in related securities, derivatives and insurance liabilities.

Sensitivities to market risk are shown in note E.8.

F.2.3 Liquidity risk

Liquidity risk arises where timing differences and/or uncertainties occur between cash inflows and cash outflows. The objective of liquidity management is to ensure that Rothesay is capable of honouring all cash flow commitments on both an ongoing basis and in highly stressed scenarios, without incurring significant cost or business disruption.

Rothesay's liquidity policy is designed to ensure the availability of sufficient funds to meet cash flow requirements on a timely basis via:

- Maintenance of substantial excess liquidity. Rothesay seeks to enter into long-term, illiquid investments that match its liabilities in order to maximise the value of the illiquidity premium. To mitigate residual liquidity risk, Rothesay maintains substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including collateral outflows and financing obligations.
- Entering into repurchase agreements and derivative and reinsurance agreements that allow Rothesay to post corporate bonds as collateral rather than just cash and gilts.
- Conservative asset/liability management. Rothesay seeks to maintain funding sources that are sufficiently long term in order to withstand a prolonged or severe liquidity-stressed environment. Only the most liquid assets held on Rothesay's balance sheet are assumed to be available to meet potential stressed liquidity requirements.
- Maintenance of a comprehensive liquidity contingency plan including having contingent liquidity facilities executed which can be drawn if required to raise cash.

Note F – Risk and capital management (continued)

F.2 Risk management and analysis (continued)

F.2.3 Liquidity risk (continued)

The liquidity management framework is designed to ensure that a prudent level of liquidity is maintained on a spot basis, but also under stressed market conditions, at which time liquidity may leave Rothesay through collateral outflows and ongoing business obligations such as expenses and undrawn investments. A comprehensive analysis of all sources of liquidity risk to which the Group is exposed is maintained. Based upon this analysis, an extensive suite of stresses is considered as part of the liquidity management framework, including onerous market shocks, against which limits are applied by the Board.

Management is responsible and accountable for managing liquidity risks within prescribed limits that are set by the Board and are overseen by the Board Risk Committee. The second line Risk function ensures that an appropriate framework is in place for assessing, monitoring and managing liquidity risk. Liquidity is managed for Rothesay as a whole, in addition to at a Solvency II fund level. Risks are monitored and controlled through strong oversight, and independent control and support functions across the business.

The following table details Rothesay's financial liabilities and assets by maturity. Cash flows arising from financial investments and liabilities have been disclosed using undiscounted expected contractual cash flows. The table excludes insurance liabilities which are included in note E.7. The table also excludes lifetime mortgage cash flows which are included in note D.1, finance lease receivables in note D.4 and leasehold cash flows which are included in note I.6.

	2024			
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	Total £m
Financial assets				
Financial investments	**17,430**	**33,007**	**152,623**	**203,060**
Accrued interest	**848**	**—**	**—**	**848**
Receivables	**3,746**	**—**	**—**	**3,746**
Cash and cash equivalents	**241**	**—**	**—**	**241**
	22,265	**33,007**	**152,623**	**207,895**
Financial liabilities				
Financial liabilities	**(5,751)**	**(15,551)**	**(50,326)**	**(71,628)**
Payables	**(5,398)**	**—**	**—**	**(5,398)**
Borrowings	**(250)**	**(1,113)**	**(1,253)**	**(2,616)**
Accruals	**(186)**	**(19)**	**—**	**(205)**
	(11,585)	**(16,683)**	**(51,579)**	**(79,847)**
Net	**10,680**	**16,324**	**101,044**	**128,048**

Notes to the financial statements continued

Note F – Risk and capital management (continued)
F.2 Risk management and analysis (continued)
F.2.3 Liquidity risk (continued)

	2023			
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	Total £m
Financial assets				
Financial investments	14,581	25,318	108,578	148,477
Accrued interest	677	—	—	677
Receivables	2,013	—	—	2,013
Cash and cash equivalents	267	—	—	267
	17,538	25,318	108,578	151,434
Financial liabilities				
Financial liabilities	(5,737)	(11,830)	(33,161)	(50,728)
Payables	(5,318)	(1)	—	(5,319)
Borrowings	—	(1,357)	(891)	(2,248)
Accruals	(160)	—	—	(160)
	(11,215)	(13,188)	(34,052)	(58,455)
Net	6,323	12,130	74,526	92,979

F.2.4 Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes project risk and cyber risk. Rothesay manages operational risk through the development and maintenance of an effective risk management framework which ensures that a comprehensive internal control environment is in place. This is supported by regular risk and control self-assessments coordinated, challenged and reported by the second line, which allow risk levels to be measured and control enhancements to be developed in line with Rothesay's risk appetite.

Rothesay also uses scenario analysis and testing to explore key areas of operational risk, ensuring that the implications of adverse operational risk events crystallising are well understood and that, where appropriate, additional controls or contingency plans are introduced to further mitigate risk and strengthen operational resilience.

Rothesay has important outsourcing arrangements in place, which are subject to extensive due diligence at the point of entering into them, but also to ongoing review and assurance, with oversight provided by an executive level committee. Oversight of these arrangements considers the information security risk that Rothesay is exposed to, the performance of the third-party with respect to service level agreements, and other relevant information (e.g. their ongoing creditworthiness, and where relevant, their readiness to accommodate Rothesay's growth). Strategic projects are monitored by Rothesay's Change Management function and relevant committees and are required to operate according to our project management framework.

Rothesay seeks to mitigate cyber risk through robust processes and controls including targeted controls assurance, threat modelling, penetration testing and employee training, and maintains ISO 27001 accreditation. Operational risk also includes the risk of conduct failure; a risk that is managed by the business and overseen by the Compliance function, Audit Committee and Customer Conduct Committee.

Note F – Risk and capital management (continued)

F.2 Risk management and analysis (continued)

F.2.5 Insurance risk

Insurance risk is the risk of changes in the value of Rothesay’s net position due to changes in the insurance contract liabilities. Insurance risk may occur either through changes in actual demographic experience or revised expectations of future experience. The main categories of insurance risk include the following:

- Demographic risk arises from current mortality or spouse/dependant experience being lighter than that assumed. The risk is hedged by external reinsurance.
- Longevity improvement risk represents the risk of future mortality rates improving at a faster rate than assumed. The risk is hedged by external reinsurance.
- Expense risk results from future expenses required to maintain the business being higher than expected. This risk is managed through budgeting and robust expense management.
- Data risk arises from the risk that the cost of correcting residual data errors exceeds the provisions held against this risk. This risk is managed through detailed due diligence, exclusion of known data issues and prudence in quantifying appropriate provisions.

