



A purposeful approach to ESG.

Pension Insurance Corporation Group Limited
Environmental, Social and Governance Report
March 2023

Welcome to our ESG Report



Tracy Blackwell
Chief Executive Officer
PIC

PIC has a purpose-led business model, based on the creation of long-term social value.

As we invest in the economy and across the built environment to back the pensions of our policyholders over coming decades, we are creating significant social value.

Our award-winning developments, which are pushing the energy efficiency agenda, are a key part of the portfolio alongside investments in sectors like electric rail and renewable energy, and demonstrate our efforts to reduce our carbon footprint.

Our increasing footprint across the country is an outcome of the growth of our business, and as we continue to grow we will remain focused on our social and environmental impact."

Our reporting

This report is part of our 2022 reporting suite, which also includes the Annual Report and Accounts and the TCFD Report.

For more information visit
www.pensioncorporation.com

PIC confirms that our TCFD disclosures are compliant with the requirements under Chapter 2 of the FCA ESG Handbook. We have made our detailed disclosures in a separate TCFD report due to the granular nature of the metrics disclosed.



Download our latest
TCFD Report at
www.pensioncorporation.com



Download our latest
Annual Report at
www.pensioncorporation.com



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PIC at a glance

Our purpose is to pay the pensions of our current and future policyholders.

Key outcomes of our purpose



Policyholders

Pensions for life; excellence in customer service



Employees

Stimulating, fair and rewarding workplace



Key suppliers

Partnership model of engagement



Capital providers

Growing store of value expected to provide secure, long-term returns



Society

Active engagement in public debates around purposeful, long-term investment in the economy and stakeholder capitalism



Economy

Significant investments in urban regeneration, social housing, and areas that balance intergenerational equity



Environment

Increasing investments into renewable energy, with concurrent reduction in exposure to carbon-producing industries

Our culture

Our customers are our priority

We value all our stakeholders and work hard to provide exceptional service to all our customers (policyholders, trustees and sponsors). We listen and are responsive to their requirements.



For more information, see 'Our people and culture' section **p22-25**



Our values



Providing security

We are committed to managing risk and providing long-term stability and financial security for our customers. We protect customer data. Our strong, conservatively managed balance sheet and low-risk portfolio ensure resilience against difficult economic events



Embracing new ideas

We pride ourselves on doing things differently, being adaptable enough to operate successfully in any environment and match any challenge. We go beyond existing ways of thinking to come up with innovative personalised solutions



Being a team

We know the benefit of working together as a team. We respect, value and nurture our people in terms of both their development and engagement



Striving to be the best

We provide sector-leading expertise, aiming for excellence in everything we do. We listen carefully, are not afraid to learn and challenge ourselves, and deliver a consistently high-quality offering



Doing the right thing

Our policyholders are our customers for life, which is why our strong ethos around doing the right thing is so important to us. We believe that fairness and honesty really count

Creating long-term social value

What PIC does

We provide tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK defined benefit pension schemes. We back the pensions of our policyholders with investments that are both secure and socially beneficial.

302,200

policyholders insured

Our investment portfolio

PIC has a diverse portfolio and primarily invests in publicly available fixed income assets, including £28.2 billion invested in government debt and corporate debt, (FY2021: £36.6 billion) to match our projected pension cash flows. PIC also invests in secure, long-term, privately-sourced debt to match pension payments at maturities in future decades, for example when public debt is not available, including in the sectors shown below.

Purposeful investments and creation of long-term social value

Pensions for our growing policyholder base are backed by a purposeful investment strategy. This strategy prioritises the management of key risks, including Environmental, Social and Governance (“ESG”) risks, as integral to paying the pensions of our policyholders over the coming decades.

Investments with a lasting impact on current and future generations in areas including renewable energy, social housing, and national infrastructure are socially beneficial outcomes of our focus on our purpose. Excellence in customer service and balanced stakeholder relationships are fundamental to our approach.



I have a very good impression of PIC. Your customer service is very good. You always provide complete and thorough information about our pension and where the money is invested and this information is important to know.”

Suresh Saggarr
 PIC policyholder, 2022



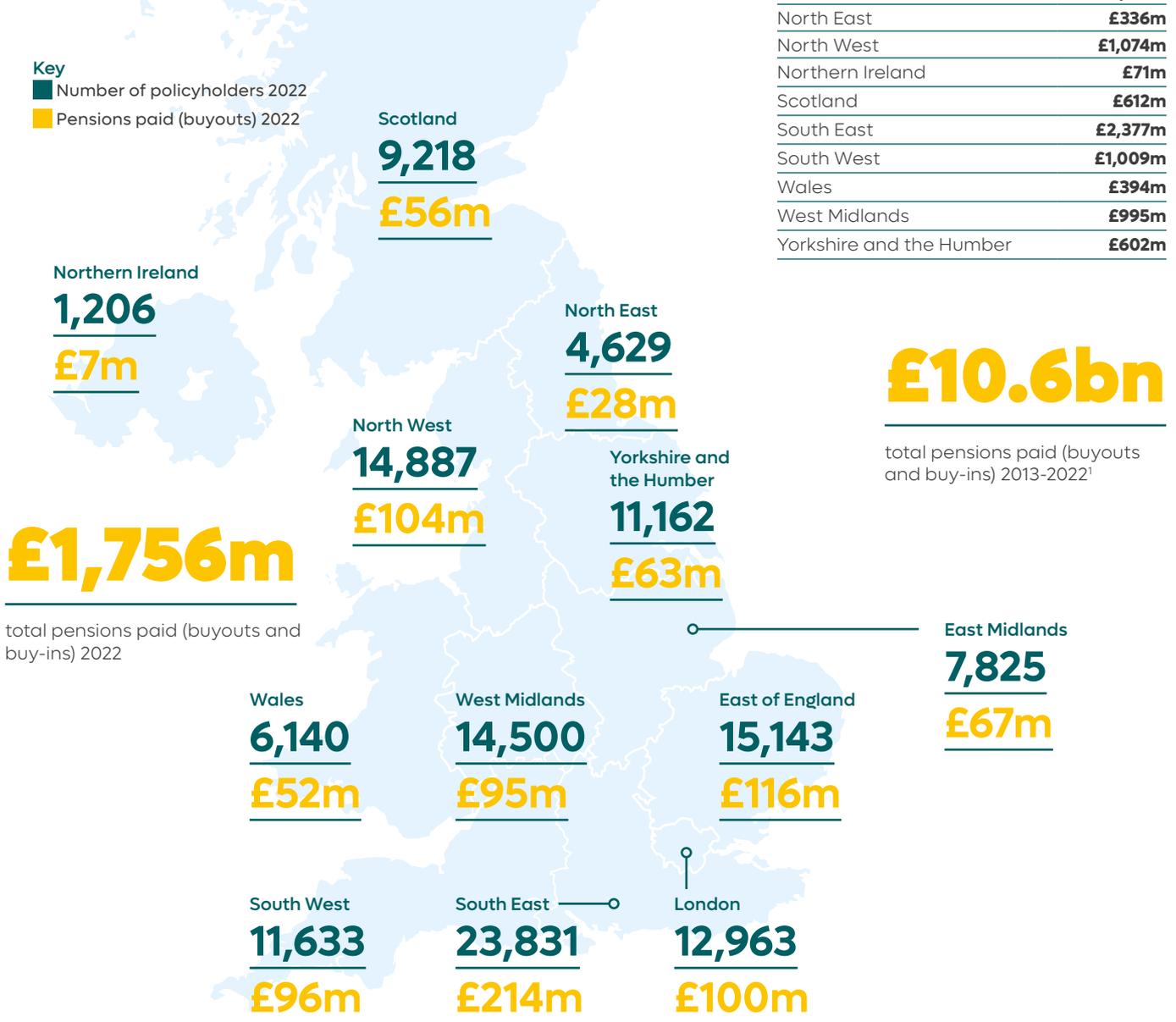
Our geographic footprint

Generating social value across the UK.

PIC secures UK defined benefit pensions schemes, moving the pension promise into the security of the insurance regulatory framework, ensuring pensioners get their full benefits.

The maps on these two pages give insight into PIC’s social and economic impact on the UK, which is a consequence of our primary business activity.

The map below shows the value of the pension payments we make to our direct policyholders (44% of our total number of policyholders). These payments are broken down by the countries of the UK and the nine English regions.



1. Total paid to policyholders from 2013 onwards. Amounts paid before 2022 have been adjusted for inflation.

Delivering long-term socially beneficial outcomes across the UK

Our investments secure more than the pensions of our policyholders. They're helping to support levelling up by providing social housing and renewable energy, regenerating our cities, and benefiting generations to come across the UK, with more than £9 billion invested in the English regions outside London, as well as Scotland, Wales and Northern Ireland.

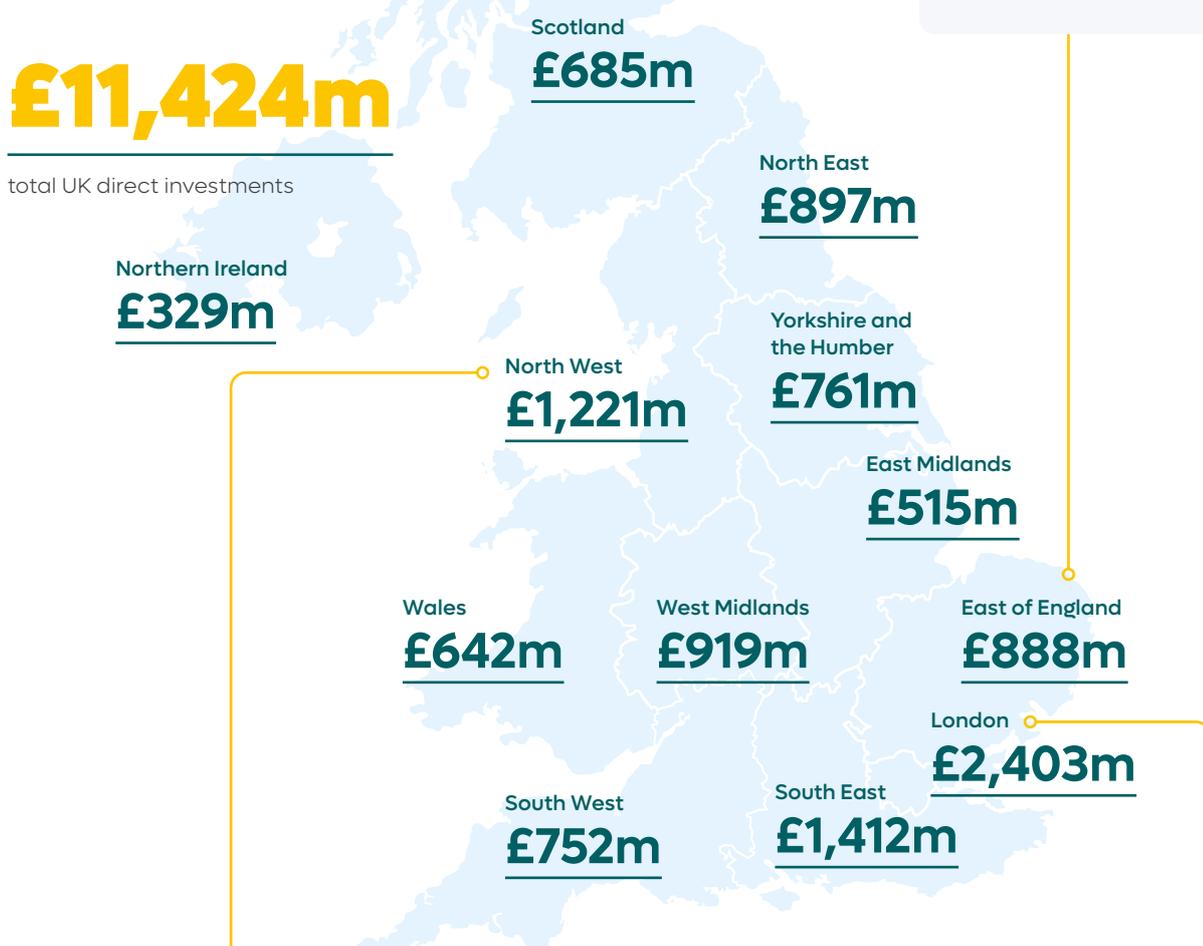
These socially beneficial, privately sourced investments are presented on the map below, broken down in total by the countries of the UK and the nine English regions. We will publish detailed metrics, including relative GDP weighting, in our forthcoming thought leadership paper on our investments.



