

Report of the board of The Rechabite Friendly Society Limited (trading as Healthy Investment and Red Rose Assurance) to the With-Profits policyholders in the Healthy Investment Ethical With-profits Fund for the calendar year 2025.

1. Introduction

The Prudential Regulatory Authority (PRA) requires all With-profits providers, with the exception of non-directive friendly societies, to publish and maintain Principles and Practices of Financial Management (PPFM). The PPFM sets out the principles and practices that an organisation follows in managing its With-Profits Fund.

The PPFM is available to all policyholders, and you can obtain a copy from our website or by contacting our office.

This is the fifteenth report that the board has made to its With-profits policyholders since the Society became, under PRA rules, a directive friendly society.

2. Governance arrangements

It is the responsibility of the board of the Society to report to the With-profits policyholders at the end of every year.

The purpose of this report is to confirm that the board believes that it has complied with its obligations detailed in the PPFM for the management of the Healthy Investment Ethical With-Profits Fund (The Fund) and sets out the reasons for that belief.

The report must also address all significant relevant issues, including the way in which the Society has:

- Exercised, or not exercised, any discretion in the way it has managed The Fund;
- Addressed any competing or conflicting rights, interests and expectations of its policyholders including those with different products and different lengths of membership.

Our With-profits Actuary, who is not a member of the board, is responsible for advising the board on its use of discretion and the implications of the way in which the board has used discretion in the fair treatment of members. The With-profits Actuary makes a formal report at the end of every year to the board on the implications of the board's discretionary decisions. The With-profits Actuary is also required to produce an annual report to With-profits policyholders stating whether, in their professional opinion, the Society has taken the interests of With-profits policyholders into account in a reasonable and proportionate manner in all their decisions. This report is annexed to this document.

To ensure that further independent judgement is applied in assessing whether the board has complied with the PPFM and whether all With-profits members have been treated fairly, we have established a With-profits Committee.

The With-profits Committee comprises one Non-executive Director and two independent persons all of whom have relevant experience of With-profits. This ensures that the With-profits Committee is independent.

The With-profits Committee has reported to the board that it believes the board has acted in accordance with the PPFM and that the interests of With-profits policyholders have been taken into account throughout the year.

3. Changes to the PPFM

The Society's PPFM was appropriately amended in February 2025 to reflect the transfer of all the policies that had been issued by Red Rose Friendly Society Limited into the Society's with-profits fund.

4. Compliance with the PPFM during the year

This report comments on specific areas where discretion was used and where the fair treatment of policyholders was especially considered.

4.1 Bonus rates

The annual bonus declaration for 2024 was agreed by the board at its meeting on 9 March 2025. The board followed the advice of the With-profits Actuary in declaring (regular) bonuses on all With-profits policies.

The board is aware of the need to monitor interim and terminal bonus rates and investment performance throughout the year and amend bonuses accordingly.

In determining the level of bonuses, the board considered: the asset share methodology used to determine maturity values; the fair treatment of all members with different types of policies and different lengths of investment; the smoothing of members' returns and the balance of the smoothing account; the solvency position of the Society; and the need for maturity and surrender payments to be calculated in line with the PPFM.

The board confirms that the bonus declarations made were in accordance with the PPFM.

The board followed the advice of the With-profits Actuary in setting the 2025 reversionary bonus rates and the 2026 interim bonus rates. Terminal bonus and Market Value Reduction (MVR) rates are reviewed monthly and the monthly advice given in 2025 has been tested against individual policy asset shares at the year end to ensure that the results are consistent with actual policy asset share.

4.2 The amounts payable on surrender

Regular premium policies have surrender values that are based on asset share plus a smoothing allowance into the maturity payout at higher durations in force. These were updated in 2025 following the bonus declaration and are in accordance with the PPFM.

Due to the poor investment performance during 2022, MVRs were applied to surrenders of AWP policies during 2022 and have remained in-force for policies surrendering 2025 in accordance with the advice of the With-profits Actuary. The board reviews MVR and terminal bonus rates on AWP policies monthly, after taking advice from the With-profits Actuary.

4.4 Smoothing

The Society aims to smooth the fluctuations of investment return and other sources of profits and losses over the period of the contract. The Society intends the cost of smoothing to be neutral in the long term. In order to monitor this, a formal smoothing account was established at the beginning of 2011 with a nil balance. The asset share on payouts within the year has been compared to the payouts made on individual policies on surrender, maturity and death.

There has been a decrease to the smoothing account of £770k for the year, giving a balance carried forward as at 31 December 2025 of -£534k.