As at 31 December 2024, 90% of longevity risk was reinsured (2023: 87%) **(APM)**. Risks are monitored and controlled by the Actuarial function and overseen by the Chief Actuary and the Risk function.

Concentration of insurance risk

Rothesay's geographical concentration of insurance risks is written in the United Kingdom and within its long-term insurance annuities business segment. Rothesay’s insurance and reinsurance contract liabilities are denominated in GBP.

Notes to the financial statements continued

Note G – Other statement of the consolidated financial position notes
G.1 Deferred tax assets

Deferred income tax is provided using the liability method on temporary differences at the financial statement date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets/liabilities is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each financial reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date.

Deferred income tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

Deferred tax balances comprise:

	2024 £m	2023 £m
Total deferred tax arising from IFRS 17 application	—	700
Opening deferred tax asset as at 1 January	**658**	—
Reversal of IFRS 17 transitional losses	**(70)**	(66)
Other temporary difference	**(2)**	24
Total temporary differences	**586**	658

The movements in the deferred tax balances were as follows:

	2024 £m	2023 £m
Balance at 1 January relating to IFRS 17 transition	**635**	701
Balance at 1 January relating to other temporary differences	**23**	12
Opening balance as at 1 January	**658**	713
Utilisation of IFRS 17 transitional losses	**(70)**	(66)
Other movements in temporary differences	**(1)**	10
Current year income statement credit	**(71)**	(56)
Current year movement – Equity/OCI	**(1)**	1
Balance at 31 December relating to IFRS 17 transition	**565**	635
Balance at 31 December relating to Other temporary differences	**21**	23
Total deferred tax as at 31 December	**586**	658

Note G – Other statement of the consolidated financial position notes (continued)

G.1 Deferred tax assets (continued)

Deferred tax assets are only recognised to the extent that, based on management's assessment, they are regarded as recoverable. Management considers it appropriate to recognise a deferred tax asset on the IFRS 17 transitional losses in light of forecast future profits and the history of profits within the Group. The recoverability of the deferred tax asset has been assessed at each reporting period based on projected future taxable profits arising from the release of CSM and RA as insurance services are provided. We also expect to write business in the future which is expected to increase the future taxable profit against which the unused tax losses can be utilised.

Other temporary differences are the result of differences between the accounting and tax basis which will reverse over time.

The Government of the United Kingdom, where the holding Company of the Group is incorporated, enacted the Pillar Two income taxes legislation, with effect from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. Based on the results for the period, the Group expects to be able to rely on the transitional safe harbour rules for the year ended 31 December 2024. As such, no top-up tax has been accrued during the period.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the financial statements continued

Note H – Interests in subsidiaries
H.1 Investment in unconsolidated structured entities

Rothesay has interests in investments which are classified under IFRS as unconsolidated structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominating factor in deciding who controls the entity, such as when voting rights might relate to administrative tasks only and the relevant activities are directed by means of contractual arrangement. Structured entities include those entities that have restricted activities or a narrow and well-defined objective. These structured entities have not been consolidated as Rothesay does not have the power to affect their returns.

Rothesay has interests in unconsolidated structured entities as described below:

- investment in collective investment schemes which allows Rothesay to receive profit or income from the underlying assets held in the schemes. These are predominately large, established money market funds of which the total asset value of the funds was £468bn (2023: £348bn);
- loans granted to and notes issued by special purpose vehicles (SPVs) secured by the assets held by the SPV such as commercial or residential real estate;
- debt securities issued by SPVs secured by financial receivables; and
- loans granted to SPVs secured by financial receivables.

The value of Rothesay's interests is included within financial investments (see note D.1).

As at 31 December 2024, our total interest in such entities, reflected on Rothesay's consolidated statement of financial position and classified as financial investments held at fair value through profit or loss, was £12,545m (2023: £11,575m). The recorded fair value represents Rothesay's maximum loss exposure to these unconsolidated structured entities. The £1bn increase in the balance was predominantly driven by new investments largely offset by the mark-to-market decrease in the value of loans secured on property.

The interest income recognised in relation to these investments was £678m (2023: £519m).

A summary of Rothesay's interest in unconsolidated structured entities is provided below and has been recognised on the consolidated statement of financial position (see note D.1):

	2024 £m	2023 £m
Collective investment schemes	**6,092**	4,395
Government sub-sovereign and agency obligations	**9**	23
Corporate bonds and other corporate debt	**2,410**	2,490
Loans secured on property	**4,034**	4,667
Total	**12,545**	11,575

Note H – Interests in subsidiaries (continued)

H.2 Investments in subsidiaries

The financial statements include the financial statements of Rothesay Limited and the subsidiaries listed in the following table. Subsidiaries are held at cost less impairment. Subsidiaries, including structured entities, that are consolidated where the Group owns less than 50% of the ordinary share capital are consolidated based on an assessment of control arising from special rights attached to the class of shares owned, loan notes held, other contractual arrangements and factors such as the purpose of the investee, the nature of its relevant activities, voting rights (including potential voting rights) and substantive and protective rights:

Group undertakings	Country of incorporation	Primary business operation	Share class	2024 £m	2023 £m	2024 % equity interest	2023 % equity interest
Rothesay Pensions Management Limited	UK	Service company	Ordinary	**3**	2	**100%**	100%
Rothesay Life Plc	UK	Life insurance	Ordinary	**2,638**	2,464	**100%**	100%
LT Mortgage Financing Limited	UK	Service company	Ordinary	**6**	6	**100%**	100%
Rothesay Property Partnership 1 LLP	UK	Service company	Ordinary	**—**	—	**100%**	100%
Rothesay MA No.1 Limited	UK	Service company	Ordinary	**5**	5	**100%**	100%
Rothesay Mortgages Limited	UK	Service company	Ordinary	**—**	—	**100%**	100%
Rothesay MA No.3 Limited	UK	Service company	Ordinary	**2**	2	**100%**	100%
Rothesay MA No.4 Limited	UK	Service company	Ordinary	**—**	—	**100%**	100%
Rothesay Asset Management UK Limited	UK	Service company	Ordinary	**10**	10	**100%**	100%
FCT Morisot	France	Service company	Unit	**—**	—	**—%**	—%
Lambay Capital Designated Activity Company	ROI	Service company	Ordinary	**—**	—	**—%**	—%
Rothesay Asset Management Australia Pty Ltd	Aus	Service company	Ordinary	**5**	5	**100%**	100%
Rothesay Asset Management North America LLC	US	Service company	Ordinary	**5**	5	**100%**	100%

The above subsidiary undertakings, with the exception of Rothesay Asset Management North America LLC, Rothesay Asset Management Australia Pty Ltd, FCT Morisot and Lambay Capital Designated Activity Company are registered in the United Kingdom. The registered office and principal place of business for all UK subsidiary undertakings is The Post Building, 100 Museum Street, London WC1A 1PB.

