For the future.

Pension Insurance Corporation plc

Climate Report (TCFD) 2024

To us, climate change mitigation isn't just part of sound risk management, it forms part of our everyday business activity as a long-term, sustainable business within a decarbonising world.

Our 2024 suite of reports

You can find out more about our activities, financial performance, sustainability strategy and our progress to becoming a Net Zero business by 2050 on our website and in our reporting suite: **pensioncorporation.com/investors**

+ Annual Report and Accounts
+ Sustainability Report
+ PIC Company Report
+ Climate Report (TCFD)
+ Investor Results Presentation
+ Transition Plan

This report was created in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

Introductory letter from CIO

Decarbonisation represents one of the main economic megatrends of the current investment cycle.

Rob Groves
Chief Investment Officer

I am pleased to present our fourth TCFD report. This report describes our approach to managing climate-related risks and opportunities, highlighting our activities and achievements over the year.

As I reflect on this past year, I am proud of how Pension Insurance Corporation plc ("PIC") has navigated the volatility of markets, political uncertainty, and the increased demand for pension risk transfer transactions. We have continued to deliver on our purpose of securing the pensions of our current and future policyholders , paying £2.2 billion of pensions to our policyholders, whilst also transacting on over £8 billion of new business during the year.

In 2024, we focused on embedding sustainability at the heart of our business both within our Sustainability Target Operating Model and through our new Sustainability Champions initiative. By doing so, we not only protect long-term financial security for our policyholders but also play an active role in addressing the pressing global sustainability challenges such as climate change.

The financial services industry, including asset owners like PIC, must act responsibly in managing their assets to mitigate the impacts climate change could have on portfolio values. They are also perfectly placed to take a leading role in driving capital into assets that will help the global transition to a more sustainable and resilient economy. Such investment opportunities include investing in ways that protect communities and ecosystems, whilst supporting global efforts in adaptation, mitigation, and resilience.

Meaningful progress is made through a combination of private sector actions and public policy and regulation. With a focus on industry collaboration, proactive engagement, responsible investing and transparent reporting, we can continue the transition to a decarbonised world.

Our progress in 2024

This year, PIC has continued to take steps forward in delivering on our climate transition plan and achieving our key decarbonisation targets, supported by the development of a new engagement strategy and action plan. Proactive stewardship allows us to work closely with issuers, encouraging them to take decisive steps on their own climate journeys. As a buy and hold investor, the progress our existing issuers make on their decarbonisation plans is critical to the success of our own transition plan.

At a portfolio level, we adopted a new approach to climate scenario testing, focusing in 2024 on a deep-dive assessment of transition risk over several scenarios for the most material sectors in our portfolio. The outputs have enabled us to gain deeper insights into how climate change might impact PIC's long-term investments within those highly exposed sectors. We have also looked to improve the resilience of our portfolio by expanding our risk analysis to incorporate broader impacts of climate change, including aspects such as nature and flood risks. All our efforts are underpinned by robust governance practices, ensuring that responsibilities for addressing climate-related challenges are embedded across our organisation.

While we have made strong progress, we recognise that there is much more to be done to meet climate goals and continue to meet growing stakeholder expectations. Although there has been some change to the sentiment on the global political landscape that reassesses the urgency of climate action, at PIC we remain committed to our decarbonisation goals and playing our part in mitigating against climate change.

Rob Groves
Chief Investment Officer, PIC

We promote transparency and the information contained in this report as well as the rest of our reporting suite demonstrates this.
See our **Reporting Suite**

TCFD recommendations

The information in this report has been disclosed in line with the TCFD disclosure recommendations. We consider the disclosures to be fully compliant with the TCFD recommendations and therefore with the requirements under Chapter 2 of the FCA's Environmental, Social and Governance ("ESG") sourcebook. We have also considered the Asset Owner and All Sector guidance in developing this disclosure. The table below provides page references for each of the TCFD recommended disclosures:

Governance		
Disclose the organisation's governance around climate-related risks and opportunities.	Describe the Board's oversight of climate-related risks and opportunities.	Governance and oversight of climate-related risks and opportunities Page 5
	Describe management's role in assessing and managing climate-related risks and opportunities.	Activities by Committee Page 6
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	Our Enterprise Risk Management approach Page 21
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Overview of our sustainability strategy Page 9
	Describe the resilience of the organisation's strategy, taking into consideration the different climate-related scenarios, including a 2°C or lower scenario.	Overview of our sustainability strategy Page 15
Risk Management		
Describe how the organisation identifies, asesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	Our Enterprise Risk Management approach Page 19
	Describe the organisations processes for managing climate-related risks.	Our Enterprise Risk Management approach Page 22
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Our Enterprise Risk Management approach Page 24
Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Decarbonisation targets Page 26
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.	Decarbonisation targets Page 26
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Decarbonisation targets Page 26

Governance.