For more information visit www.pensioncorporation.com/purposeful-investments

£11,424m

total UK direct investments



Funding retirement living in St Albans

Senior Living Investment Partners, a partnership between PIC and Octopus Real Estate, invested £115 million in its first retirement community investment via a joint venture with Elysian Residences.



£105 million invested in a Net Zero Carbon office in central Manchester

Let to the Government Property Agency, the office will support the move of civil service roles from London to Manchester.



Funding housing for the London Borough of Newham ("LBN")

PIC invested £83 million to fund the construction of 161 homes, as part of LBN's housing strategy, which seeks to actively manage the financial and social implications of the area's housing shortfall.

ESG action timeline

Industry initiatives	Portfolio	Reporting and impact	ESG governance and policies
2019			
<p>PIC is a signatory to the UN PRI, as are all of PIC's key external asset managers who manage a segregated mandate on our behalf.</p> <p>PIC's requires key external managers to be signatories of the UNPRI</p>	<p>Reduce exposure to carbon intensive industries including oil holdings</p> <p>Portfolio investments support 10 out of 17 UN SDGs including sustainable cities and communities, affordable and clean energy and climate action</p>		
2020			
<p>PIC joins the ABI Climate Change Working Group, participating in consultations regarding climate risk and reporting</p> <p>We become members of LGBT Great</p> <p>PIC became a founding member of The Good Economy's "Building a sector standard approach for ESG reporting"</p>	 <p>We partner with Sustainalytics' to assess ESG data for our publicly-listed investments</p>	<p>Our first ESG report published</p>	
2021			
<p>PIC joins the Net Zero Asset Owner Alliance and commit to achieving Net Zero by 2050 across all our emissions including within our investment portfolio.</p> <p>We commit to become carbon neutral by 2025 on our operational emissions</p> <p>Join the #10000 black interns initiative</p>	 <p>We incorporate MSCI climate data into our investment due diligence</p>	<p>We publicly support the Task Force on Climate Related Financial Disclosures and publish our first TCFD report</p> <p>We map the social reach of our renewable energy across the UK</p>	<p>Board-level ESG Committee is created</p> <p>ESG Oversight Forum is created comprising 15 senior members across business functions including three members of Exco</p>
2022			
<p>Engagement platform is built to record and monitor PIC's engagement activity and outcomes with our direct deal counterparties</p> <p>ESG leadership in the built environment. See page 10 for more information</p> <p>Sixth year of sponsorship of the Actuarial Mentoring Programme, a mentoring scheme for female actuaries, run in conjunction with the Institute and Faculty of Actuaries</p> <p>Sixth year of the Purpose of Finance Project which tackles the disconnect between the financial services industry and society. See page 7 for more further detail</p>	<p>Proprietary ESG toolkit for private market investment due diligence is built</p> <p>ESG requirements included in direct lending covenants</p> <p>Partnership formed with Buro Happold, a third party ESG specialist to help deep dive into our Real Asset pipeline and portfolio</p> <p>We establish and apply an ESG Baseline Credentials across all our built environment investments</p> <p>Invested a significant amount into renewable energy projects since 2012</p>	<p>Our year-end portfolio in sustainable assets represent c.25% (£10.3 billion)</p> <p>Total pensions paid to date of £10.6 billion²</p>	<p>Established a Net Zero Transition working group</p> <p>First ESG Policy is approved by the Board and published</p> <p>We publish our first standalone Stewardship Policy</p>

1 Neither Sustainalytics nor its content providers are responsible for any damages or losses arising from any use of this information and use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers/>.

2 Total paid to policyholders from 2013 onwards. Amounts paid before 2022 have been adjusted for inflation.

Our ESG related industry involvement



PIC is a signatory to the United Nations' Principles for Responsible Investment ("UNPRI"), as are all of PIC's key external asset managers who help manage the main public credit portfolio. As a signatory to the UNPRI we commit to enact the following six principles, recognising that the large majority of our investments are in credit.

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



Also known as the Global Goals, the UN SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people can enjoy peace and prosperity. The 17 SDGs are integrated; they recognise that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Out of these, PIC has a focus on ten goals that have relevance to our business and purpose. These are goals 3 (Good Health and Well Being), 4 (Quality Education), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 10 (Reducing Inequalities), 11 (Sustainable Cities and Communities), 12 (Responsible Consumption & Production), 13 (Climate Action), and 15 (Life on Land).



We publicly support the Task Force on Climate Related Financial Disclosures and published our first TCFD report in 2021. We agree with the TCFD that financial markets need clear, comprehensive, high-quality information on the impacts of climate change. This includes the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in changing worlds. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.

THE NET-ZERO ASSET OWNER ALLIANCE

Created in recognition that institutional investors collectively have an important role to play in fostering the energy transition the world needs. Members have committed

1. To transitioning their investment portfolios to Net Zero Greenhouse Gas ("GHG") emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels
2. To establishing intermediate targets every five years and to annually report on progress
3. The Alliance is convened by United Nations Environment Programme ("UNEP") and UNPRI



Developed by the ABI in partnership with Boston Consulting Group, the Climate Change Roadmap has set industry targets to address climate change and help the UK reach Net Zero by 2050. The ABI plan has several consumer-facing elements alongside a host of behind-the-scenes suggestions on investment and underwriting. The roadmap is reviewed and refreshed every year in line with scientific evidence to ensure it stays in line with the Government strategy to reach Net Zero by 2050. The ABI Climate Change Work Group helps facilitate implementation of the Roadmap by the industry.



PIC founded a project called the Purpose of Finance with the aim of facilitating debate from a position of support on how best to repair the disconnect between society and the financial services industry. The project brings together policymakers, regulators, people who work in financial services and others to tackle this deep-rooted problem. This includes a wide-ranging debate about how financial institutions can focus on and be accountable for their purpose. Since the project's inception, PIC has released numerous Purpose of Finance papers and podcasts, including:

- The Purpose of Finance
- The Purpose of Asset Management
- The Purpose of Stock Exchanges

Purpose of finance podcast topics include:

- How Can We Re-shape Financial Markets to Create Fairer Capitalism?
- The Long-term Consequences of Short-term Thinking
- The Changing World of Stock Markets

Environmental

Our approach to environment

Our approach to climate within our portfolio

Asset owners such as PIC are well placed to drive change, including through increased investment in assets that accelerate the transition to a low carbon economy. As a significant asset owner with meaningful assets to invest, we look at the impact of the emissions from the holdings in our investment portfolio as well as the emissions from our own operations. We take a proactive approach to disclosing relevant and transparent metrics and set meaningful targets to address our climate impact and to ensure progress is made and monitored.

In order to understand our total climate impact, we are making efforts to map carbon emissions across our investment portfolio (Scope 3), with the assistance of third parties such as MSCI, and the application of our own methodology for our privately-sourced debt investments. Details on our carbon metrics can be found within our [TCFD report](#).

Climate targets¹:

We remain committed to our four corporate and portfolio targets which are aligned with a maximum temperature rise of 1.5 degrees above pre-industrial levels as outlined in the Paris Agreement.

- Carbon neutral (Scope 1 and 2 emissions) as a business by 2025
- Net Zero through all emissions by 2050
- Decreasing our investment portfolio's average carbon intensity by 50% by 2030²
- Decreasing the average carbon intensity of investments in publicly-listed credit by 25% by 2025²



We set targets against what we can measure. This is why we have invested in measuring the footprint of our investment portfolio and our own operations. Climate and wider ESG considerations are embedded into our investment decision making process, and we seek specific climate data on the underlying assets we invest in. We focus on the quality, robustness and comparability of the data on which we base these decisions, and we are committed to working with the industry to improve the availability and quality of climate-related data."

Rob Groves

Chief Investment Officer
PIC

Reducing our operational carbon footprint:

PIC is working across the business to calculate the emissions we use in line with the Greenhouse Gas Protocol Corporate Standard along with the UK Government GHG Conversion Factors for Company Reporting standards.

We operate within a leased building, so we have limited control over the emission and energy saving actions we can take within our facilities. However, when possible, we have taken efforts to reduce the impact of our own operations, including installing LEDs and Passive Infrared Sensors throughout our offices and using efficient laptops. Given our continued efforts, our CO₂e emissions per full time employee ("FTE") has reduced by 18% from 2021. On an absolute basis however, it has risen by 9% given various factors such as increased headcount by 26% and a general 'return to work' following various Covid related work from home guidelines in 2021. Please see our [TCFD report](#) for details of our energy use and further information on our reduction methods.

We remain committed to meeting our carbon neutral interim target by 2025, and in 2022 we implemented a series of small changes to our behaviour to realise our ambitions. These help promote awareness of climate change across the firm and improve our environmental performance. We are proud of our strong climate engagement of our employees, who also share our values for sustainable change.