Rothesay Asset Management North America LLC is registered in Delaware, United States of America. The registered office is Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County, USA. Rothesay Asset Management Australia Pty Ltd was incorporated during July 2021 and is registered in New South Wales, Australia. The registered office is Level 12, 680 George Street, Sydney, NSW 2000, Australia.

FCT Morisot was incorporated in France on 5 August 2024. The registered office is 92 Avenue De Wagram, Paris, 75017, France. Lambay Capital Designated Activity Company was incorporated on 13 November 2024. The registered office is Fleming Court, Dublin, D04N 4X9.

Rothesay Property Partnership 1 LLP was incorporated during March 2021 and has not commenced trading. Rothesay Mortgages Limited (formerly known as Rothesay MA No.2 Limited) was incorporated during March 2019 and underwent a name change in September 2022.

Rothesay MA No.4 Limited (RMA4) was incorporated during November 2019. RMA4 remains dormant.

During October 2019, Rothesay Foundation was incorporated and registered as a charitable foundation in 2020; this entity is not incorporated into the consolidated financial statements as the charity is controlled by its trustees rather than Rothesay Limited or the Group.

Notes to the financial statements continued

Note I – Other notes
I.1 Property, plant and equipment

Equipment is stated at cost less accumulated depreciation/amortisation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the following classes of assets:

- *Computer equipment: 3 years*
- *Furniture and fittings: 5 years*
- *Software: 10 years*

Development expenditure on internally developed software is recognised as an asset only if Rothesay can demonstrate the technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software, and its ability to use the software to generate probable future economic benefits and to measure the expenditure reliably. Subsequent expenditure on internally developed software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred. Amortisation of the intangible asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the intangible asset is tested for impairment annually.

Group	Software £m	Computer equipment £m	Furniture and fittings £m	Total £m
Cost				
As at 1 January 2024	**24**	**1**	**10**	**35**
Additions	**16**	**1**	**6**	**23**
As at 31 December 2024	**40**	**2**	**16**	**58**
Accumulated depreciation				
As at 1 January 2024	**—**	**(1)**	**(7)**	**(8)**
Charge for the year	**—**	**—**	**(2)**	**(2)**
As at 31 December 2024	**—**	**(1)**	**(9)**	**(10)**
Net book value as at 31 December 2024	**40**	**1**	**7**	**48**
Cost				
As at 1 January 2023	13	—	10	23
Additions	11	1	—	12
As at 31 December 2023	24	1	10	35
Accumulated depreciation				
As at 1 January 2023	—	—	(5)	(5)
Charge for the year	—	(1)	(2)	(3)
As at 31 December 2023	—	(1)	(7)	(8)
Net book value as at 31 December 2023	24	—	3	27

At 31 December 2024 and 31 December 2023, Rothesay conducted an impairment review of the software asset not yet available for use and found no impairment necessary. The software asset capitalised relates to assets which remain under development.

Note I – Other notes (continued)

I.2 Company profit and loss

The loss for the financial year of the Company was £11m (2023: net loss of £9m). On 8 October 2024, the Company received £361m dividends from RLP, which was recognised as income in the profit or loss in the year. As permitted by Section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements.

I.3 Share-based payments

Rothesay's remuneration policy in relation to the deferred equity award plan gives employees the choice of receiving cash or equity for vestings. For these awards, the fair value of the grant will be reassessed at each reporting period and any change charged to profit and loss.

Share-based employee awards that require future services are amortised over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expenses.

During the year ended 31 December 2015, Rothesay created a stock incentive plan, known as the deferred equity award plan which provides for grants of restricted stock units (RSUs).

Rothesay issues RSUs to the employees under the deferred equity award plan, primarily in connection with year-end compensation. These RSUs vest and deliver as outlined in the applicable RSU agreements. Vesting is subject to the recipient not having left employment or having left employment as a result of death, permanent illness, redundancy or retirement (subject to Remuneration Committee approval). Delivery of the RSUs is in the form of shares or an equivalent amount of cash (subject to the approval of the Remuneration Committee). All RSUs have a future service requirement. Note that we have provided an estimate for the number of RSUs granted during the year because, although the awards have been approved in principle by the Remuneration Committee, the actual number will not be finalised until after the financial statements have been approved.

The activity related to the deferred equity award plan RSUs is set out below:

	2024 No. of RSUs	2023 No. of RSUs
Outstanding at the beginning of the year	**9,789,167**	10,815,101
Forfeited during the year	**(118,324)**	(10,659)
Vested during the year	**(5,660,921)**	(6,348,574)
Granted during the year	**8,055,628**	5,333,299
Outstanding at the end of the year	**12,065,550**	9,789,167

On 3 March 2020, the Company established a new HMRC-approved employee share plan known as the Employee Share Incentive Plan (ESIP). Under the ESIP, Rothesay offers shares to all eligible UK employees as part of year-end compensation. The rules governing withdrawal of the shares from the ESIP Trust and subsequent tax treatment are set by HMRC. They are disclosed as employee scheme shares until they are withdrawn. The ability to withdraw shares is generally subject to the recipient not having left employment before three years from grant date.

Notes to the financial statements continued

Note I – Other notes (continued)

I.3 Share-based payments (continued)

The activity related to the ESIP RSUs is set out below:

	2024 No. of RSUs	2023 No. of RSUs
Outstanding at the beginning of the year	**1,021,859**	704,709
Forfeited during the year	**(88,104)**	(53,916)
Granted during the year	**486,253**	371,066
Outstanding at the end of the year	**1,420,008**	1,021,859

The methodology for calculating the fair value of the RSUs is intended to use a valuation basis consistent with the price paid by MassMutual and GIC for Blackstone's shareholding at the end of 2020. The weighted average fair value of the RSUs at 31 December 2023 was £4.45 (31 December 2023: £4.50).