The smoothing account is part of the estate of the Society.

The board can confirm that the smoothing policy detailed within the PPFM is being followed.

4.5 Investment policy

The funds of the Society are currently invested by Legal and General Investment Management, who were appointed in November 2023.

The mix of asset classes held has been within the investment limits laid down by the board, which was agreed after advice from the With-profits Actuary and taking into consideration the investment manager's view of the investment outlook.

The board is satisfied that it and the investment managers have controlled investment policy in line with the PPFM.

4.6 Business risk

Risk management is the responsibility of the board who use various tools including a Risk Management Team, a Risk Committee and a detailed risk register to manage potential risks.

Consideration of the various business risks is incorporated within the Society's Own Risk and Solvency Assessment which was completed towards the end of the year.

The Society has three main outsourcers: PKF Littlejohn llp for internal audit, Steve Dixon Associates llp for actuarial functions and Legal and General for investment management.

Following a tender process during 2025, the Society re-appointed SDA llp to provide actuarial function, but with a new Chief Actuary and With-Profits Actuary.

Risk and outsourcing arrangements have been controlled in accordance with the PPFM.

4.7 Charges and expenses

Whilst the Society continues to control costs carefully expenses in 2025 were significantly higher compared to 2024. This was due to the extra costs related to the upgrading of our policy administration software.

The expenses incurred are close to the expenses used in the Key Information Documents issued by the Society and to the expenses being charged to surrender value asset shares. An expense analysis was carried out by the With-profits Actuary early in 2025 which resulted in some small changes to the expense allowance for the 2025 valuation compared to those used in 2024.

The board is content that the charges and expenses are in line with the PPFM, recognising that this position needs to be reviewed against the business plan on an annual basis.

4.8 Management of the estate

The PPFM defines the estate as the difference between the assets and the realistic prospective value of policy cash flows on the regular premium policies and the asset shares on the accumulating With-profits policies.

The estate provides working capital to meet any shocks that may occur, smooth experience into asset shares and payouts and provide capital for writing new business.

The PPFM sets out the board's current target range for the estate. During 2025, the estate remained within the target range and therefore the With-profits Actuary and the board are satisfied that the estate was managed in accordance with the PPFM.

4.9 New business

The board is confident that sales were at a level which did not place an undue strain on solvency, were expected to be beneficial to the existing policyholders and were in accordance with the PPFM.

4.10 Allocation of profits

The Society is a mutual friendly society which means that there are no shareholders. All profits are ultimately given to the members of the Society. Smoothing payouts is the main area of discretion applied to ensuring that payouts are fair across different groups of with-profit policyholders.

5. Conclusion

During the period covered by this report (2025) the board is satisfied that:

- The Society has met its PPFM requirements on payouts on maturity.
- Surrender values are within the range specified by the PPFM.
- The bonuses declared and smoothing is in line with the PPFM.
- Investments have been managed in line with the PPFM.

- Outsourcing arrangements have been subject to appropriate systems and controls.
- The smoothing account has been established and has been reported on to the board.
- New business continues to be written resulting in a growing Society.
- Appropriate governance arrangements have been in place to ensure compliance with the PPFM.

Graeme Caughey
Chairman
2 April 2026

Peter Green
Chief Executive
2 April 2026

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Healthy Investment is a trading name of The Rechabite Friendly Society Limited,
an incorporated Society within the meaning of
The Friendly Societies Act 1992
Financial Services Register 109994

Authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential
Regulation Authority

Annex 1

Report from the With-Profits Actuary to With-Profits policyholders of Healthy Investment.

I have made a report to the board in accordance with the requirements of the Supervision Manual of the FCA Handbook to inform them of my view of the way in which the Principles and Practices of Financial Management (PPFM) has been applied and how discretion has been exercised in respect of the With-Profits policyholders.

I am also required by the Supervision Manual to draft a report to With-Profits policyholders to accompany the firm's annual report required by COBS20.4.7R, stating whether, in my opinion, the discretion exercised by the firm in respect of the period covered by the report may be regarded as taking the interests of the firm's With-Profits policyholders into account in a reasonable and proportionate manner. In doing this, I must have regard to the rules and guidance laid down in COBS20.2 of the FCA Handbook.

I can confirm that, in my opinion, the board has acted in a manner consistent with the PPFM in the year from 1st January 2025 to 31st December 2025.

I can confirm that, in my opinion, the board has taken the interests of With-Profits policyholders into account in a reasonable and proportionate manner.

Sally Butters FIA
With-Profits Actuary for Healthy Investment.
24 March 2026