



Environmental, Social and Governance (ESG) Policy

1. Introduction

PIC is committed to building a long-term, sustainable business, based on the company's purpose, which is to pay the pensions of our current and future policyholders. Amongst other benefits, this will provide employment across the economy, and generate wider benefit in an environmentally and socially responsible manner.

For us, Environmental, Social and Governance factors ('ESG') are part of our broader Sustainability Strategy. We consider our key ESG areas to include, but not be limited to, the following:

Environment

- Climate change and greenhouse gas emissions
- Emissions to air, water and land, pollution and waste
- Biodiversity, deforestation and land use
- Energy efficiency
- Resource depletion (including water)

Social

- Excellence in customer service
- Purposeful investments
- Human rights (including modern slavery and child labour)
- Health and safety
- Diversity and Inclusion, and equal pay
- Well-being and development of staff
- Stakeholder and community engagement
- Responsible relationship with suppliers

Governance

- Anti-Bribery and corruption
- Stewardship
- Executive pay
- Board independence, diversity and structure
- Conflicts of Interest
- Anti-money laundering

Monitoring and Reporting

PIC's ESG activities are the responsibility of all business functions. ESG governance is provided by a Board-level ESG Committee which determines how PIC should embed the monitoring of ESG into day-to-day activities as well as ensuring compliance with legal and regulatory requirements. The Head of Responsible Investing chairs the ESG Oversight Forum which comprises 15 senior representatives from across the business, including three Executive Committee members. The ESG Oversight Forum meets monthly and discusses all things ESG across the business.

We report on our ESG actions in a number of ways, including the following annual reports:

- Report & Accounts
- ESG report
- Taskforce on Climate Related Financial Disclosures ('TCFD') report
- United Nations' Principles for Responsible Investment ('UNPRI') transparency report
- Net Zero Asset Owners Alliance ('NZAOA') Progress report

Regulatory requirement

PIC complies with all statutory and regulatory requirements relating to ESG matters. The PRA's regulatory requirements are currently in Supervisory Statement: Enhancing banks' and insurers' approaches to managing the financial risks from climate change (SS3/19) and the "Dear CEO letter" of July 2020, on managing climate-related financial risks. The UK Government has also indicated that the International Sustainability Standards Board (ISSB) standards will form a core component of the Sustainability Disclosure Requirements.

PIC has also committed to follow guidance on climate disclosure from the TCFD in advance of this becoming required for insurers by legislation in 2023.

2. ESG Policy Statements

Environment

PIC embeds the risk of climate change within its overall business and investment strategies and is committed to playing its part in the transition to a low carbon economy. We are committed to continuously improving the environmental performance of our own business, as well as reducing the environmental impact of our investment portfolio. Actions we have taken demonstrating our environmental performance and improvements are reported in our annual TCFD report. PIC has committed to being Net Zero by 2050 for all emissions and carbon neutral by 2025 for its own entity scope 1 & 2 emissions. Our interim targets are to decrease our investment portfolio emissions 25% by 2025 and 50% by 2030 from 2019 levels. More information about our climate commitments can be found in our [TCFD report](#).

We continue our progress to becoming carbon neutral by 2025 and we have already undertaken multiple corporate initiatives towards this target. These include removal of single use plastic utensils, installing communal bins and recycling bins in strategic locations, using energy efficient LED lights, and providing energy efficient laptops to staff.

We endeavour to minimise pollution generated by our business and any associated travel. Where staff must travel and use aviation or long-distance rail travel, we select offset options provided by the transport provider, or other gold- or verified standard offsetting schemes. Employees are encouraged to decrease their own carbon footprint through a cycle-to-work scheme and a season ticket loan facility.

PIC will use collective action to achieve our climate goals where appropriate including engaging with the companies that we invest in and collaboration with sustainability bodies, industry groups and wider sector initiatives to drive action. The investment team engage with investee companies, whilst our specialist Third Party Management team engage with suppliers.

We have embedded climate risk within our various Risk Management frameworks and policies. More information about this is found in our [TCFD report](#).

Social

PIC's purpose is to pay the pensions of our current and future policyholders. This purpose governs our business culture and activities. PIC considers the creation of long-term social value by the business and within the investment portfolio to be a core part of fulfilling that purpose. We believe that the greater the socially beneficial outcomes generated, the higher the likelihood of the long-term stability needed to pay future pension payments.

PIC's commitment to very high standards of customer service and keeping

customers and the creation of social value central to our business strategy is reflected in the PIC values of 'valuing our customers', 'doing the right thing', 'striving to be the best', 'providing security', 'embracing new ideas' and 'being a team'.