Share appreciation plan

Rothesay also holds a long-term share appreciation plan (the SARs plan) which provides for grants of cash-settled share appreciation rights (SARs). The SARs provide the right to receive the upside on a fixed proportion of an agreed value of Rothesay shares over a defined time horizon, paid out in cash, subject to achievement of returns above an agreed hurdle. The SARs were awarded for the first time in 2021 and vest and deliver as outlined in the applicable agreement. Vesting is subject to the recipient not having left employment or having left employment as a result of death, permanent illness, redundancy or retirement (subject to Remuneration Committee approval). All SARs have a future service requirement. Share appreciation rights have been granted each year since 2021.

The valuation of the SARs is based on a Black-Scholes option pricing model and uses the same methodology for valuing shares as is used for share-based payments but with adjustments for payment of dividends in the vesting period.

The weighted average fair value and assumptions used to determine the fair value of the SARs issued in 2023 is as follows:

- Weighted average fair value at grant date: £0.88
- Expected volatility: 30%
- Outstanding vesting period: three years from issue
- Risk-free interest rate: 3.62%

The weighted average fair value and assumptions used to determine the fair value of the SARs issued in 2024 is as follows:

- Weighted average fair value at grant date: £0.89
- Expected volatility: 30%
- Outstanding vesting period: three years from issue
- Risk-free interest rate: 4.16%

Note I – Other notes (continued)

I.3 Share-based payments (continued)

The number of SARs awarded is as follows:

	2024 No. of SARs	2023 No. of SARs
Outstanding at the beginning of the year	**104,470,821**	76,693,043
Forfeited during the year	**—**	—
Vested during the year	**(26,629,680)**	—
Granted during the year	**28,089,887**	27,777,778
Outstanding at the end of the year	**105,931,028**	104,470,821

Expenses in relation to share-based payment schemes

Expenses of £50m (2023: £61m) have been charged to the profit and loss of Rothesay during the year in relation to the various share-based payment schemes.

I.4 Related parties disclosures

Ultimate holding companies

Based on the percentage of nominal share capital owned, the shareholdings of Rothesay's institutional investors are as follows:

- GIC Private Limited: 50.2%
- MassMutual Financial Group: 47.6%

Both shareholders retain equal governance rights, including an equal number of Board Director positions and both remain committed to providing primary capital should the Company require it for significant growth opportunities. The remaining percentage is owned by the Directors, management, employees, the Trust and the ESIP Trust (see note C.2).

Related party transactions

Rothesay entered into various transactions with fellow participating interests which are subject to common control from the same source.

	2024 £m	2023 £m
Statement of comprehensive income		
Net recovery from reinsurance contracts held	**(3)**	(1)
Finance expense for reinsurance contracts held	**5**	83
Investment return	**60**	36
Finance costs	**(18)**	(18)
Operating expenses	**—**	(1)
Statement of financial position		
Financial investments	**1,250**	583
Receivables	**—**	43
Reinsurance contract liabilities	**(10)**	(10)
Reinsurance contract assets	**24**	20
Borrowings	**299**	299
Capital	**1,722**	1,548

Notes to the financial statements continued

Note I – Other notes (continued)

I.4 Related parties disclosures (continued)

Financial investments comprises secured loans, investments in corporate and Real Estate Investment Trust (REIT) bonds and derivatives; the counterparties and/or issuers of these investments are subject to common ownership by one of our shareholders. We have written a number of reinsurance contracts with one of our shareholders MassMutual Financial Group. All related party transactions were disclosed to and approved by the Board.

On 9 August 2024, the Board approved an interim dividend of 23p per share, which was paid to shareholders on 8 October 2024. On 6 July 2023, the Board also approved an interim dividend of 23p per share which was paid to shareholders on 4 October 2023.

Transactions with key management personnel

Key management personnel comprise the Directors of the Company, Directors of subsidiary undertakings and certain members of senior management.

There are no material transactions between Rothesay and its key management personnel other than the transactions discussed below:

	2024 £m	2023 £m
Salaries, bonus and other employee benefits	**32**	30
Equity-based compensation payments	**27**	35
Pension costs	**1**	1
Total transactions	**60**	66

On 28 March 2024, members of key management personnel and their families sold 93,007 B ordinary shares to the employment benefit trust for consideration of £0.4m. On 3 April 2023, members of key management personnel and their families sold 112,560 B ordinary shares to the employment benefit trust for consideration of £0.4m.

The tables below represent transactions between Rothesay Limited and its subsidiaries RPML, RLP, Rothesay Asset Management UK Limited (RAM UK) and Rothesay Asset Management North America LLC (RAM NA).

Transactions with RPML	2024 £m	2023 £m
Statement of financial position		
Other payables	**5**	8
Capital	**3**	2

Transactions with RLP	2024 £m	2023 £m
Statement of comprehensive income		
Finance costs	**(4)**	(3)
Cost transfer	**(5)**	(5)
Statement of financial position		
Other payables	**105**	91
Capital	**2,638**	2,464

Transactions with RAM UK	2024 £m	2023 £m
Capital	**10**	10

Note I – Other notes (continued)

I.4 Related parties disclosures (continued)

Transactions with LT Mortgage Financing Limited

Between 2018 and 2023, £5.9bn of lifetime mortgages were transferred from RLP to its subsidiary LT Mortgage Financing Limited (LTMF). During 2024 a further £0.7bn were transferred. Whenever lifetime mortgages were transferred, LTMF became the beneficial owner of the lifetime mortgages in exchange for the issue of loan notes. These transactions took place on an arm's length basis using the fair value of the lifetime mortgages. Under IFRS 9, the loans cannot be derecognised from RLP as RLP effectively maintains all the risk and rewards and control of the mortgages after the securitisations through the loan notes.

Transactions with Rothesay MA No.1 Limited

During December 2018, £0.8bn of ground rent loans were transferred from RLP to its subsidiary Rothesay MA No.1 Limited (RMA1). RMA1 became the beneficial owner in the ground rent loans in exchange for the issue of loan notes. These transactions took place on an arm's length basis using the fair value of the ground rent loans. Under IFRS 9, the loans cannot be derecognised from RLP as RLP effectively maintains all the risk and rewards and control of the loans after the securitisations through the loan notes.

Transactions with Rothesay MA No.3 Limited

Between 2020 and 2023, €2.0bn of Dutch mortgage loans were transferred from RLP to its subsidiary Rothesay MA No.3 Limited (RMA3). In each case, RMA3 became the beneficial owner in the Dutch mortgage loans in exchange for the issue of loan notes. These transactions took place on an arm's length basis using the fair value of the Dutch mortgages. Under IFRS 9, the loans cannot be derecognised from RLP as RLP effectively maintains all the risk and rewards and control of the mortgages after the securitisations through the loan notes.