To raise awareness of the implications of climate change and improve our sustainability credentials we have taken the following actions:

- No single-use plastic utensils in kitchen areas since 2021
- Continue to use recycling bins, strategically located across each floor
- Continue to use Forest Stewardship Council ("FSC") certified paper in our 'follow-me' printers
- Use energy-efficient LED lights throughout our office space
- Switch off air conditioning at evenings and weekends
- Partnered with a charity to hold a conservation management day on Hampstead Heath for PIC employees

1 Measure as tons CO₂e/\$M revenue. Taking into account the quality and consistency of available data.

2 Using a 2019 baseline.

3 We have calculated our emissions for 2022 in line with our financial year and in partnership with a third-party. Any estimates included in our totals are derived from actual data in the same reporting period which have been extrapolated to cover any missing time periods.

Reducing our portfolio carbon footprint:

In 2022, we continued our efforts to understand the total impact of our business, including mapping the Scope 3 carbon emissions of our investment portfolio. We worked with an independent third party on a consulting basis to estimate the carbon intensity of 78% of our total portfolio. Where possible, we have adjusted our private markets emissions calculation methodology to align with the Partnership for Carbon Accounting Financials ("PCAF") so that we adhere with industry best practice.

The reporting landscape continues to evolve, and with this comes increased access to transparent public information and data. We have maintained our efforts to consistently report the coverage of the carbon metrics across the public debt portion of our portfolio. However, the industry faces significant data limitations when sourcing information from privately sourced debt markets and is therefore less easily covered in comparison. Please see our **TCFD report** for an overview of the methodology we use to estimate our portfolio's carbon position. Below are the high level metrics covering PIC's total portfolio of assets:

Disclosure	Value	Unit	What % of portfolio holdings are covered?
Total financed GHG emissions (Scope 1 and 2)	2,515,706	tons CO ₂ e	61%
Carbon footprint (Scope 1 and 2)	85	tons CO ₂ e/\$M invested ⁴	61%
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	175	tons CO ₂ e/\$M revenue ⁴	78%
Implied temperature rise/portfolio alignment⁵	2.08	°C	31%

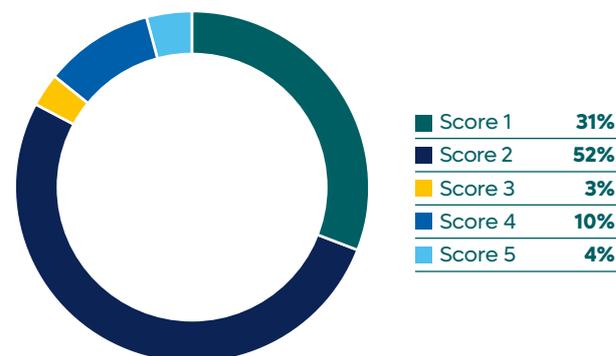
Data quality

High quality data is essential to ensuring emissions are accurately calculated and are therefore a useful metric for key decision-makers. Our own reporting is reliant on our investee companies accurately sharing their emission calculations, but we support the call for increased data transparency and encourage others to do the same. For example, we continue to request that Housing Associations disclose all data in accordance with the voluntary Good Economy Sustainability Reporting Standards for Social Housing.

Scores	Definitions
Score 1	Audited GHG emissions data or actual primary energy data
Score 2	Non-audited GHG emissions data, or other primary data
Score 3	Averaged data that is peer/(sub)-sector specific
Score 4	Proxy data on the basis of region or country
Score 5	Estimated data with very limited support

Split of PIC's investment portfolio's 2,515,706 tons CO₂e by data quality

Percentage of portfolio by market value



Source: PCAF Partnership for Carbon Accounting Financials

The asset class where we have the widest coverage of data is for our Public Corporate Credit assets. Below depicts progress in that asset class since our 2019 baseline.

PIC Public Corporate Credit WACI*

* Data is from MSCI with a coverage of 86% for the 2022 year data



⁴ £1 = \$1.2374. For revenue, conversion has been based on average exchange rate over the year.

⁵ Temperature pathway the mandate aligns to, expressed as a projected increase in global average temperature. This should capture projected Scope 3 emissions for sectors where these are significant.

Environmental

Our approach to environment continued

Our approach to managing climate risk

Mitigating risks is at the very heart of our business, and this includes risks associated with climate change. We have a consistent approach to managing all identified and emerging risks and have enhanced our risk framework to include climate change as a cross cutting risk to support our risk management of climate related initiatives, such as Net Zero targets and sustainability ambitions. Mitigating risks is at the very heart of our investment process, and this includes those associated with climate change.

Our Risk Committee regularly discusses climate-related risk and risk policies that include climate and scenario testing. Climate risk has also been incorporated into PIC's corporate risk taxonomy and covers physical, transition and liability risks.

Our forward-looking approach to managing climate change risks focuses on resilience across a range of potential climate-related outcomes. Given the long-term nature of our business model, it is vital that climate change risks are considered across the breadth of our company. Our overarching Enterprise Risk Management approach helps us to deliver on PIC's strategic objectives to drive long-term value growth, be a responsible corporate citizen, and develop a secure and sustainable business.

For the assets we invest in, we seek to manage the level of transition risk and minimise the physical risk. For example, we assess the effect of climate change on timely receipt of expected cash flows from investments, third parties and collateral arrangements in both base and stress scenarios.

PIC's decarbonization journey

As an asset owner and active participant in financial and capital markets, PIC has a role in helping to transition the global energy system to a Net Zero carbon emissions economy.

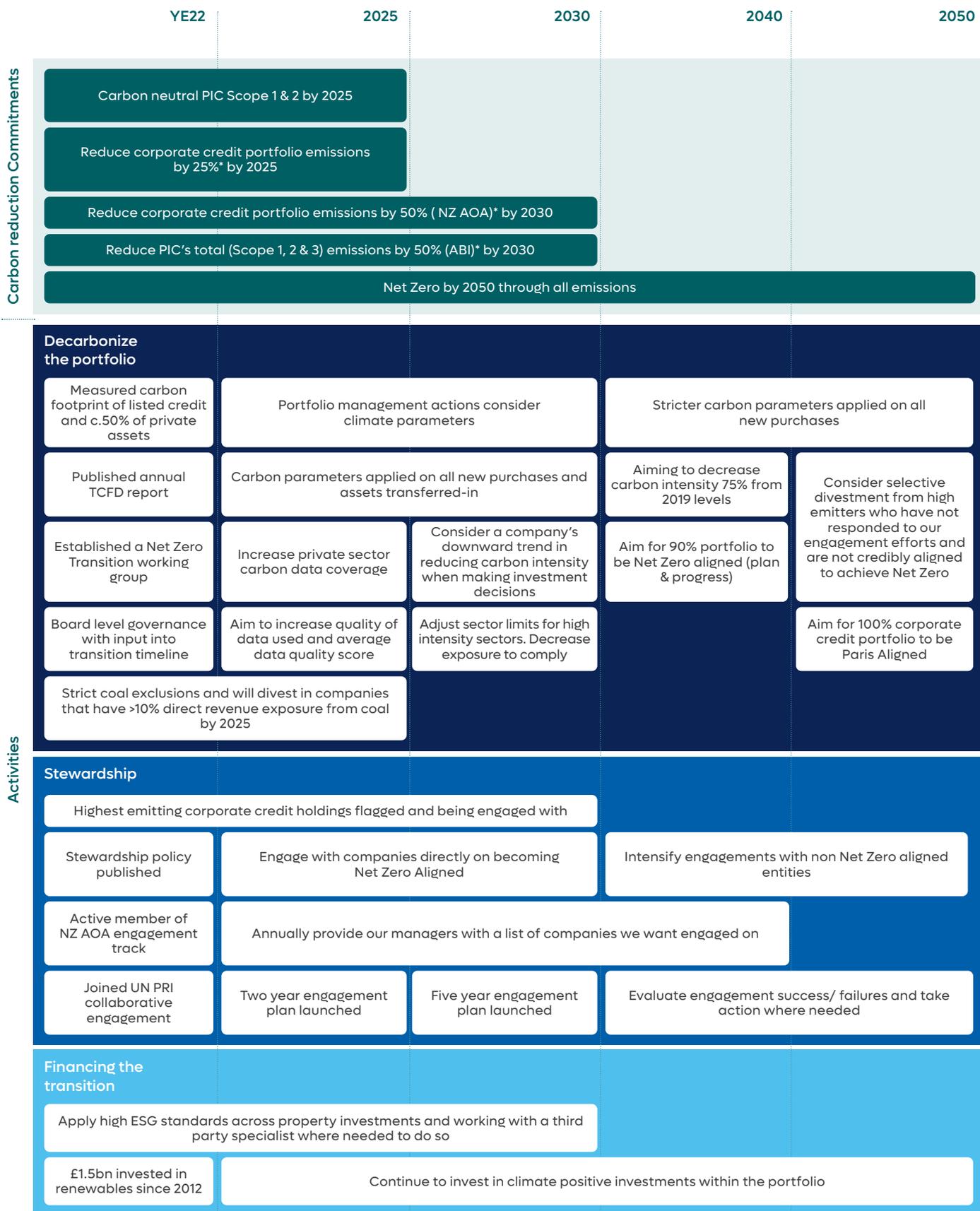
We are progressing this as part of our investment strategy principally through reducing our exposure to carbon intensive sectors such as fossil fuels and investing in climate-positive assets, such as renewable energy, that enable the carbon emissions reduction pathway necessary to limit temperature rises to the Paris Agreement goal.

We also understand that simply divesting is not the whole answer, and we have committed to engaging with high emitting companies and sectors to drive carbon reduction within their respective industries. Ensuring our investments in new assets score highly against environmental standards is important, but also investing to improve environmental credentials of older brownfield assets.

PIC has developed a transition timeline through collaboration between various business functions. The timeline details key activities across the four areas of carbon reduction commitments, decarbonizing the portfolio, stewardship and financing the transition from 2021 through to 2050. PIC believes that by following its strategy to the best of its efforts, it will be playing its part in helping the UK attain its own Net Zero objectives. The timeline is depicted opposite.



PIC's transition timeline



*emission reduction use 2019 levels as baseline. Only includes assets with data coverage

Environmental

Environmental standards in our built environment portfolio

Applying our responsible investment strategy across our built environment portfolio.

One of the major challenges of our Net Zero transition is the impact of our work in the built environment. The value of our built environment portfolio is reliant on its ability to adapt to the changing environmental conditions and ultimately contribute to a low carbon economy. PIC is committed to helping the property sector transition to be more environmentally friendly as we consider this a forward-looking investment opportunity and the right thing to do for our society.