We believe our people are PIC's most important asset and engage with employees on a regular basis. PIC seeks to hire and retain the right people to support our strategic and business objectives. We believe that to thrive as a company we must ensure our culture is one that is inclusive, diverse, safe and provides employees with opportunities to learn and grow.

A formal employee engagement survey is performed annually to help us understand how deeply our values and culture are embedded throughout the organisation and to gather feedback from employees about their experience of working at PIC.

We are committed to active promotion of Diversity and Inclusion in our relations with employees and others. Our approach comes from our values and capabilities framework. We are committed to the Equality Act although our approach goes beyond that. We believe in consistency and fairness across all people, policies, procedures and practices.

As stated in our Modern Slavery statement [\[link\]](#) PIC has a zero-tolerance approach to slavery or human trafficking and is committed to acting ethically and with integrity in all its business dealings and relationships. We implement and enforce effective systems and controls to ensure slavery is not taking place anywhere in our own business or in any of its supply chains.

PIC strives to be a good corporate citizen and supports initiatives which align with our values and role model best practices. PIC's Charity Committee ensures that charitable actions and giving are part of the firm's culture. It continues to embark in various charitable actions on a yearly basis and details of these are reported annually within our [Annual Report](#) and [ESG Report](#).

Governance

PIC's Board commitment to ESG is reflected in the establishment of a sub-Committee to ensure that ESG considerations seen as business as usual. When making any decision, Directors must consider Section 172 of the Companies Act 2006. Section 172 requires company directors to act in good faith and in a way that is aligned to the success of the company. PIC believes that to enable alignment, all its stakeholder relationships need to be considered and managed appropriately over the long-term including that of the environment, employees, policyholders, the regulator, suppliers and the community.

We are transparent on our gender pay gap which is reported annually and available within PIC's [Annual Report](#).

There is no place for bribery or corruption within our business, investments, or supply chains. We believe in paying the tax we owe and believe in conducting all our

business in an honest and ethical manner. PIC takes a zero-tolerance approach to the facilitation of tax evasion, whether under UK law or under the law of any foreign country.

PIC has aligned its remuneration structure so that it works in the best interest of our investors, policyholders, and other stakeholders. Employees are rewarded for long-term value creation while making sure they are not incentivised to take unnecessary risks.

We believe that our success is rooted in the diverse nature of the environment in which we operate and is dependent on our ability to leverage differences, collective experiences, variety of backgrounds, talents, skills and knowledge. PIC recognises and values the benefits that diversity can bring to its Boards.

PIC recognises that conflicts of interest can occur although should be avoided wherever possible, and managed appropriately when they do occur. All employees are alert to the fact that they may be in a position where a conflict may arise and provided with training on the process of identifying such a conflict, and reporting it and we have processes in place to manage such a conflict.

3. ESG within Investments

ESG integration

PIC defines ESG integration as the investment analysis of ESG factors alongside financial factors in the investment decision-making process.

We believe that the integration of ESG risks and opportunities leads to a broader assessment of the environment in which companies operate and their performance in managing different stakeholders, giving a fuller understanding of risks over the long-term than traditional financial analysis alone.

PIC integrates ESG analysis into the assets it manages in-house and delegates most of the ESG integration to its managers for the portion of its assets managed indirectly.

We use both third party ESG data as well as our own proprietary ESG methodology to guide investment decisions. Our ESG analysis is based on information gathered through our own due diligence process and by the use of specific third-party providers.

PIC imposes investment restrictions on selected sectors, including but not limited to: coal extraction, tar sands, oil, and controversial weapons.

Stewardship activities including engagement are covered by our standalone [Stewardship Policy](#).

Details of PIC's application of ESG within investments can be found in our [ESG Investment Approach document](#).

4. Industry Initiatives

PIC is a signatory to the UNPRI, as are all of PIC's key external asset managers that help manage the credit portfolio. As a signatory to the UNPRI we commit to enact the following six principles:

- to incorporate ESG issues into investment analysis and decision-making processes
- to be active owners and incorporate ESG issues into our ownership policies and practices
- to seek appropriate disclosure on ESG issues by the entities in which we invest
- to promote acceptance and implementation of the Principles within the investment industry
- to work together to enhance effectiveness in implementing the Principles
- to report on activities and progress towards implementing the Principles

PIC Supports the TCFD guidelines and publishes its report annually, is an active member of the NZAOA and the ABI's Climate Change Working group. PIC is a supporter of Lawyers for Net Zero and PIC's legal team are all members.