Transactions with FCT Morisot

In 2024, FCT Morisot purchased home loans which was fully funded through issuance of loan notes to RLP and external financing. Rothesay consolidates FCT Morisot as at year end.

I.5 Financial commitments and contingencies

During previous years, Rothesay executed transactions to purchase partly funded bonds, forward settling bonds and fund units with a commitment for future funding. During 2024, Rothesay purchased additional partly funded bonds and forward settling bonds. Rothesay has also signed up to a number of multi-year contracts, in relation to the provision of market data and technology services. Rothesay expects to pay a further £134m in relation to these commitments (2023: £149m), £73m of this being due within 12 months of the financial reporting date (2023: £122m).

	2024 £m	2023 £m
Not later than one year	**73**	122
Later than one year and no later than five years	**43**	27
Later than five years	**18**	—
Total other commitments	**134**	149

Notes to the financial statements continued

Note I – Other notes (continued)

I.6 Leases

(a) Amounts included in the statement of financial position

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- *fixed payments, less any lease incentives receivable;*
- *amounts expected to be payable by Rothesay under residual value guarantees;*
- *payments of penalties for terminating the lease; and*
- *lease payments to be made under reasonably certain extension options.*

Lease payments are discounted using Rothesay's incremental borrowing rate. The incremental borrowing rate represents the cost of funding to Rothesay at the date that the lease was entered into.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- *amount of any initial measurement of lease liability;*
- *leased payments made before the commencement date less any lease incentives received;*
- *initial direct costs; and*
- *restoration costs.*

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Rothesay's right-of-use assets include the lease on the UK office executed in May 2019. The lease for the UK office, The Post Building, has a duration of 17 years with a break clause at 12 years which we have assumed is exercised. The incremental borrowing rate for the Group was 3.37%. During November 2023 Rothesay took over the lease of levels 3 and 4 of The Post Building, that lease has a duration of 12 years and we have used an incremental borrowing rate of 7.58%. Rothesay's right-of-use assets also include the lease on the US office executed in 2022 and the Australian office executed in 2023 and 2024.

Right-of-use assets

Right-of-use assets	2024 £m	2023 £m
Right-of-use assets	**51**	57
Right-of-use asset – properties		
Balance at 1 January	**57**	31
Depreciation charge for the year	**(6)**	(4)
Additions	**—**	30
Closing balance at 31 December	**51**	57

Note I – Other notes (continued)
I.6 Leases (continued)
(a) Amounts included in the statement of financial position (continued)
Lease liabilities

Lease liabilities	2024 £m	2023 £m
Lease liability	**64**	72
Maturity analysis based on undiscounted liabilities		
Current liabilities:		
Less than one year	**10**	10
Non-current liabilities:		
One to five years	**50**	50
More than five years	**21**	31
Total undiscounted lease liabilities	**81**	91

(b) Amounts recognised in the statement of comprehensive income

	2024 £m	2023 £m
Leasehold depreciation	**6**	4
Financing charge on lease liabilities (included in note B.4 Finance costs)	**4**	2

(c) Amounts recognised in the statement of cash flows

	2024 £m	2023 £m
Leasehold depreciation	**6**	4
Financing charge on lease liabilities	**4**	2
Total cash outflows for leases	**10**	3

Alternative Performance Measures

As noted on page 36, throughout the financial statements Rothesay has used a variety of measures to provide stakeholders with the necessary information on the performance and financial position of Rothesay. Where it is possible to reconcile to the financial statements this is referenced; however, some of these measures are not on a consistent basis with IFRS and therefore the methodology is explained below. Where relevant, we have used accounting policies and assumptions that are consistent with the IFRS financial statements. The calculation of each **APM** is consistent with previous periods unless stated otherwise.

These measures are included in the monthly management information circulated and discussed by the Board.

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
New business premium	The present value of premiums paid or due to be paid on new business transacted during the year, as well as adjustments to new business premiums from prior years.	New business premiums are a key indicator of the growth of the business.	New business premium is no longer reconcilable to the IFRS financial statements since the introduction of IFRS 17. It does however correspond to the present value of future cash inflows in note E.5.(a).
Solvency capital requirement (SCR) coverage	Under Solvency II , the capital required to withstand a 1-in-200 year event.	Rothesay is a regulated entity under the Solvency II framework and therefore uses a number of APMs that are derived from Solvency II measures. Provides a measure of risk exposures of Rothesay.	It is not possible to reconcile the SCR to the IFRS Financial Statements, however further details included in note F1.
Own Funds	Available capital under the Solvency II regime. Represents the capital in excess of technical provisions.	Provides a measure of regulatory capital.	A reconciliation of Own Funds is provided in note F.1.
MCEV	The risk-adjusted value of the in-force business, allowing for the unwind of IFRS margins and cost of capital.	Rothesay considers that embedded value reporting provides investors with a useful measure of the future profit streams of Rothesay's long-term business.	Please see reconciliation provided in notes 1 and 2 on page 228.
MCEV new business	The risk-adjusted value of the business written in the year, allowing for the unwind of margins and cost of capital.	This provides a measure of the profitability of new business once all margins have been released.	It is not possible to reconcile the MCEV new business to the IFRS Financial Statements.
Longevity reinsurance percentage	The longevity percentage provides an indication of the extent to which Rothesay is protected from fluctuations in longevity through reinsurance.	Demonstrates how Rothesay has mitigated exposure to longevity fluctuations through reinsurance.	The percentage is derived by comparing the IFRS sensitivity of net insurance liabilities with the sensitivity of gross insurance liabilities (see note E.8).