To support this commitment, last year we strengthened our environmental design and construction standards across our real asset portfolio. We partnered with Buro Happold, built environment consultants, to bolster our due diligence process and have created an in-depth ESG due diligence assessment that we use to benchmark all incoming built environment investments against.

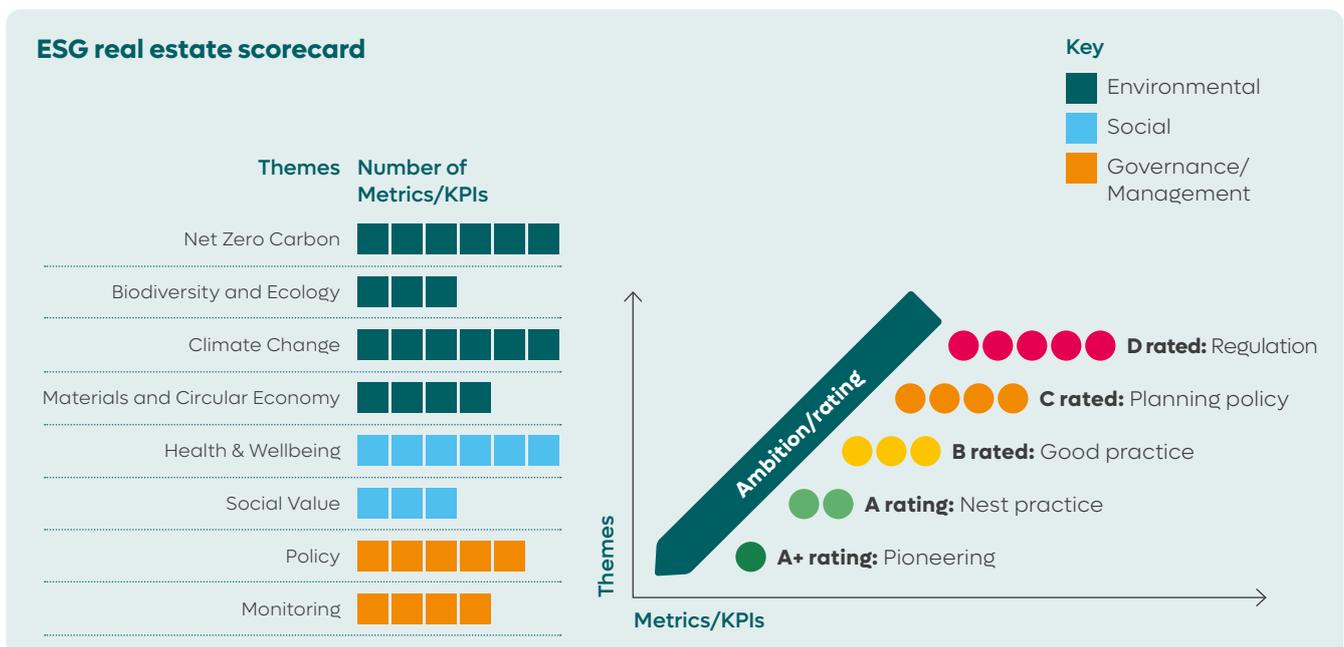
Built environment due diligence approach

An important part of this assessment includes a deep dive analysis into environmental topics impacting this sector, including climate change mitigation and adaptation. We review a range of environmental and climate-related risks and opportunities as part of our process when considering asset selection, acquisition, and development.

We have set minimum ESG Baseline Credentials that go above and beyond current regulatory standards. The key environmental metrics we measure include climate change, ground flooding, construction, energy in-use and embodied carbon. Through our due diligence process we allocate a Net Zero Carbon rating to each project using relevant KPIs such as:

- Embodied emissions
- Net Zero carbon in construction
- Offsetting
- EPC rating of building
- Percentage carbon reduction
- Modelling undertaken
- Percentage demand from electricity
- On-site energy generation
- Renewable energy procurement

The Net Zero carbon rating is then combined with a range of other ESG rating themes to form an overall ESG rating for the project. So far, we have assessed the majority of our existing built environment investments and we are planning on working with all our investments to achieve a minimum baseline score of B, which is two notches below the top score of A+ as depicted in the following graphs.





Case study 1: Championing brownfield site development at Miller's Quay

PIC continues to value the importance of brownfield site development, which helps reduce 'urban sprawl', leaving greenfield and rural areas intact. In July 2022, PIC was pleased to announce the commencement of construction of Miller's Quay, the cornerstone investment in what is the largest regeneration project in the UK. Miller's Quay is a 500 one-and two-bedroom residential scheme which will kickstart the broader development of Peel L&Ps 500 acre brownfield site and former dockland, Wirral Waters.

The project has been designed with a core focus on sustainability and utilises a range of energy efficient and low carbon technologies to reduce carbon emissions:

- All buildings across the Wirral Waters regeneration project are targeting BREEAM 'Excellent', including Miller's Quay, as well as significant bio-diversity improvements with the planting of more than 1,600 trees so far.
- Miller's Quay will use a range of energy efficiency and low carbon technologies to reduce carbon emissions, including solar power systems, and air source heat pumps.
- Miller's Quay will be surrounded by parks, green spaces, dockside walkways and cycle routes, with homes having access to cycling storage and electric vehicle charging points reducing localised pollution.
- Sustainable Urban Drainage to manage surface water from the site into the Docks through the provision of rain gardens, climate tolerant planting and tree pits designed to accommodate a 1 in 100-year storm and mitigate climate risk.

Following our due diligence we awarded this site a B rating.

The scheme has been awarded the 'Deal of the Year' Award at Insider's North West Residential Property Awards in January 2023.

£130m

investment



Case study 2: University of Birmingham student accommodation

- In January 2022, PIC completed a £128 million secured debt investment into the University of Birmingham, enabling it to transform the Pritchatts Park Student Village site into a 1,230-room low-carbon residential facility. The development is a vital part of the University's growth ambitions and is a key on-campus accommodation offered by the University.
- The low-carbon design of the upgraded accommodation will be achieved using solar photovoltaic panels wherever possible, along with direct electric heating. The upgraded buildings will also improve air quality through a zero-carbon emissions strategy.



PIC has made strong efforts over the last two years to develop its ESG capabilities. We have a responsibility to ensure the long-term value of our investments is protected, which is why ESG forms an important part of our corporate and investment approach and I am looking forward to continuing to develop PIC's role and contribution in this important area."

Rob Groves
Chief Investment Officer
PIC

£128m **1,230**

secured debt
investment

low-carbon room
residential facility

Environmental Investment restrictions

Given the nature of our investments, our very long-term time horizon, and the tight parameters that regulate our industry, we must give careful consideration when applying sector exclusions. We have nevertheless taken the view that investing in the following sectors is unsustainable and have imposed the below restrictions:

Oil sector

Including exploration and production, drilling and field services. No new purchases in companies in these sectors and we aim to divest from these holdings over time. Since putting this restriction in place, we have sold over £500 million of our oil holdings so that this sector now represents less than 1% of our portfolio.

Controversial weapons

We will never knowingly hold any security that is involved in the production of controversial weapons, including cluster munitions, anti-personnel landmines, or chemical and biological weapons.

Coal extraction & burning and tar sands

No new purchases in companies that derive more than 10% of turnover from coal extraction & burning and tar sands. We aim to divest from all our holdings breaching that 10% limit in these areas by 2025.

Case study: Coal as an engagement topic and investment restriction in the Investment Management Agreements (“IMAs”)

Part of PIC’s plan to attain Net Zero includes no new purchases in, and divesting from, any company that derives over 10% of revenue from coal by 2025. We recently tightened the wording in our IMAs to make these exclusions official and performed a deep-dive into portfolio holdings which broke that threshold. For any company that broke the threshold, we asked our managers to:

1. Focus on engaging with those companies who could credibly make the 2025 deadline and continue to encourage dismantling or divesting of coal assets
2. Sell any assets whereby the company management was not willing to engage on the topic of decreasing their coal holdings
3. Sell any assets that did not have a credible plan to meeting our threshold

Having specific wording in our IMAs and on-going discussions with our managers ensures that we are on track to meet our publicly stated commitments around coal investments. Over the last two years, we sold a number of portfolio holdings who were not aligned to meeting our 10% threshold by 2025 and have flagged a number of others who we have reservations on but will continue to engage with over the next 12 months.





Environmental Sustainable assets

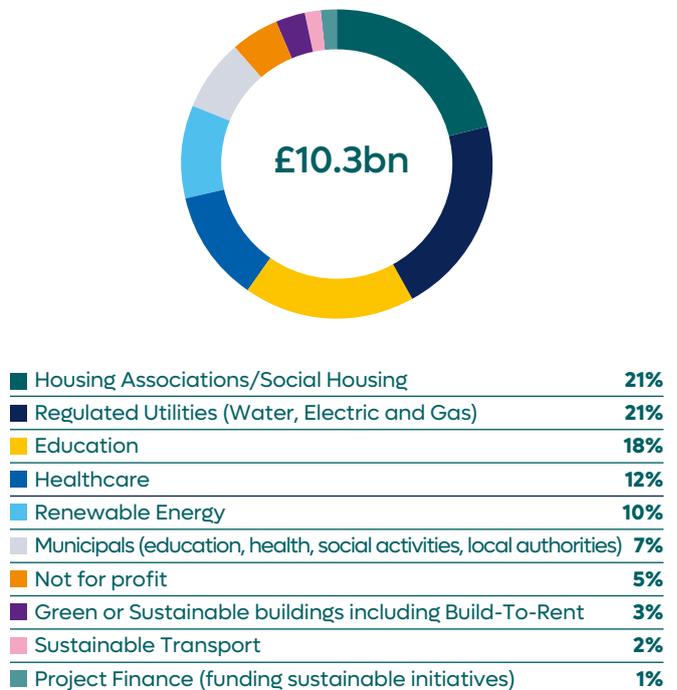
In this section, we map the impact created by our sustainable assets to the United Nation Sustainable Development Goals (“UN SDGs”). We believe that a company’s business model must be meaningfully linked to solving one or more of the UN SDGs as well as demonstrate positive ESG credentials to be considered a ‘sustainable asset’.

PIC believes that careful consideration needs to be made to ensure that positive environmental impacts are not made at the expense of negative social impact. We support a just transition and our responsible investment strategy attempts to maximise investments in climate action opportunities, while minimising the climate challenges of all those affected.