Our governance framework helps us develop and implement our climate strategy.

Governance and oversight of climate-related risks and opportunities

Our Board has oversight of, and responsibility for, PIC's climate-related risks and opportunities. Responsibility is delegated among the most appropriate Board Committees, meaning that climate-related decisions are made by relevant and experienced parties and are considered from a range of perspectives by the Board.

The Board ensures that PIC operates within a framework of controls which enable climate-related risks to be assessed and managed. This reflects the Board's long-term objective to prioritise the security of the pension benefits of our policyholders, whilst supporting the management team in growing the business sustainably.

Governance of climate risks and opportunities in practice

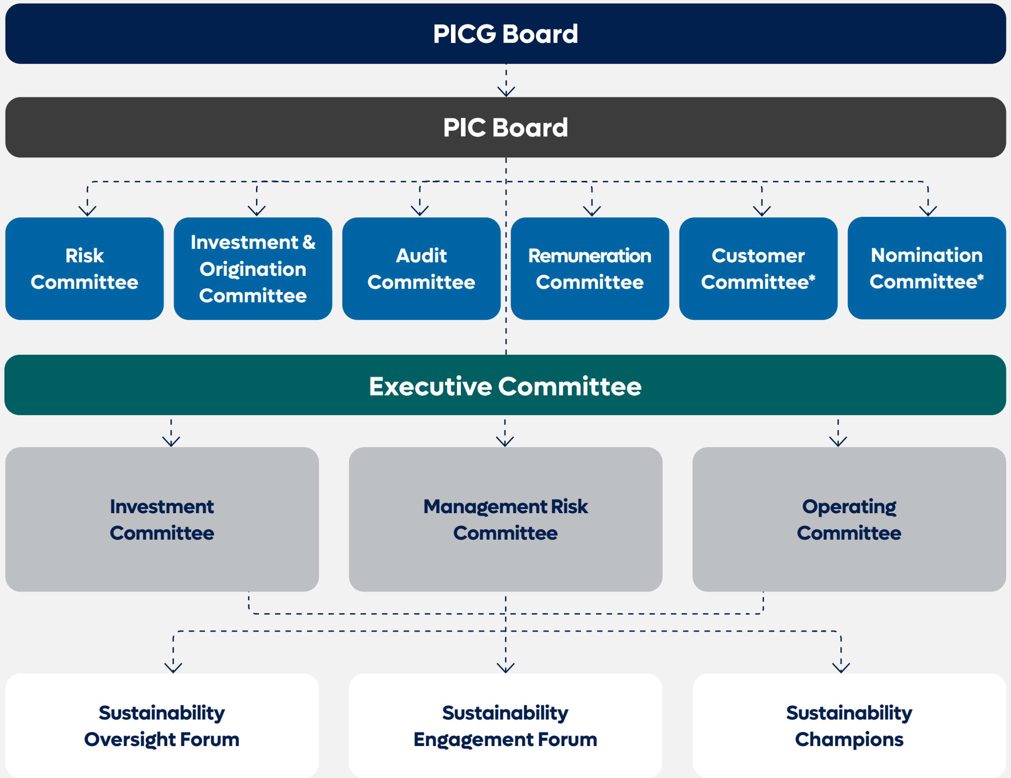
Our governance structure ensures that there is broad oversight and understanding of risks and opportunities facing the business, and that operational responsibility for climate-related issues is embedded at management levels.

More information about PIC's Board committees can be found in the PIC **Annual Report 24**

The chart below shows our governance structure and how responsibilities for climate-related risks and opportunities are spread across PIC. The structure is reviewed as part of the annual review of the governance processes to make sure that it continues to be fit for purpose.