<table>
<tr><th>Measure</th><th>Definition</th><th>Rationale for inclusion</th><th>Reconciliation to IFRS</th></tr>
<tr><td>Assets under management</td><td>Derived by adjusting total assets for reinsurance, payables, derivatives, collateralised financing and deferred tax asset.</td><td>By netting down the derivative gross up, Rothesay provides a more meaningful value for the assets managed and a useful measure of the size of business.</td><td>
<table>
<tr><th></th><th>2024
£m</th><th>2023
£m</th></tr>
<tr><td>Total assets</td><td>123,557</td><td>103,203</td></tr>
<tr><td>Reinsurance assets</td><td>(302)</td><td>(216)</td></tr>
<tr><td>Payables and financial liabilities</td><td>(52,012)</td><td>(41,281)</td></tr>
<tr><td>Deferred tax asset</td><td>(586)</td><td>(658)</td></tr>
<tr><td>Total AUM</td><td>70,657</td><td>61,048</td></tr>
</table>
</td></tr>
<tr><td>New business profit</td><td>New business profit less the increase in best estimate liabilities and risk adjustment. After deduction of allocated acquisition expenses, this is equal to the increase in CSM as a result of new business including new reinsurance.</td><td>This is one of the metrics used by Rothesay when underwriting new business.</td><td>The new business profits and new business acquisition expenses individually cannot be reconciled directly to the IFRS Financial Statements. However, New business profit (APM) plus New business acquisition expense (APM) is equal to the increase in CSM as a result of new business including new reinsurance (see note E.5.(a) + E.5.(b)). For 2024 only net gain reinsurance contracts are disclosed in the new business profit with the residual in the performance of in-force as it reflects the re-recognition of an existing contract.
<table>
<tr><th></th><th>2024
£m</th><th>2023
£m</th></tr>
<tr><td>New business profit (APM)</td><td>886</td><td>767</td></tr>
<tr><td>New business acquisition expense (APM)</td><td>(196)</td><td>(201)</td></tr>
<tr><td>CSM added new insurance contracts (E5.(a))</td><td>(412)</td><td>(378)</td></tr>
<tr><td>CSM added new insurance contracts (E5.(b))</td><td>(278)</td><td>(188)</td></tr>
</table>
</td></tr>
<tr><td>New business acquisition expense</td><td>New business acquisition expenses are the expenses allocated to the execution of new business.</td><td>This is one of the metrics used by Rothesay when underwriting new business.</td><td>The new business profits and new business acquisition expenses individually cannot be reconciled directly to the IFRS Financial Statements. However, New business profit (APM) plus New business acquisition expense (APM) is equal to the increase in CSM as a result of new business including new reinsurance (see note E.5.(a) + E.5.(b)).</td></tr>
</table>

Alternative Performance Measures continued

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
Performance of in-force book	This represents the profit that can be attributed to: • differences in actual investment returns compared to those assumed; • the release of the risk adjustment as the business runs off and members exercise their options; • the release of credit default allowances; • the impact of actual demographic experience versus assumptions; • the investment return on surplus assets; and • offset by non-attributable expenses from note B.3.	Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Unable to reconcile directly to IFRS notes.
Non-economic assumption changes	The effect of non-economic assumption changes on BEL and RA net of reinsurance.	Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Unable to reconcile to IFRS notes. (This is because the IFRS disclosures require non-economic assumptions changes to be shown in notes on a locked-in basis.)
Adjusted operating profit before tax	Operating profit before tax adjusted to reflect the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Included to provide a measure of operating profits which reflects how the Group is measured internally.	Unable to reconcile directly to IFRS notes.
Borrowing costs	Interest payable on borrowings.	Included to provide a measure of borrowing costs.	A subset of the finance costs shown directly in note B.4.

<table>
<tr><th>Measure</th><th>Definition</th><th>Rationale for inclusion</th><th>Reconciliation to IFRS</th></tr>
<tr><td>Economic gains/ (losses)</td><td>Change in asset valuation due to changes in economic conditions less the effect of economic assumption changes on net insurance liabilities. Changes in economic conditions include movements in interest rates, inflation, exchange rates, credit spreads, credit default allowances, actual defaults and property prices. The release of credit default allowances over time is included in the performance of the in-force book. This item also includes the reinsurance fees from note B.3.</td><td>Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.</td><td>Unable to reconcile to IFRS notes. (This is due to the requirement that IFRS disclosures have basis differences with the financing notes.)</td></tr>
<tr><td>Adjusted equity</td><td>Total equity plus CSM net of tax less the value of sterling-denominated RT1 debt.</td><td>Provides a reflection of value which aligns with the long-term value of the Group.</td><td><table><tr><th></th><th>2024
£m</th><th>2023
£m</th></tr><tr><td>IFRS equity</td><td>4,215</td><td>4,351</td></tr><tr><td>Sterling RT1</td><td>(793)</td><td>(793)</td></tr><tr><td>CSM net of tax</td><td>4,441</td><td>3,900</td></tr><tr><td>Adjusted equity</td><td>7,863</td><td>7,458</td></tr></table></td></tr>
</table>

Alternative Performance Measures continued

Note 1 – MCEV Breakdown

Market consistent embedded value (APM)	2024 £m	2023 £m	
Net worth of Rothesay Limited	**6,831**	6,599	Total IFRS equity of £4,215m (2023: £4,351m) and IFRS borrowings of £2,616m (2023: £2,248m).
Value of in-force business	**4,196**	3,752	Value of emergence of IFRS margins and profit stored in the risk adjustment and CSM, allowing for the cost of capital.
Less: debt	**(3,350)**	(2,842)	Value of debt using a market value approach rather than the amortised cost valuation under IFRS. However, most of the difference between the value of debt on an MCEV basis and IFRS borrowings arises from the treatment of all the Restricted Tier 1 notes as debt under MCEV.
MCEV	**7,677**	7,509	

Note 2 – Reconciliation between IFRS Group NAV, Adjusted IFRS Equity and MCEV

IFRS to EV Reconciliation	2024 £m	2023 £m
IFRS Total Equity	**4,215**	4,351
Deduct Restricted Tier 1 notes GBP debt treated as equity under IFRS (see note C.3)	**(793)**	(793)
Remove CSM and other temporary accounting valuation adjustments (net of tax)	**4,441**	3,900
Adjusted Equity	**7,863**	7,458
Debt, risk allowance and discounting differences	**(186)**	51
MCEV	**7,677**	7,509

The table above shows a reconciliation between the IFRS total equity, Adjusted IFRS 17 Equity and MCEV.

Differences between Adjusted Equity and the IFRS total equity arise because the GBP Restricted Tier 1 note issuance is included in total equity under IFRS. This is deducted to give a measure of the value of the ordinary share capital. The CSM plus other temporary accounting valuation adjustments, namely any acquisition cost liability/(asset) as well as any differences between the accounting and fair value of assets are then removed to give the Adjusted Equity value.

The Group MCEV can then be reached by adjusting for differences between the fair and accounting value of Rothesay's debt, adjusting for differences between the cost of capital plus non-hedgeable risk and the risk adjustment and incorporating an allowance for time value of money into deferred tax calculations.