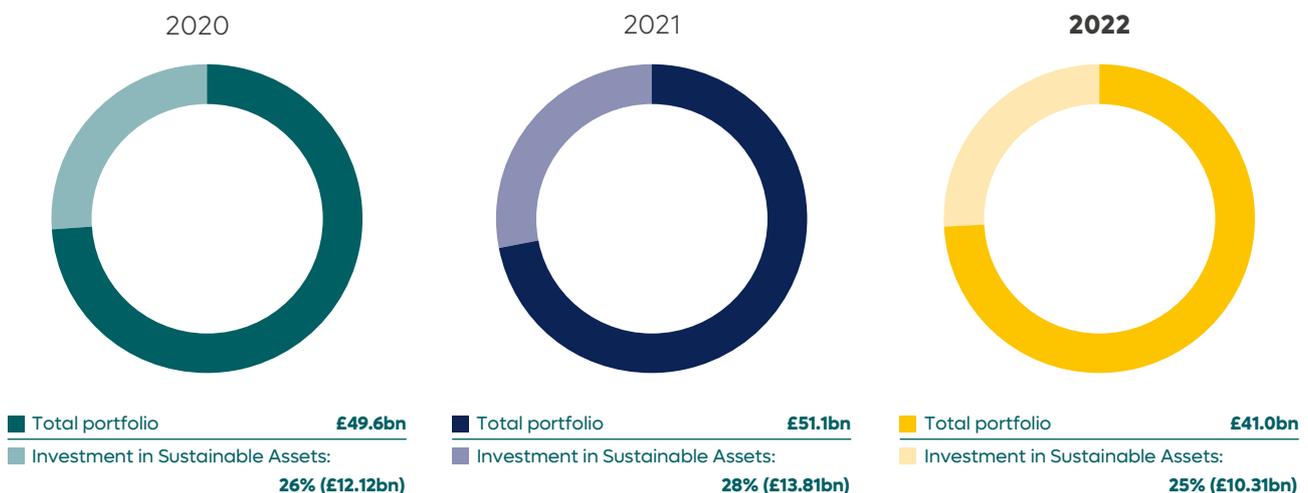
To fully understand the relative environmental and social impact of our investments, we discuss each asset on a case-by-case basis across multiple groups, including within the ESG Oversight Forum, Credit Committee and Investment Committee. We focus on the total net social or environmental benefit created including carbon emissions saved, jobs and apprenticeships created, and the wider social value of the investment. An example of this is the inclusion of ‘Regulated Utilities’ in our sustainable assets categorisation. Although this sector can be relatively carbon intensive, it also plays a vital role in providing the basic necessities of heat and electricity to households.

At the end of 2022, PIC had £10.3 billion assets categorised as sustainable assets’ and each year we evaluate how these assets help to create positive impact, such as for the environment and the communities in which the company operates. This includes assessing how a company promotes economic growth, environmental care, and social well-being objectives.

PIC’s total investments in Sustainable Assets



Investment in Sustainable Assets



Case studies: aligning the UN SDG's to PIC's activities

UN SDG 7 Affordable & Clean Energy



Emissions avoided through our £1 billion renewable energy portfolio

As of 31st December 2022, PIC's renewable energy portfolio was valued at c.£1 billion. Investments in the portfolio include UK offshore wind projects as well as solar assets. Given the large size of investments PIC has in renewables, we often have to look outside of the UK to find projects with large enough funding requirements and demand. As a result, we have consistently helped finance solar projects in Spain.

During 2022, our c.£1 billion renewable energy portfolio provided enough power to heat approximately 45,500 UK homes. At the same time, this investment, assuming it would otherwise have been invested in a traditional fossil fuels, helped avoid 152,421 tons CO₂e being emitted into the atmosphere. This is the equivalent of taking almost 100,000 petrol engine cars off the road for a year.¹

¹ Avoided emissions calculated using a GHG conversion factor from BEIS/DEFRA, average car mileage from Average Car Mileage UK (2023) | NimbleFins and a UK household figure based on the domestic emissions and number of households for each local authority in the UK, from the UK Government's Office of National Statistics.

UN SDG 9 Industry, Innovation and Infrastructure – Sustainable Transport



Incorporating ESG objectives and climate reporting into a private lending covenant

In October 2022, PIC completed a £102 million debt finance investment to support the delivery of new rolling stock to Corelink Rail Infrastructure Ltd, which included two new electric multiple unit fleets and one new diesel multiple unit fleet. The two new electric rail fleets are being built to help the UK's rail system transition towards an energy efficient rail service, as the optimised fleet of electric trains will produce significantly lower levels of noise and exhaust gas pollution.

The transaction represents PIC's first rolling stock infrastructure deal, and the trains will be leased to the West Midlands rail services.

As part of the investment, Corelink has committed to ongoing reporting on a comprehensive list of ESG criteria which will allow us to better track the environmental and social impact of our investment portfolio.

UN SDG 12 Responsible Consumption & Production



Sustainability-linked private placement into Umicore

In November 2022, PIC invested €57 million into a 12-year sustainability-linked private placement with Umicore, a leading multinational sustainable technology company.

Umicore's operations are divided into three segments:

- 1. Catalysis:** development and production of catalytic formulations and systems used to abate harmful emissions from combustion engines, for use in fuel cells and chemical and life science applications
- 2. Energy and Surface Technologies:** development and production of materials that power rechargeable lithium-ion batteries and enable the transition to electromobility
- 3. Recycling:** recovery of precious and other metals from a wide range of waste streams and industrial residues

Umicore has committed to achieving Net Zero GHG emissions by 2035, with intermediate milestones of a 20% reduction by 2025 and 50% reduction by 2030 (vs. 2019 baseline).

The company has also established a sustainability framework which these targets are based upon, and the sustainability-linked feature of this issuance has a coupon adjustment if the company's Sustainability Performance Targets are not achieved.

UN SDG 13 Climate Action



Safeguarding biodiversity for years to come

PIC has a meaningful and longstanding investment in The National Trust – one of the UK's largest charities and Europe's largest conservation body.

PIC lent £100 million to the Trust in 2018, structured as two tranches of £50 million, with the first having been paid in 2020 and the second being drawn last year in 2022 to match the Trust's requirements. The debt is long-term and matures in 2063, enabling the funds to be used strategically to maintain and invest in existing heritage assets and conservation. The National Trust is one of the most respected, trusted and recognised charitable brands in the UK, it was founded in 1895 by three people with the aim of protecting the UK's heritage and open spaces for everyone to enjoy.

Social
Responsible investment

Investing in a purposeful manner is
key to PIC's business strategy.



We believe that long-term social value can be generated by companies that have embedded sustainability into their business practices. Through ESG factors in investment decision making, we mitigate risk, identify opportunities, and can promote strong stewardship. Strong stewardship means all business functions are careful and responsible in their operations, and act in a sustainable manner to promote a more stable financial system.



I am incredibly proud of the progress PIC has made over the last two years in integrating ESG and steering capital towards assets aligned with our Net Zero commitment. As an asset owner, we have a responsibility to ensure the long-term value of our investments is protected, which is why ESG and climate change form an important part of our corporate and investment approach. There is always more progress to be made and I am looking forward to continuing to develop our responsible investment strategy."

Cleo Fitzsimons
Head of Responsible Investing
PIC

The consideration of ESG factors within investments has been an inherent part of our process from early on. For both directly and indirectly (via managers) managed investments we ensure that ESG factors are considered. This means that from the initial due diligence phase or manager selection, relevant ESG questions are asked, and responses assessed.

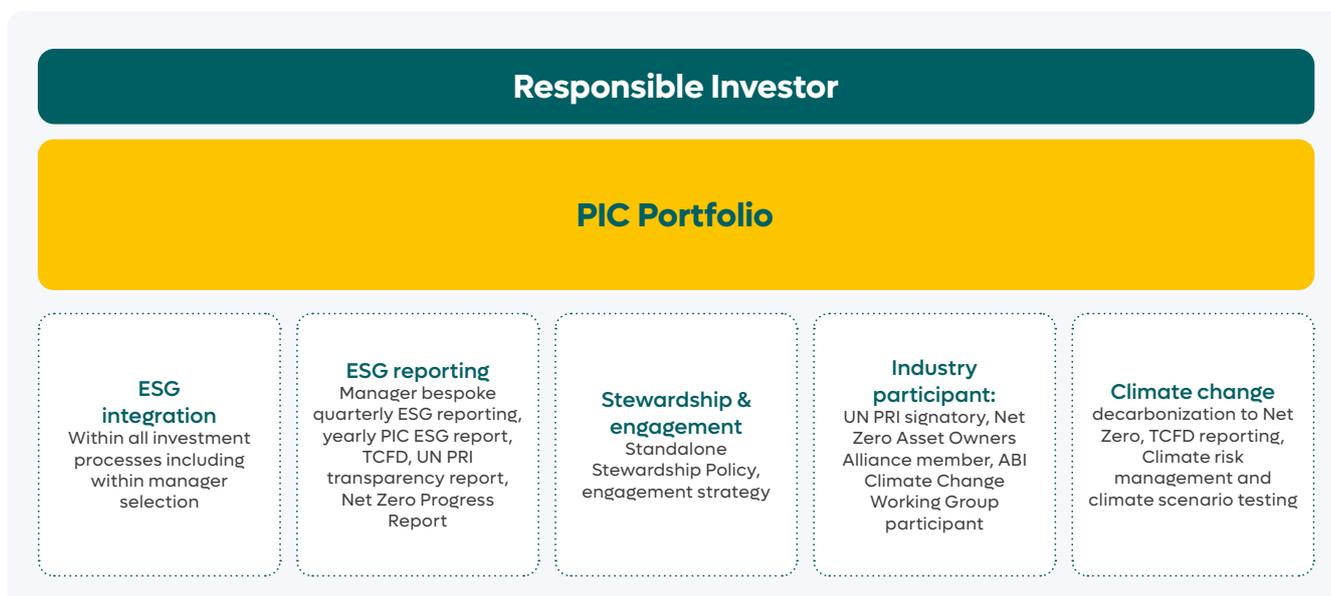
Our strategic asset allocation as well as Country Risk Framework, developed in 2021, also take into consideration ESG factors and these affect output such as concentration limits.

ESG integration within internally managed investments

PIC manages a portion of its public credit portfolio internally, as well as the large majority of its private credit portfolio. In both cases, ESG is considered at the early stages of the credit analysis and investment process. PIC analysts engage directly with the management of underlying companies to understand their ESG capabilities, competencies and resilience where data is less readily available in the private portfolio due to the nature of these investments. We have developed sector specific questionnaires which are now used in our due diligence process to understand the potential risks facing the businesses. So far, our due diligence questionnaires incorporate ESG factors for the following sectors: real assets, student accommodation, infrastructure, utilities, housing associations, education, and not for profit. These highlight ESG-specific risks or opportunities that should be considered as part of the investment proposal, internal risk ratings and ultimately the final bid price.