The membership of each Committee is determined by the Board to ensure there are the right skills, experience and knowledge in each Committee as well as cross-membership between the Committees. We continue to draw on best practice examples to improve and enhance governance oversight and processes relating to climate-related risks and opportunities.

Governance framework



* The Customer Committee and Nomination Committee do not have a direct role in managing PIC's climate-related risks and opportunities.

Board Committee accountability for climate- related risks and opportunities

The PIC Board

The role of the Board is to promote the long-term sustainable success of PIC, as defined by our purpose and strategic objectives. Therefore, it is responsible for approving the firm-wide sustainability strategy and subsequent climate-related actions, as advised by the Executive Committee. It maintains oversight of PIC's climate-related activities and is provided with a semi-annual update on relevant matters, or more frequently where required.

The Board also oversees the identification and management of climate-related risks and oversight of specific risk areas assigned to relevant Board committees. A Board Sustainability Champion is appointed to help ensure that all relevant matters are considered by the Board, and to support the Executive Committee Sustainability Lead with continuing to embed sustainability within the Company's culture and policies.

Throughout 2024, the Board had oversight of relevant industry engagements, responsible investing practices, our progress towards Net Zero and the sustainable developments applied to our new office. They also approved our Sustainability report and our new Sustainable Assets Framework.

Activities by Committee

The Risk Committee

The Risk Committee is responsible for identifying emerging risks and trends, including those related to climate, and evaluating their potential impact on PIC.

The Risk Committee also ensures that climate risks are integrated into the Risk Management Framework and overall risk strategy. This includes approving PIC's climate risk appetite and the Climate Risk Policy. In 2024, the Committee approved a number of updates relating to sustainability risks that inform our Risk Taxonomy.

The Investment & Origination Committee

The Investment & Origination Committee monitors the progress of PIC's investment portfolio against our climate transition plan, as well as the ongoing evolution of PIC's climate strategy within its investments.

In 2024, the Committee oversaw the management and mitigation of climate-related risks within the investment portfolio and monitored progress made to decarbonise PIC's portfolio. It also received updates on responsible investing strategic initiatives, sustainable investment opportunities, ESG risk exposure within the portfolio and how PIC's stewardship approach reflects how we endeavour to be good stewards of the capital we invest. The Committee also approved PIC's new five-year engagement strategy (see page 11).

The Audit Committee

In 2024, the Audit Committee continued to be responsible for approving the TCFD report and TCFD methodology, and for recommending the Board approve the publication of the Sustainability report.

The Remuneration Committee

The Remuneration Committee continues to be responsible for overseeing goals related to company culture and values, as well as how climate and sustainability objectives are considered within performance scorecards.

Management Committees

The Executive Committee

The Executive Committee ensures that climate and sustainability matters are an important consideration for the business and are embedded within business as usual ("BAU") activities. It does this by assisting the CEO in the overall management of the firm, presenting strategy and business plans to the Board, and ensuring there are sufficient resources to deliver them. PIC's Chief Strategy Officer is named as the Executive Committee Sustainability Lead and oversees implementation of the Sustainability Strategy, assisted by the Head of Sustainability.

The Committee is also responsible for the effective delivery of PIC's Sustainability Policy. Specific Board Committees may be engaged for support and guidance in developing and approving policies within their areas of focus.

In addition, Committee members continuously monitor current and emerging sustainability trends, international standards, and regulatory requirements. These insights help us to assess the potential impact on our strategy, operations and reputation, as well as guide actions related to the climate and ESG policies or objectives as necessary.

Finally, we assigned sustainability-related objectives within personal performance objectives for a number of relevant Executive Committee members.

The Investment Committee

The Investment Committee ensures that the climate impact of the portfolio is factored into investment processes, leveraging guidance from the Responsible Investing Team. A key focus of the Committee is to align investment decisions with PIC's decarbonisation targets and transition plan.

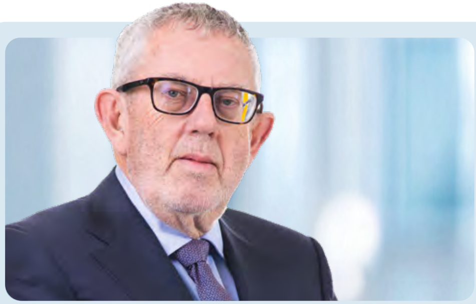
In 2024, the Committee continued to review climate-related metrics to inform actions relating to the management of related risks. The Committee also reviewed any material changes to ESG risk exposure, decarbonisation progress, and stewardship engagement actions or outcomes. The Committee also approved the Sustainable Assets Framework, our Reputational Risk Framework and new five-year engagement strategy.