Glossary of terms

Adjusted equity	See Alternative Performance Measures.
Adjusted operating profit before tax	See Alternative Performance Measures.
Alternative Performance Measure	Rothesay's strategy is focused on protecting the security of policyholder benefits, growth through writing value-driven new business and, ultimately, delivering sustainable shareholder value. In the opinion of the Directors, both the prescribed IFRS results and disclosures, as well as a number of Alternative Performance Measures, are necessary to fully reflect long-term value or changes to capital requirements. Rothesay therefore includes within these accounts a number of Alternative Performance Measures which focus on value generation and capital strength to reflect the performance of Rothesay.
Annuity	A series of regular payments made to an individual until their death. Payments may be indexed.
Assets under management	See Alternative Performance Measures.
Best estimate liability (BEL)	The liabilities of Rothesay calculated on a best estimate basis under Solvency II and IFRS 17, i.e. where all the assumptions made in the calculation are best estimate.
Borrowing costs	See Alternative Performance Measures.
Bulk annuity	A bulk annuity, sometimes referred to as a bulk purchase annuity, is a contract between a defined benefit pension scheme and an insurance company, whereby an insurance company insures some or all of the annuities being paid by the pension scheme.
Buy-in	Held as an asset of the pension scheme, a bulk annuity buy-in is a contract that covers all or some of the benefits for a subset of scheme members. The scheme retains responsibility for paying pensions to members but the contract protects the scheme against all risks relating to the insured benefits, for example longevity risk and inflation risk.
Buy-out	The bulk annuity buy-out is a contract that covers all of the benefits for all or a subset of scheme members. The insurer issues individual policies to members under which pensions are paid. Once all benefits are covered, the pension scheme can be wound up.
Carbon footprint	Total greenhouse gas emissions caused by an individual, entity or activity, expressed in CO_2 equivalent (CO_2e).
Carbon intensity	A measure of emissions that allows for comparison between entities of different size. It is measured in t CO_2e/million USD of revenue annually.
Carbon neutral	Carbon dioxide emissions are balanced by carbon removed through activities such as carbon sinks or removal.
Climate Material issuer	Issuers that have the greatest likelihood of having a significant impact on our exposure to climate risk.
Climate opportunities/ Climate solutions	Activities that relate to efforts to mitigate and adapt to climate change such as adoption of low-emission energy sources, development of new products/services to support climate transition and building resilience.
Climate scenario	A representation of future environment constructed to support investigation of the potential impacts of climate change.

CO_2e	Carbon dioxide equivalent – greenhouse gases (GHGs) all have varying warming potentials and therefore in order to report one metric, other GHGs are converted to CO_2 equivalent.
Collateralised agreements/ investments	Loans secured on property or other collateral.
Collective investment schemes	A way of investing money alongside other investors.
Contractual service margin (CSM)	Defined within the IFRS 17 standard as unearned profit on a group of contracts that relate to future service to be provided. The CSM is included within Insurance contract liabilities.
Corporate bonds and other corporate debt	These are debt securities issued by corporations which are not guaranteed by governments.
Credit risk	The risk of loss or of adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors.
Currency rate risk	The risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates. Also referred to as foreign exchange risk.
Currency translation	Gains and losses incurred when translating the overseas subsidiaries into the sterling consolidated balance sheet.
Customer satisfaction	Policyholder feedback surveys are sent to all policyholders following interaction with them (apart from complaints and bereavements). Rothesay prides itself on the quality of the service and the customer satisfaction survey provides a measure of the quality of the service.
Deferred annuities	Annuities or pensions due to be paid from a future date or when the policyholder reaches a specified age.
Distributable profits	A company's profits available for distribution are its accumulated realised profits.
Economic gains/(losses)	See Alternative Performance Measures.
Employee benefit trust (EBT)	A trust established to purchase and hold shares of the Company for delivery under employee share schemes.
Equity-based compensation	Share-based transactions awarded under incentive plans.
Fair value	Amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance costs	Represent interest payable on borrowings.
Financed emissions	The emissions associated with our investments, in line with the GHG Protocol Scope 3 Category 15 definition.
Fixed-for-term mortgages	Residential mortgages where the interest rate payable is fixed at outset for the whole term of the mortgage.
Full internal model (FIM)	Under Solvency II, insurer's own model used to calculate the solvency capital requirement in relation to particular risks approved by the PRA.
General Measurement Model (GMM)	The General Measurement Model is the standard approach to calculate/estimate liabilities for the insurance contract under IFRS 17.
Government, sub-sovereign and agency obligations	A bond issued by a country's government or corporate debt which is guaranteed by a government to repay borrowed money at a specific time.

Greenhouse Gas Protocol	A global framework outlining best practice for measurement and management of greenhouse gas emissions.
In-force	An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated.
Infrastructure	Investments in infrastructure such as water, energy and transportation.
Insurance acquisition cash flows	Under IFRS 17, the cash flows which have been identified as insurance acquisition cash flows are allocated to groups of insurance contracts. These cash flows include expenses associated with the origination of new business, including annual compensation for employees.
Insurance finance income or expenses	Comprises the change in the carrying amount of the group of insurance contracts arising from: (a) the effect of the time value of money and changes in the time value of money; and (b) the effect of changes in assumption that relate to financial risk.
Insurance revenue	Under IFRS 17, the amount charged for insurance coverage when it is earned rather than when it is paid.
Insurance risk	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
Insurance service expenses	Under IFRS 17, the costs incurred in providing insurance services during the year.
Insurance service result	Under IFRS 17, the insurance revenue less the insurance service expense, i.e. the insurance profit made on the provision of insurance coverage.
International Financial Reporting Standards (IFRS)	Accounting standards that are applied in preparing Rothesay's consolidated financial statements.
Investment return	Comprises all interest income on financial investments at fair value through profit and loss, realised investment gains and losses and movements in unrealised gains and losses, as well as expenses directly related to investments executed during the year.
Inwards reinsurance	Reinsurance where Rothesay is acting as the reinsurer.
Liability for incurred claims (LIC)	The liability for incurred claims includes unpaid claims and expenses.
Liability for remaining coverage (LRC)	Liability for remaining coverage represents the carrying amount of a group of insurance contracts at each reporting date. The LRC comprises the future BEL and RA cash flows that relate to services to be delivered in future periods and any remaining CSM.
Lifetime mortgages	Mortgages extended to older customers (aged 55 and over) against their residential property at low loan-to-value percentage. Unlike a typical residential mortgage, no interest is paid monthly by the customer. Instead, the interest is simply added to the principal loan amount with the loan only repayable on death or entry into long-term care of the last remaining homeowner.
Limited price indexation (LPI)	LPI is a pricing index used to calculate increases in components of scheme pension payments in the UK.
Liquidity premium	An addition to the risk-free rate used when projecting investment returns and discounting cash flows on certain types of contracts where the liabilities are illiquid and have cash flows that are predictable.
Liquidity premium adjustment	In calculating the MCEV, liabilities are discounted using the risk-free rate plus a liquidity premium adjustment, designed to capture the component of yield on a portfolio of assets that is attributable to liquidity rather than credit risk.