Outsourced investments via managers

The management of the remaining portion of our public credit portfolio and selected mandates within our private credit portfolio are outsourced to external managers. ESG is integrated at the very beginning of our process whereby managers' ESG and sustainability capabilities, resources, and track record are assessed within our manager selection and on an on-going basis. It is important that the managers who run our portfolios are good stewards of our capital as they represent PIC through their actions. Through the working relationships with our managers, we leverage their capabilities and often apply their knowledge to some of our internally managed investments.



Social

PIC sustainability strategy

In 2022, PIC launched its firm-wide sustainability strategy. The strategy aims to create long-term value as we fulfil our purpose, leading to sustainable benefits for the economy, the environment, society and all our stakeholders.

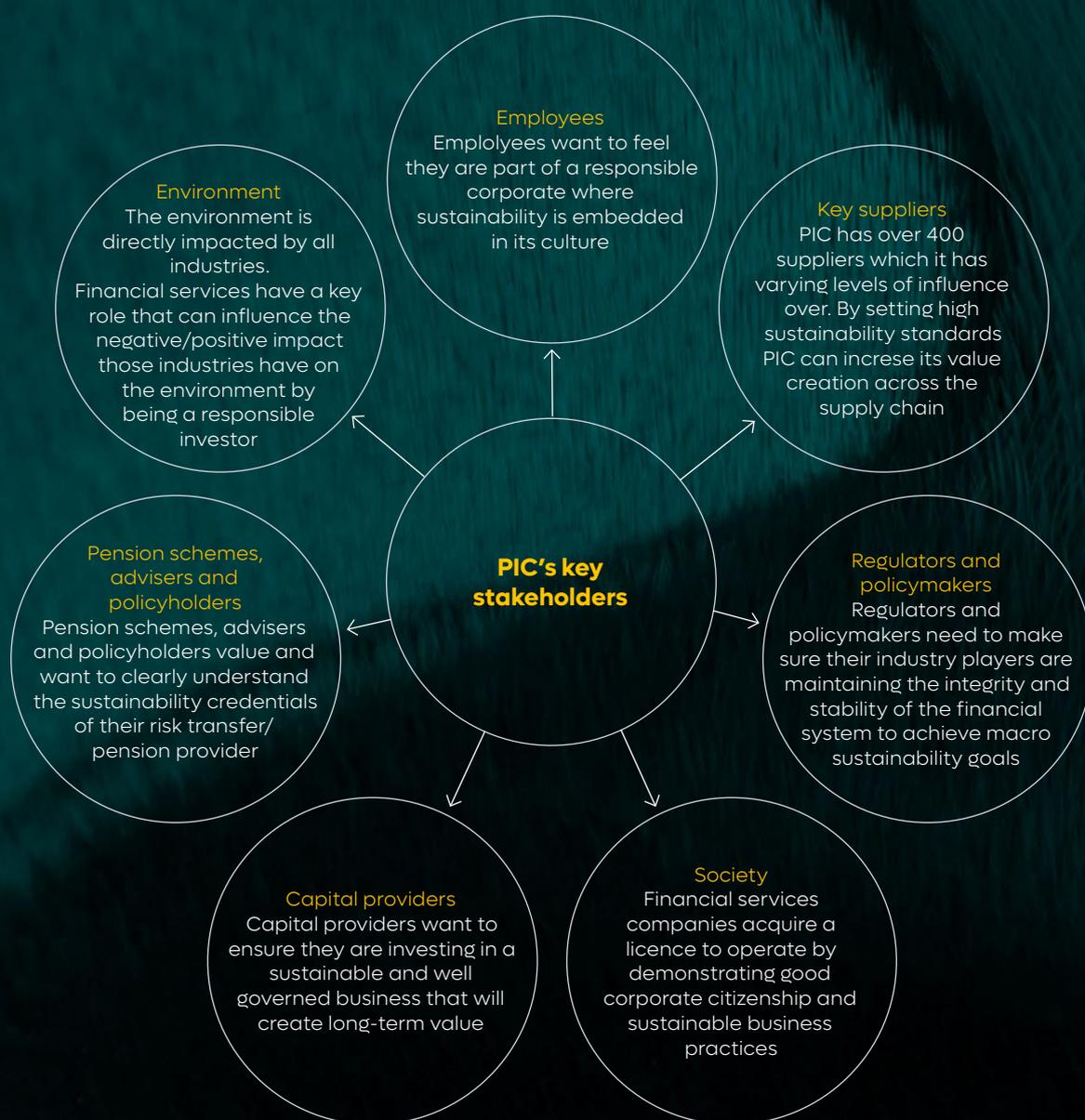
PIC sustainability aim and strategy

Sustainability strategy aim: To create long-term value as we fulfil our purpose, leading to sustainable benefits for the economy, the environment, society and all our stakeholders. The strategy focuses on **four main aims** depicted in the illustration below. We recognise that this is not a comprehensive list and we have focused on the key issues where we believe PIC could provide real social value.



Defining and launching our sustainability strategy has helped us articulate the aims, principles and areas of focus across our key stakeholders – including the people who rely on us. Our mission through communicating this strategy is to give our policyholders, employees and others a sense of community and engagement as we all continue to transition to a more green and sustainable way of working.

The diagram below shows PIC’s key stakeholders and through the lens of our sustainability strategy:



Social

Our people and culture



Overview

At PIC, we pride ourselves on creating a positive and empowering workplace. Our people work in line with our values and with the customer at the forefront of our actions as represented by our purpose of paying the pensions of our current and future policyholders.

The Company has seen significant growth in recent years with employee numbers nearly doubling since 2019. During 2022, 156 new colleagues joined PIC as we continue to serve the accelerating Pension Risk Transfer market.

The fundamentals of working life at PIC remain strong. A highly skilled and innovative employee base, a focus on enhancing our colleagues' lives by providing meaningful and challenging work in a rewarding and collegiate atmosphere, and competitive compensation and benefits packages. The result is a strong and supportive environment where people are empowered to excel individually and collectively.

Our investment in creating an attractive working environment is borne out by the results of our employee surveys, where PIC's scores consistently demonstrate high levels of employee engagement and alignment to our purpose and values. In addition, employees comment on the benefits of the internal and external mentoring programmes and the significant training and development courses that are available to them.

Highly skilled and motivated employees are the foundation upon which PIC will continue to be successful in fulfilling its purpose over the decades to come. We are committed to investing in the development and wellbeing of our people.

Culture

PIC continues to invest in creating a welcoming and inclusive culture where individuals can thrive. The benefits of a positive culture are well recognised and at PIC our values provide the foundation for a strong and cohesive culture. Our customers are our priority, and we work hard to provide exceptional customer service that leads to good customer outcomes. We value all our stakeholders including our employees and believe in a listen and learn culture.

Following the shift in working patterns because of the Covid-19 pandemic, PIC has moved to a hybrid working model. Employees benefit from the flexibility of choosing their days in and out of the office to better suit their personal circumstances.

Our strong culture was recognised during the year as PIC was awarded the Investors in People silver accreditation. Investors in People recognises employers that are committed to providing a great place to work, including providing strong and clear leadership, and training and development opportunities. The assessment included a staff survey and interviews of employees from across the Company. The results of the feedback gathered found that 86% of employees believe PIC has clear values and 88% believe their behaviour reflects the PIC values. Furthermore, 80% of employees feel they are encouraged to take initiative in their role. Other stand out factors include the mental health first aiders programme, the Diversity and Inclusion forum, and the focus on early careers development.

Diversity and inclusion (“D&I”) at PIC

A diverse workforce contributes to more successful outcomes through diversity of thought. Our approach to encouraging this is reflected through our values and culture and helps us deliver our purpose through continuous improvement and evolution. Employees at PIC can expect a safe, open, and transparent work environment. Our people are valued and recognised as individuals with the freedom to express and discuss issues that matter to them and society in an inclusive and informative way.

PIC’s D&I Forum has three aims. These are to engage, educate and enable all employees to build and own an inclusive working environment. It does this through activities such as internal and external events, guest speakers and sponsorship of key diversity initiatives.



Engage – Demonstrate that PIC is a good corporate citizen by supporting worthwhile initiatives which align with our values and role model best practice as well as engaging with external partners who align with our values



Educate – Educate, inform and inspire at all levels on how D&I contributes to a successful business, and promote PIC’s D&I approach externally to attract talent



Enable – Enable our current and future people to reach their full potential by providing opportunities and removing barriers

2022 highlights

PIC is a corporate member, and founding sponsor, of LGBT Great having joined the foundation in 2021. This year, two of our employees were recognised as LGBT Great Top 100 Gamechangers, which recognises people who are helping to change the game for LGBT+ diversity, equity, and inclusion across the financial services industry.

As one of the founding sponsors, PIC continued its support of the Actuarial Mentoring Programme for a sixth year. Run in partnership with the Institute and Faculty of Actuaries, and run by Moving Ahead, the programme provides early-stage actuaries with cross-company mentors.

Our early careers talent programme, PIC Academy, saw its first intake, with 11 apprentices joining during 2022. The programme was developed by PIC and aims to develop long-term diverse talent pipelines. The PIC Academy gives participants an opportunity to work towards a formal qualification in business administration and 18 months’ work experience in a financial services firm (see case study opposite).

We continued to support the #1000BlackInterns campaign offering 20 interns across 13 departments during the year. PIC also joined Women in Banking and Finance, a not-for-profit membership network that champions women in financial services.

Case study: Macie Thorne, Team Administrator Apprentice

I joined PIC as the Team Administrator Apprentice for Internal Audit in September 2021. I chose an apprenticeship as it meant that I would be able to study towards a qualification alongside gaining on the job experience, an opportunity that university did not provide. It’s a 18-month contract of which about 80% of the time is spent working and 20% taking part in on-the-job learning. This could be anything from learning something new in a meeting, to completing the designated apprenticeship work, which helps to develop your business knowledge. At the end of the apprenticeship, I will gain a Level 3 business administration qualification, which is the equivalent of gaining an extra A-Level.

When researching PIC, one key thing that stood out to me was that PIC is still a relatively young company in a fast-growing industry and is constantly evolving. This was important to me as it meant that my opinion would be valued within my team and in the wider organisation. Another key thing that stood out to me was the emphasis on the friendly culture, and this couldn’t be truer.

I was selected to be in the Internal Audit team which suits me because I am naturally inquisitive and I am glad as it has meant that I have been able to gain knowledge about all the different departments within PIC and their various processes. It has also given me the opportunity to network and interact with a wide range of people, and really get a feel for the PIC culture and understand how a large corporate works.