Management Risk Committee

The Management Risk Committee is responsible for developing the Climate Change Risk Policy, as well as setting risk preferences and appetites, and submitting these to the Risk Committee for review and approval.

Operating Committee

The Operating Committee has responsibility for making decisions that contribute towards minimising our operational carbon footprint so that we achieve our entity-level decarbonisation targets. It also ensures sustainability criteria and actions are integrated into operational processes, for example when it comes to selecting suppliers.



Only by assessing and addressing climate-related risks and opportunities are we able to secure long-term cash flows that back our policyholders' pensions over the coming decades. This requires us to have a thorough understanding of any risk posed by climate change and to work together to put robust processes in place.

David Weymouth
Chairman, PIC

Sustainability champions and oversight forum

Sustainability engagement and representation across the business

Several internal stakeholder engagements took place regarding our wider sustainability strategy to ensure a coordinated approach to climate-related actions and reporting across the firm.

Such engagements took place within the Sustainability Oversight Forum and the Sustainability Engagement Forum. The former meets on a monthly basis to conduct management reviews of sustainability topics, including climate, and has the role of discussing and challenging sustainability-related topics before they advance to management-level committees. The Forum also serves as a platform to discuss and align on the strategic sustainability priorities across the business.

These meetings are attended by senior leaders across the business including our Chief Investment Officer, Chief Strategy Officer, Head of Sustainability and Head of Enterprise Risk Management and Regulatory Affairs. Together, they discuss key issues such as sustainability trends, the progress PIC is making to deliver its strategic objectives and climate transition plan, as well as key initiatives and risks relating to PIC's sustainable investment actions or stewardship and engagement initiatives.

Our Sustainability Engagement Forum is a quarterly meeting that is open to all employees and is designed to provide business-wide updates and training on what PIC is doing in respect to sustainability, including climate. In 2024, three Forum sessions were held including one introducing our climate transition plan. The sessions were well attended with an average of 135 (circa 23%) of our employees attending.

In 2024, we implemented our Sustainability Champions initiative, involving 15 employees from 10 departments across the organisation. Each champion led their own department-specific initiatives with the aim of embedding sustainability practices. Every champion participated in formal sustainability training which equipped them with the skills to take informed actions and share external best practices into their respective areas. The champions met monthly throughout the year, collaborating and supporting each other to enhance the success of their initiatives.

Some key achievements included:

- The Risk team champion putting in place practices to assess and score ESG risk for our investment counterparties and providing department wide sustainability training.
- The Credit Research team champion helped ensure the successful adoption of our new internal ESG rating methodology and encouraged other analysts to engage on ESG topics by promoting PIC's engagement strategy.
- The PIC Capital team champion gave a teach-in on green leases and contributed to the work of the built environment team on sustainability matters.

More information can be found in our **Sustainability Report 24**

Case study: **Sustainability**

For Sustainability Champion Teach-ins.

Last year, a selection of the Sustainability Champions ran sessions within their departments to help colleagues understand why sustainability is key to achieving PIC's three business objectives. During a session with their team, a Risk team Sustainability Champion shared information about our Sustainability Target Operating Model, current targets and achievements, and examples of our sustainable assets.

The session was well received by attendees and generated discussion about our sustainable assets and the integration of climate risk considerations within our day-to-day work.

I am delighted to be continuing my role as a Sustainability Champion after a rewarding and impactful first year. One of the best aspects of the initiative is that I have been able to connect with, and learn from, a breadth of departments, which helped me develop different perspectives on how we can embed climate and transition resilience into our investment process. The position has given me the opportunity to work with others to drive tangible change and help us meet the needs of our policyholders.

Eduardo Ibanez
Sustainability Champion,
Senior Reporting Analyst, PIC

Strategy.

Taking action to mitigate climate risks is part of our overall investment strategy and helps deliver our ambition to decarbonise our operations and investment portfolio.