Liquidity risk	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
Longevity reinsurance (%)	See Alternative Performance Measures.
Longevity risk	The risk that a company could be exposed to a higher payout as a result of increasing life expectancy.
LTMF	LT Mortgage Financing Limited.
Market consistent embedded value (MCEV)	See Alternative Performance Measures.
Market risk	The risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
Matching adjustment	The matching adjustment, a concept in Solvency II, is broadly equivalent to the illiquidity premium that can be earned on the illiquid assets held to back illiquid liabilities.
Matching adjustment fund	A ring-fenced fund set up for Solvency II purposes. Liabilities written into the fund are discounted at a risk-free rate plus a matching adjustment derived from the assets in the fund. Such assets must meet eligibility criteria.
MCEV new business	See Alternative Performance Measures.
Mortality tables	A table which shows, for each age, what the probability is that a person of that age and gender will die before their next birthday.
Net worth	Under MCEV, the value of equity plus the value of borrowings on an IFRS basis.
Net zero	A state in which the GHGs going into the atmosphere (anthropogenic emissions) are balanced by their removal out of the atmosphere (carbon sinks/removal).
New business	New insurance contracts and reinsurance inwards sold during the year. Includes business acquired through purchase of companies.
New business acquisition expenses	See Alternative Performance Measures.
New business premium	See Alternative Performance Measures.
New business profit	See Alternative Performance Measures.
No negative equity guarantee (NNEG)	Lifetime mortgages provide what is known as a NNEG, which means that the mortgage repayment amount (loan principal plus interest on redemption) cannot exceed the sale proceeds of the property on which the loan is secured.
Non-attributable costs	These are operating expenses incurred in the year that cannot be directly attributable to a portfolio of insurance contracts (see note B.3).
Non-economic assumption changes	See Alternative Performance Measures.
Onerous contracts	An insurance contract is classified as onerous as at the date of its initial recognition if the sum of the fulfilment cash flows and the recognised insurance acquisition cash flows are a net outflow (i.e. there would have been a negative CSM).
Operational risk	The risk arising from inadequate or failed internal processes, personnel or systems, or from external events.
Own Funds	See Alternative Performance Measures.

Own risk and solvency assessment (ORSA)	An assessment of 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.
Performance of in-force book	See Alternative Performance Measures.
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.
Pillar 1	Under Solvency II, represents the solvency capital requirement calculated using a standard formula or (partial) internal model.
Pillar 2	Under Solvency II, represents the required risk management principles and practices relating to the risk and capital estimates covered by Pillar 1.
Policyholders	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).
Provision for adverse deviation (PAD)	The provision for adverse deviation approach reflects the compensation that Rothesay requires for bearing the non-financial uncertainty in the liabilities.
Prudential Regulation Authority (PRA)	The PRA is the UK regulatory body responsible for prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
qx	qx is actuarial notation used to represent the probability of a life aged x dying during the year.
Reinsurance	Protection sold to or purchased from another insurance company.
Reorganisation reserve	Reflects the impact of Rothesay's reorganisation in 2013 which led to an increase in reserves of £132m, reflecting the excess of consolidated net assets to the historical cost of investment in subsidiary entities.
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.
Risk adjustment	Defined within IFRS 17 as the compensation that Rothesay requires for bearing the non-financial uncertainty in the (re)insurance contract liabilities.
Risk margin	Under Solvency II, the cost of transferring non-hedgeable risks.
RL	Rothesay Limited.
RLP	Rothesay Life Plc, the Group's regulated life company.
RMA1	Rothesay MA No.1 Limited.
RMA3	Rothesay MA No.3 Limited.
RMA4	Rothesay MA No.4 Limited.
RML	Rothesay Mortgages Limited (formerly known as Rothesay MA No.2 Limited).
RPML	Rothesay Pensions Management Limited, the Group's service company.
RSUs	Restricted share units.

S3PMA/S3PFA	S3PMA/S3PFA refer to mortality tables drawn up by the Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries. These represent version 3 of the industry standard tables derived from pensioner data from self-administered pension schemes. Separate tables are utilised for males and females.
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.
Scope 1 emissions	Measured in tCO_2e 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 tCO_2e 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; or Market based: operational emissions using actual energy consumption of the entity.
Scope 3 emissions	Measured in tCO_2e 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.
SCR coverage %	See Alternative Performance Measures.
Secured investments	Bespoke investments where very high levels of collateral have been negotiated and returns are generated through illiquidity premium.
Share-based payment reserve	The share-based payment reserve relates to equity-based compensation awards.
Sk	Smoothing parameter in the CMI longevity improvement model determining the weighting on recent experience. Given recent improvements, a higher Sk than adopted by RL will generally lead to a higher initial assumed rate of mortality improvement.
Solvency capital requirement (SCR) coverage	See Alternative Performance Measures.
Solvency II	The solvency regime applicable from 1 January 2016. Under Solvency II, Rothesay is required to hold the greater of the capital required under the new Solvency II Pillar 1 framework and the capital required under Rothesay's own economic capital model Solvency II Pillar 2.
SONIA	The Sterling Overnight Index Average, abbreviated to SONIA, is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market.
Streamlined Energy and Carbon Reporting (SECR)	Reporting on the energy use, carbon emissions and emissions intensity associated with our UK operations.
Subordinated loan	A fixed interest issue or debt that ranks below other debt in order of priority for repayment if the issuer is liquidated. Holders are compensated for added risk through higher rates of interest. Under Solvency II, subordinated debt is not treated as a liability and counts towards the coverage of the required minimum margin of solvency with limitations.

Sustainability risks	An Environmental, Social or Governance (ESG) event or impact that could cause a negative impact including financial and reputational.
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.
Technical Provisions	The sum of the a best estimate of liabilities allowing for reinsurance inwards and a risk margin.
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.
Third party administration (TPA) agreement	Contract with pensions administrator to process claims and payroll on behalf of Rothesay.
Transition plan	A transition plan sets out an organisation's approach for how it will align all its activities to Net Zero.
Transitional Solvency Relief	Applies to Solvency II and phases in the risk margin over a 16 year period and increases capital available during the transitional period.
Yield	A measure of the income received from an investment compared to the price paid for the investment. Normally expressed as a percentage.

Rothesay Limited

The Post Building
100 Museum Street
London WC1A 1PB

www.rothesay.com
T: 020 7770 5300