From my experience, people here are very friendly and always willing to help. I have had the opportunity to complete work for different departments and everyone I worked with was very welcoming and took the time to explain things to me. The work that I am asked to complete is a lot more challenging than I was expecting when I initially applied for the apprenticeship, but I like this as it means I am always learning new things. I have been given a lot of trust and responsibility with certain tasks, rather than being hidden away from the more complex work, which has massively helped me with developing my confidence. I’ve also come out of the apprenticeship with a full-time job offer, which I couldn’t be happier about.

If you are looking for a position where you are gaining experience, whilst studying towards a qualification, and meeting lots of friendly people, then I would recommend an apprenticeship at PIC. My apprenticeship has enabled me to learn a lot of things that I may not have necessarily learnt if I studied for a university degree and has given me a kick start in my career at a positive and empowering company.



Social

Our people and culture continued

Employee engagement

PIC gathers the views of its people through formal and informal employee engagement initiatives that take place throughout the year. Formally, our annual employee engagement survey looks at how our values and culture are experienced on a day-to-day basis by our employees.

The survey is also an opportunity to garner feedback from employees and listen to suggestions for improvement. Questions are focused on customer service and experience, strategic direction, culture and values. 89% of PIC employees took part in the 2022 survey with results demonstrating that our customer focus remains the number one priority for our people.

PIC is truly customer oriented

91%

I am proud to work for PIC

89%

I believe strongly in the goals and objectives of PIC

93%

I am optimistic about the future at PIC

88%

Rewarding our employees

As one of the leading employers in the pension risk transfer market, PIC offers competitive remuneration packages and a generous range of benefits.

For example, PIC is one of a limited number of private companies that offers its people a chance to participate in a company Save as You Earn ("SAYE") scheme. SAYE schemes allow individuals to have a sense of ownership in the business and benefit from its long-term success.

The PIC SAYE scheme has been in place since 2013 and provides employees with an opportunity to purchase shares following a set savings period. The scheme is open to all permanent employees and sets the foundations for a successful and sustainable company with employees able to share in the long-term value creation of the business.



Working with our charity partners

PIC continues to provide charitable support to our two partner charities, Independent Age and Rethink Mental Illness, by helping to raise funds in support of the critical work they do supporting vulnerable members of society.

PIC was delighted to be able to run several successful fundraising initiatives during the year with company-wide events run by our charity committee alongside the individual fundraising efforts of our people. These included the annual PIC treasure hunt which brings together our clients, customers and colleagues, a charity quiz night, a bake sale, participation in the Lord Mayor's Show as well as participation in the London marathon.

In light of the cost-of-living crisis and difficult economic circumstances faced by many of our customers, PIC took the decision during 2022 to make a one-off donation to Independent Age, of £1.5 million, to help support those in need (see case study opposite).



Rethink Mental Illness

Rethink Mental Illness is a charity with over 40 years' experience of supporting people severely affected by mental health issues.

Tens of thousands of people rely on its support every year to help them get through crises, live independently and realise they are not alone. The Rethink Advice and Information Service offers practical information and support about any aspect of mental health and has produced a whole range of factsheets, which are downloadable for free via the link below.



www.rethink.org/advice-and-information



Independent Age UK

Independent Age UK is a charity founded over 150 years ago offering advice and support for people in old age.

It operates throughout the UK and provides advice and support across a range of areas including money, housing, health, personal life, support and care, and future planning. Its guides and factsheets are downloadable for free via the link below.



www.independentage.org/get-advice/advice-guides-factsheets-leaflets

Case study: PIC donates £1.5 million to Independent Age to support older people through cost-of-living crisis

More older people in England, Scotland and Wales will receive targeted support and advice on how to cope with the cost of living crisis, following a £1.5 million donation by PIC in November 2022.

£1 million will go towards the charity's emergency grants programme, supporting community projects that work directly with older people struggling in the cost-of-living crisis.

£500,000 of the donation will allow Independent Age to expand their helpline by creating new roles for specialist staff to answer queries and provide advice to older callers in need of financial assistance. In recent weeks, the helpline has experienced an increase in the number of callers from people facing tough decisions on how to manage their household budgets, struggling to heat their homes or afford groceries.

£1.5m

donated to Independent Age by PIC

£500,000

of the donation will allow Independent Age to expand their helpline which provides practical advice and support to older people



At a time when those already impacted by the cost-of-living crisis face further rises in energy and food prices, these very welcome funds will allow us to help even more people in desperate need of support.

Inflation and the cost-of-living crisis are clearly already having an effect as we are receiving increasingly distressing calls to our helpline from older people who don't know how they will cope during the winter. A donation of this size will help us support so many more people."

Baroness Julia Neuberger DBE,
Chair of the Board of Trustees
at Independent Age



Governance

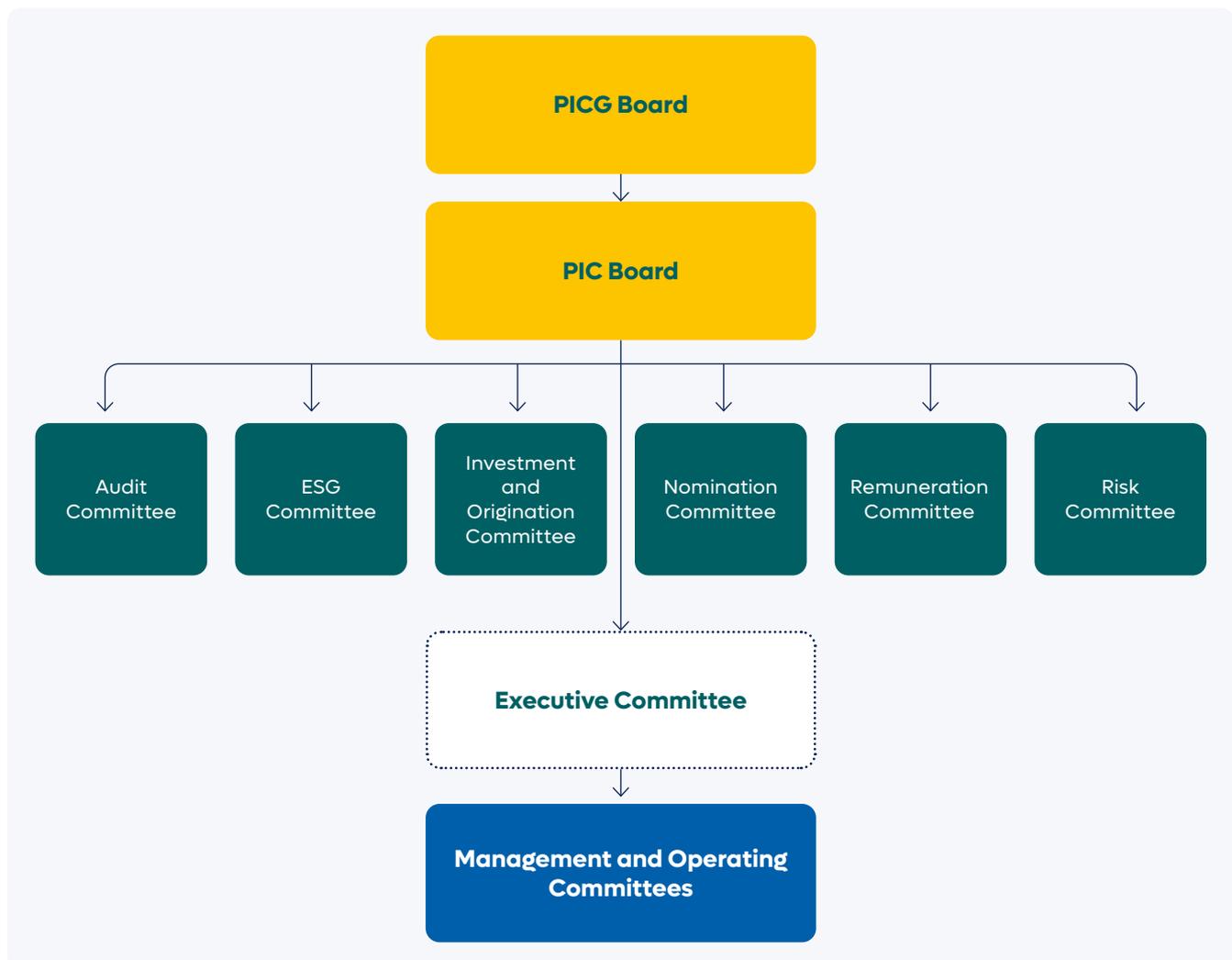
Our governance structure

PIC operates under the regulatory supervision of the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”) and their respective rulebook and handbook, including Solvency II requirements. Specifically in relation to ESG, PIC must comply with:

- the FCA’s ESG Sourcebook, which sets out rules and guidance concerning a firm’s approach to ESG matters and the disclosure of climate related financial information consistent with TCFD;
- the PRA’s Supervisory Statement: Enhancing banks’ and insurers’ approaches to managing the financial risks from climate change (SS3/19) and the PRA’s Dear CEO letter of July 2020 on managing climate-related financial risks.

PIC maintains an open dialogue with regulators and policymakers through dedicated regulatory and corporate affairs teams. Both teams seek to proactively engage, reflecting PIC’s culture, as we remain focussed on our purpose. ESG is a topic that often comes up in such discussions given the centrality of social value to today’s political agenda.

PIC has embedded ESG throughout its internal governance structure. PIC’s Board has delegated certain aspects of its responsibilities to its six Board Committees which work closely together and assist in providing effective ESG activities, oversight and leadership. Each of the committees is working on embedding ESG into its own processes. These committees are shown in the diagram below:



The Board's commitment to ESG

PIC's overall approach to ESG is set by the Board and overseen by the Board-level ESG Committee.

During the year, the ESG Committee's focus has been to monitor ongoing delivery against the objectives and targets for our main priority areas: deliver on our climate commitments of becoming carbon neutral as a business by 2025 and Net Zero across all emissions by 2050, disclosing our progress towards such goals through support and publication of our Task Force on Climate-related Financial Disclosures ("TCFD") report, defining and launching our Sustainability Strategy, and drafting and publishing standalone Stewardship and ESG Policies.

The Committee has recognised the importance of managing and mitigating the Group's impact on people and the planet, through our investment portfolio, as well as the risks and opportunities that the Group faces directly from climate change. In February 2022, the Committee attended a deep dive session, facilitated by Sustainalytics, on integrating ESG and corporate governance factors into investment processes, as well as to gain further insight into ESG risk ratings.