Overview of our sustainability strategy

Delivering PIC's strategic objectives by integrating climate-related risks and opportunities

PIC's purpose is to pay the pensions of our current and future policyholders, and our investment portfolio of £50.9 billion is invested to fulfil this purpose. To support this, we have three strategic objectives that guide our day-to-day activities.

Understanding and managing sustainability risks and opportunities, including those related to climate, in our investment portfolio is critical to achieving our strategic objectives. We have taken actions over the course of 2024 to support these objectives and ensure we proactively manage risks that could impact the value of our investments over an extended time horizon.

Risk time horizons

We consider short-term risks to be those that arise over one year, medium-term risks to be those that arise over one to five years, and long-term risks to be those that arise over five years or longer. We consider climate risks over all relevant timescales, and they are aligned with the broader risks identified as part of our wider risk management approach.

Responsible investing: 2024 strategic initiatives

Our strategic objectives

- Secure and sustainable business
- Responsible corporate citizen
- Driving long-term portfolio value growth

Initiative	Secure and sustainable business	Responsible corporate citizen	Driving long-term portfolio value growth
Decarbonising our business	✓	✓	✓
Enhancing our engagement strategy	✓	✓	
Integration of climate-related risks and opportunities into investment decisions	✓		✓
Establishing and implementing investment restrictions	✓	✓	
Conducting climate scenario analysis	✓		
Understanding nature-related risk within our portfolio	✓		

Climate change remains a significant economic trend and societal challenge, and gaining an understanding of relevant risks to PIC is critical so that we can continue to build a secure and sustainable business over time while driving for long-term growth and value.

Cléo Fitzsimons
Head of Sustainability, PIC

Overview of our sustainability strategy (continued)

Decarbonising our business

As part of our responsible investment strategy, we have committed to Net Zero goals and established a climate transition plan that aligns our business actions with global efforts to limit global warming to 1.5°C.

Our headline targets include operational carbon neutrality (Scope 1 and 2 emissions) by 2025 and Net Zero emissions across our entire business by 2050, including our investment portfolio. We also aim to achieve a 25% reduction in the Weighted Average Carbon Intensity ("WACI") of our public credit portfolio by 2025, and a 50% reduction in the WACI of our total investment portfolio by 2030, on a 2019 baseline. Our targets are informed by the Net Zero Asset Owner Alliance ("NZAOA") Target Setting Protocol, and more details can be found in the Metrics and Targets section (page 25).

Decarbonising our investment portfolio

Our climate transition plan focuses on the following actions to decarbonise our investment portfolio.

Use our influence

We recognise that if we are to achieve our portfolio decarbonisation targets, this transition requires broader change to be initiated across the economy. We will use our influence to encourage industry wide change, and actively engage with policymakers. We also participate in industry initiatives to promote broader economic alignment with Net Zero goals.

Forward looking investment strategy

We favourably consider investments that align with the low carbon transition, while being mindful that we need to continue to grow our investment portfolio. We recognise that the low carbon transition will lead to an increase in risk for certain investments and sectors, and we account for these as part of our investment strategy.

Strategic divestment

When our engagement activity does not have the desired effect or when risks for certain investments increase, we will consider divesting from borrowers whose progress does not align with our decarbonisation goals.

More information about our climate transition plan can be found on our website **www.pensioncorporation.com**

Reducing the environmental impact of our own operations

At the end of 2024, we relocated our London office to a new office space at 22 Ropemaker Street, London. Ahead of the move, we worked closely with the landlord, developer and specialist consultants to ensure sustainability was embedded into the core of the design and the fit out of our office space.

Buro Happold (PIC's sustainability advisors) assessed our fit-out of Ropemaker against PIC's own proprietary ESG scoring system and rated the project as "A". We are also targeting BREEAM Outstanding certification for the fit-out, evidencing exceptionally high standards of sustainability. BREEAM is a building certification that supports solutions to reduce carbon emissions to Net Zero, improve whole life performance, manage health and social impacts along with other high sustainability criteria. The building is also targeting a Platinum score for WELL Certification, which assess how the design supports human health and wellbeing. The design is in line with the NABERS rating system, which helps to optimise the operational energy performance of the building. This includes ensuring that the design, construction and procurement of materials are correct in order to achieve predicted energy performance.

We are also extremely proud to have neutralised emissions created through the fit-out process of 22 Ropemaker. We adopted a 100% diversion from landfill strategy for all construction waste generated during the fit-out, as well as donating much of our old office furniture to charities / small enterprises, with the remainder being recycled. PIC worked with CUR8, specialists in carbon removal, to offset the remaining emissions via a diversified portfolio of carbon removal projects.

Further details on the carbon removal credits that we purchased can be found in our **Sustainability Report 24**

Enhancing our engagement strategy

Active engagement is an integral part of our approach to decarbonise our portfolio. By leveraging our influence as investors, we aim to encourage our portfolio companies to act to reduce their carbon emissions.

In 2022, we launched a two-year engagement strategy that ran over 2023 and 2024. Over these two years, we focused on a range of ESG topics but prioritised engagements around climate change, human rights, and corporate governance. The strategy covered multiple asset classes within our portfolio and for each one specific outcomes were sought.

Importantly, we continued to improve our ESG engagement platform which tracks all our engagement actions and progress against a set of desired outcomes. This not only allows us to effectively monitor the impact of our engagement activities, but also identify any issuers that are lagging or unresponsive to engagement.

Engagement focus breakdown

Climate change	38%
Human Rights	18%
Natural Capital	15%
Human Capital	12%
Corporate Governance	11%
Diversity, Equity & Inclusion	6%

Overview of our sustainability strategy (continued)

Looking ahead, we have established a new five-year engagement strategy from 2025-2030, split between asset classes. This new strategy received Board-level approval in 2024 and will focus across a range of ESG topics, with the environmental focus being on climate change and natural capital. Our overarching climate change-related objective is to encourage issuers to reduce their carbon footprint, to deliver real-world impact and mitigate climate change.

2025-2030 Engagement Strategy

	Environmental		Social		Governance	
	Climate Change	**Natural Capital**	**Human Rights**	**Human Capital**	**Corporate Governance**	**Diversity, Equity and Inclusion**
Fixed income – Public and Private	Climate engagements with issuers with significant real-world impact on carbon emissions.	Engagement with issuers operating in sectors with high pressures on natural capital where we have meaningful exposure and influence.	Engagement on Modern Slavery, labour standards and human rights in the supply chains.	Engagement on corporate culture, ability to attract retain and develop workers, and wider management of human capital.	Engagement on corporate governance topics around Board and management effectiveness and executive remuneration.	Engaging on Diversity, Equity and Inclusion topics at the senior level and more widely across the workforce.
Real Estate	Engaging on climate topics such as embodied emissions, EPC ratings, building regulation emissions, percentage of energy demand from non-fossil fuels, and type of offsetting within the built environment.	Engaging on biodiversity topics such as biodiversity net gain, urban greening factor, water usage, and circular economy within the built environment.	Engaging on topics of Modern Slavery, building safety and other health and wellbeing topics within the built environment.	Engagement on social value topics such as affordability rate, community engagement and within the built environment.	Engaging on corporate governance topics such as having necessary policies in place.	Engaging on Diversity, Equity and Inclusion topics within the built environment.

+ More information around our other ESG engagement focus areas can be found in our **Sustainability Report 24**

Overview of our sustainability strategy (continued)

To continue enhancing the capability and confidence of our credit analysts in conducting ESG specific engagements, we are providing learning opportunities and sessions which ensure best practices are shared. As we increase the proportion of our investments that we manage directly, we are dependent on such internal engagement skills to meet our engagement strategy and maximise our ability to engage.

Active engagement remains our preferred medium of facilitating change. However, in instances when issuers do not make improvements in line with our expectations, despite multiple engagement efforts within an 18-month engagement period, we will enact our escalation approach as outlined in our **Stewardship Policy**. Sustainability concerns are escalated to senior management who will consider raising issues in collaboration with groups such as the Association of British Insurers ("ABI") Climate Change group or NZAOA engagement groups. Divestment is considered as a last resort.

FRC

FRC UK Stewardship Code

We are pleased to have maintained for a second consecutive year our signatory status to the UK Stewardship Code, which sets high standards of stewardship.

The Code comprises a set of 12 principles for asset owners to support and report on information relating to their governance, investment approach, engagement activities and actions to address sustainability issues.