Responsibilities of the ESG Committee Strategy, policy and disclosures

- Ensuring the Group embeds the risks from ESG and climate change considerations in its governance arrangements, financial risk management practice, investment processes, and its overall ESG strategy.
- Identifying the relevant ESG matters that have or may affect the operation of the Group and/or its strategy.
- Ensuring that the Group monitors and reviews current and emerging ESG trends, relevant international standards and legislative requirements. This enables the Group to set appropriate strategic goals and associated targets related to ESG matters including the Group's Net Zero Commitment.
- Ensuring that the information the Group provides in respect of ESG to its stakeholders is clear, transparent and appropriate.
- The ESG Committee works closely with the Board and its other Committees to oversee the identification and mitigation of risks relating to ESG, as well as opportunities related to ESG matters.

Governance

- The ESG Committee reviews its terms of reference annually and recommends these to the Board for approval.
- The ESG Committee also has a planned cycle of activities to ensure that it has addressed its responsibilities throughout the financial year. The cycle is updated annually.

The ESG Committee works closely with the Board and other committees to oversee the identification and mitigation of ESG risks, including climate risks, as well as evaluate ESG opportunities. The ESG Committee currently meets on a quarterly basis at a minimum and in Q4 2022, PIC's new Chairman David Weymouth took over the role of Chairman of the ESG Committee from our previous Chairman, Jon Aisbitt.

Key activities during the year:

- Supported PIC's transition timeline to Net Zero approach
- Reviewed the **2022 TCFD Report**
- Recommended to the Board for approval the ESG Policy
- Recommend to the Board for approval PIC's Sustainability Strategy
- Recommended to the IOC for approval the Stewardship Policy
- Recommended to the IOC for approval the decarbonizing portfolio Transition Timeline
- Reviewed the UN PRI 2021 Assessment
- Received quarterly updates on the ESG regulatory landscape



Governance

Board activities

Each year the Board approves an annual Board calendar of matters which it considers important to oversee, debate and review. The table below shows these regular matters; the topics which were of particular focus in 2022 are highlighted at the top of the table. The Board, in its considerations, took into account its obligations arising from s.172 of the Companies Act 2006.

Strategy	Customers/policyholders	Risk management and Internal Model
Key highlights from Board activities in 2022		
<ul style="list-style-type: none"> • Approved refreshed strategic objectives and KPIs • Approved PIC Sustainability Strategy, and updated the ESG Policy 	<ul style="list-style-type: none"> • Approved PIC's Operational Resilience Self-Assessment including Important Business Services and Impact Tolerances in respect of PRA PS6/21 and FCA PS21/3 • Considered implications of the new Consumer Duty for the Group and approved the implementation plan. 	<ul style="list-style-type: none"> • Carried out increased oversight and monitoring of PIC's liquidity and solvency position, ensuring that it was robust and resilient to exceptional market conditions.
Routine matters considered as part of the annual Board calendar		
<ul style="list-style-type: none"> • Approved the five-year business plan. • Considered the Group's strategy and further opportunities for growth. • Approved new asset classes to be added to PIC's portfolio. • New business transactions above a defined threshold require Board approval, and the Board considered and approved a number of new business transactions. • Continued to discuss the Group's culture in the context of how it affects the Group's strategy. • Considered the Group's pricing assumptions against investment outcomes. • Continued to provide oversight of the Group-wide, comprehensive programme of change focusing on the initiatives being handed over to business as usual. 	<ul style="list-style-type: none"> • Continued to closely oversee PIC's operations with particular focus on outsourced administration services outsourced to ensure excellent service provided to PIC's policyholders. • Redefined the various customer initiatives into an overarching Customer Programme which covers: the new Consumer Duty, policyholder communications and vulnerable customers. 	<ul style="list-style-type: none"> • Closely oversaw PIC's portfolio and received regular updates on any de-risking carried out by the Investments team. • Approved risk appetite with particular focus on climate change. • Approved the Own Risk and Solvency Assessment. • Provided oversight of the implementation of the Group's hedging strategy. • Received reports on the progress of regulatory stress and scenario testing to ensure the business remained resilient and robust in challenging times and there was no adverse impact on policyholders, workforce and other stakeholders. • Received an annual report on the Internal Model validation. • Continued its focus on PIC's regulatory engagement. • Approved the updated recovery and resolution plan. • Received an annual cyber security benchmark.

Employees and remuneration

- Worked closely with the Nomination Committee on executive succession and approved the appointments of the new Chief Operating Officer, and the interim Chief People Officer
- Approved annual bonus and LTIP scorecards metrics and ranges.

Financial reporting and controls

- Approved the full year Annual Report and Accounts.
- Monitored the Group's progress in respect of the implementation of IFRS17.

Corporate governance

- With assistance from the Chair Search Committee established by the Nomination Committee and an external recruitment consultant, undertook a search for a new chair of the Board, and approved the appointment of David Weymouth as the new Chairman.

- Received regular updates from the CEO and Chief People Officer on resourcing and wellbeing of staff, and evolving working arrangements.
- Considered people matters linked to the approval of PIC Capital.
- Approved the launch of the Group's share schemes for the year as an important way for the Group to engage with its employees.
- An employee survey was completed with the Board discussing the results and what their significance is for the Group's culture and strategy as well as the future ways of working.
- Received a report on the gender pay gap.
- Approved annual remuneration parameters, NED and senior management remuneration, taking into account all stakeholders' interests and business priorities.

- Regularly received and reviewed the Group's performance reports.
- Reviewed and approved the integrated assurance plan and noted updates against the plan in reports from the Audit Committee.
- Approved the Whistleblowing Policy and reviewed the Whistleblowing report.
- Approved the Modern Slavery Statement.
- Reviewed the Annual Opinion from the Head of Internal Audit on the effectiveness of the Group controls, risk management and governance processes, and culture.

- Reviewed the composition of the Board and Committees.
- Considered the results of an internal Board effectiveness review in 2022 as disclosed in this report.
- Monitored any governance actions which had arisen from the 2021 Board evaluation.

Governance

Stewardship and engagement

PIC believes that it has a role to play in promoting responsible corporate behaviour in the organisations in which it invests. It does so by engaging in dialogue with companies either directly, or via its key external managers, on material ESG issues.

ESG engagement describes the interaction between investors and the companies in which it invests. Given our very long-term investment horizon, it is in our interest to work with companies to ensure more sustainable practices so that they maintain strong industry positioning, healthy credit ratings and stable cash flows over time.

Stewardship activities including engagement are extremely important and we enact these through four main channels:

- Engaging with companies directly
- Engagements via our managers
- Collaborative engagement initiatives
- Engagements assisted by selected third parties for specialty asset classes

For our private market investments, PIC engages directly with organisations both at the point of capital raise and during the tenure of the investment. PIC expects its investee companies to respond to PIC's engagement requests and to openly discuss any concerns. Our credit analysts try to include ESG topics into all direct discussions with companies and record the details and outcomes of the engagement on our newly formed-engagement platform.

For holdings held indirectly, we work closely with our managers to ensure that important ESG topics – both company specific and industry wide – are engaged on with companies. We communicate our engagement expectations with managers in advance and then set out our engagement plan for the year ahead. The plan includes a focus list of companies to engage with on specific topics such as climate change mitigation and also wider themes such as social issues in supply chains for high-risk sectors.

PIC is also involved in collaborative engagements including ones lead by industry initiatives such as the UN PRI and Net Zero Asset Owners Alliance. In addition, we engage with policymakers on industry wide topics such as the Solvency II reform consultation.

Stewardship policy

PIC has a standalone stewardship policy which is aligned with our investment process, wider purpose and philosophy. The stewardship policy applies to all our investments across public credit and private debt. PIC's stewardship activities are executed either directly by the organisation or indirectly via our key managers. Our stewardship policy is updated on an annual basis or more frequently if required. For more information the full stewardship policy can be found on our website.

Case study: Advance & UN PRI lead collaborative engagement on human rights

PIC has been a signatory to the UN PRI since 2019 and from 2021 PIC has required all external asset managers who manage a segregated mandate on our behalf to also be signatories to the UN PRI. All our managers have maintained an A+ or equivalent rating.

We have also joined a group of 120 investors within a UN PRI-led collaborative engagement whose objective is to engage on Social and Human Rights related issues within mostly the metals and mining, utilities and renewables sectors. We were particularly drawn to this collaborative engagement given the need for a just transition. Most industry engagements with high emitting sectors are focused on environmental issues, which certainly have their merit. However, we feel that outcomes on these engagements, even if positive, should not be at the expense of social factors. We will be one of six participating investors within a small group and given a focus list of companies to target engagements with. We look forward to starting this engagement in 2023.

Case study: HMT's Solvency II consultation:

PIC values the importance of working closely with policymakers, regulators, our industry and society more generally to manage risks and seeks to maintain an open, proactive dialogue. We actively participate in public policy debates affecting the financial services sector and wider economy.

We have actively participated in HMT's discussions about reform of Solvency II. We are supportive of reform that incentivises tens of billions of pounds of long-term investment into the levelling-up agenda and the race to Net Zero, whilst maintaining strong policyholder protection.



Glossary

Carbon neutrality

The focus on not increasing carbon emissions and of achieving carbon reduction through offsets. Defined benefit (“DB”) pension plan.

Defined benefit (“DB”) pension plan

An employer-sponsored retirement benefit plan where the benefits promised to the members of the plan are defined according to a formula typically based on factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the trustees of the pension plan and not the employee or employer.

Derivatives

Derivatives are securities that derive their value from an underlying asset or benchmark. The Group uses derivatives to hedge out certain market risks, in particular inflation, interest rates and currency risks associated with both new and existing business.

Financial investments

Represents all assets actively managed or administered by or on behalf of the institution including those assets managed by third-parties.

Net Zero

The focus on actively reducing greenhouse gas emissions to the maximum possible level so that the residual emissions can be neutralized by carbon offsetting as a last resort. Offsetting is used to counteract remaining emissions after all reduction initiatives have been implemented.

PIC’s internal model

A risk management system developed by PIC to analyse its overall risk position, to quantify risks and to determine the capital required to meet those risks. PIC has obtained appropriate approval from the PRA to use its internal model to calculate its solvency capital requirement under Solvency II.

Prudential Regulation Authority (“PRA”)

The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit-taking institutions, insurers and major investment firms.

Scope 1 emissions

Emissions that are directly generated by the company.

Scope 2 emissions

Emissions that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services (indirect emissions).

Scope 3 emissions

Emissions caused by the entire value chain (indirect emissions).

Sustainable assets

Sustainable assets are those assets which demonstrate a balance between economic growth, environmental care, and social well-being. We focus on the total ‘net’ social or environmental benefit created including carbon emissions saved, jobs and apprenticeships created, and the wider social value of the investment. Where balance is compromised, we discuss each asset on a case-by-case basis through our ESG governance structure and ensure the company is included on a focus list within our Engagement Strategy.

Temperature alignment

The projected temperature rise by 2100 from pre-industrial levels.



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