Case study: **Engaging with the energy sector**

For issuer decarbonisation.

We work closely with our external managers to ensure they are proactively engaging with carbon intensive companies.

In 2024, an external manager engaged with a national energy company, based on guidance provided to them by PIC on engagement priorities. Previous engagement had focused on encouraging the company to update its renewables capacity growth target, in line with national targets, which it subsequently did to reflect the national targets and recent acquisitions. This year, the company shared an update on its legacy gas decommissioning activities, and the work it is doing to support low carbon projects internationally. The company also shared initial Scope 3 emissions data, and it is considering setting a Scope 3 emissions reduction target based on engagements held with investors. We welcome this transparency and progress, and the manager will continue to engage with the company around delivery of its decarbonisation plan and climate change risk reporting.

Another of our external managers engaged with a producer and distributor of electricity to help us understand the progress they have made to manage transition risks associated with the national transition plans.

The country where this company operates has pledged to reach Net Zero emissions by 2060.

As part of the engagement, the manager proposed the company set an interim 2030 target for emissions more broadly, and this is under consideration. Furthermore, they plan to make over $3 billion worth of investments in over 20 renewable energy interconnection projects by 2026. Finally, we, alongside our manager, welcomed the company's publication of its first TCFD aligned report, and they have stated that they are in the process of conducting climate change scenario analysis.

Facilitating these conversations is important as we work to decarbonise our investment portfolio. We are encouraged by the positive action this company is taking and continue to hold the organisation to high expectations as they deliver their emission reduction targets. We would also expect to see the impact of this engagement contribute to our portfolio decarbonisation in the medium term, supporting the delivery of our targets.

Overview of our sustainability strategy (continued)

Case study: **Investor Forum**

For industry progress.

In 2024, we joined the Investor Forum, a not-for-profit, practitioner-led membership organisation set up by institutional investors. The forum is designed to bring like-minded investors together and position stewardship at the heart of investment decision making by facilitating constructive dialogues with UK listed companies on long-term strategic issues.

Last year, we participated in discussions with UK issuers on several sustainability topics. This included a discussion with a leading water company's Chair and CEO, which was timely given the findings of Ofwat, the water regulator, which found overall poor performance across the sector with several companies falling short of key targets, including pollution reduction.

This engagement session was hosted before Ofwat's final report on the sector's performance was published, but we were able to discuss with the company the challenging environment created by the draft determination. The company noted that their business plans received customer support at the time of preparation, but no company received full approval in this regulatory cycle. They stated that they welcomed open and honest conversations with investors and were committed to demonstrating the viability to their business plans with the regulator.

The forum also organised an engagement session with a company in the mining sector from which we had previously divested. While we no longer hold a position in the company, we joined the session to gain insight into its progress toward achieving its decarbonisation targets. This engagement provided an opportunity to better understand the company's transition strategy, including any obstacles the company and the broader sector is facing on its Net Zero journey.

THE INVESTOR FORUM

Overview of our sustainability strategy (continued)

Integration of climate-related risks and opportunities into investment decisions

The majority of PIC's public and private credit investments are managed internally and are guided by our systematic process for integrating sustainability into our investment decisions. This involves gathering relevant information from a range of sources which are then assessed internally as part of investment decision making.

We use both internal sector expertise, external ESG rating information and qualitative due diligence assessments within our investment papers which are presented to the Credit Committee and the Investment Committee. Collectively, these evaluations play an important role in determining viability of the investment as well as timeframes.

Our internal information sources

We refer to a range of sources to support our assessment of sustainability and climate risks in our investment decisions including ESG rating agency data from MSCI and Sustainalytics, expertise from our credit analysts, and direct engagement with issuers.

We incorporate climate data from MSCI into our investment decisions to evaluate an investment's climate-related risk exposure and how factors, such as GHG emissions, decarbonisation commitments and projected competitiveness within a low carbon economy, could influence its long-term success.

We also refer to Sustainalytics' ESG risk sub scores such as the 'Average Exposure Score' which assess the ESG risks within a sector, as well as their 'Average Manageable Risk Factor', which identifies what risks can be managed. These are supported by the 'Management' scores which summarise how well the company manages ESG risks that are deemed to be manageable.

Our sector specialist credit analysts consider sustainability risks and leverage industry knowledge to identify which issuers are leading or lagging in effectively managing and mitigating sustainability risks. Finally, our credit analysts engage directly with the management of underlying companies to evaluate their approaches to sustainability and climate risks and opportunities. Through these engagements, we aim to understand the sustainability capabilities, competencies, and resilience of companies, which is particularly crucial within our private markets portfolio as data is often limited or unavailable.

To gain a complete picture, we have developed sector specific sustainability due-diligence questionnaires for our target investments to complete, which identify sustainability specific risks or opportunities for the following sectors: Alternative Energy, Consumer Goods, Electricity and Gas Utilities, Education, Housing Associations, Infrastructure, Not for Profit, Real Estate, Student Accommodation and Water Utilities.

Our internal processes

Our analysts and investment teams consider the above information when making investment decisions.

This also feeds into the proprietary ESG rating methodology for private assets which is used by our Credit Research team. In 2024, the team implemented a new methodology that takes a sector specific and more quantitative approach. Our analysts quantitatively score companies according to a predefined scoring system and are required to provide evidence for their assessment.

The output results in an individual low/ medium/ high risk exposure score for ESG areas as well as an overall headline blended score. This new methodology is in the process of being rolled out across all portfolio holdings and is applied to any new investment. The analyst's score undergoes a peer review prior to being presented to PIC's Rating Committee for approval.

Externally managed investments and decision-making approach

We work with a selection of external managers to manage a portion of our portfolio, and our selection process includes assessing their expertise relating to managing sustainability and climate risks. For example, we will assess each manager's sustainability capabilities, dedicated resources, and track record.

Each manager operates under a unique Investment Management Agreement ("IMA"), which reflects our investment policy and objectives regarding sustainability. Our key external managers are also required to provide us with bespoke ESG reports and adhere to our Stewardship Policy. The implementation of the IMAs is overseen by a dedicated member of our Public Credit team who is responsible for maintaining regular contact with key external managers on all things including climate-related issues.

Case study: **Considerations for rejecting potential deals**

For better decision-making.

An important indicator that our responsible investment strategy is appropriately implemented is the number of investment opportunities declined due to sustainability concerns. We track this indicator across both our public and private debt holdings.

During 2024, through the processes we have in place, we declined to invest in over £1 billion worth of private debt deals for climate risk related reasons. This is compared to a total of £2.0 billion of private debt investments sourced in 2024, and demonstrates our willingness to reject deals that we do not deem to meet our climate-related criteria.

Given the nature of public markets, it is not possible to track an equivalent number of declined public deals. However, over 50 issuers are now excluded from our investable universe for ESG-related reasons. This represents companies that breach our exclusion criteria highlighted on page 10, as well as those that do not meet our risk appetite as set out by our investment strategy.

Overview of our sustainability strategy (continued)

Establishing and implementing investment restrictions

PIC adopts a buy-and-hold strategy when making investments, which includes carefully monitoring for evolving trends and shifts in demand, for example those driven by climate-related factors. We remain committed to capitalising on opportunities that support a low carbon transition, while addressing and mitigating climate-related risks.

Our responsible investment strategy is founded on engagement but recognises the need to also put in place restrictions or exclusions on sectors that are unlikely to transition towards a low carbon economy over time. We have put in place the following restrictions:

Coal extraction and burning, and Tar Sands – No new purchases in companies that derive more than 10% of turnover from coal extraction and burning, and Tar Sands. We aim to divest from all of our holdings breaching the 10% limit in these areas by 2025 unless the respective borrower has a credible plan in place to achieve the target in a reasonable time frame by this point.

So far, we have made strong progress towards achieving this target, engaging with the companies in our portfolio to understand their plans to reduce coal usage over time. As of 31 December 2024, a handful of companies marginally breaching this threshold remain in the portfolio. All have evidenced credible plans to have less than 10% revenue from coal in the foreseeable future. We continue to closely monitor these holdings and are prepared to sell them should their coal reduction plans not materialise.

Oil – As with coal, the long-term demand outlook for oil is uncertain as energy markets undergo meaningful structural changes. Whilst oil will remain in the energy mix for longer than coal, we have a cautious approach to long-term investment in the sector. We will make no new purchases of companies who exclusively focus on upstream activities. We aim to divest from these holdings over time.

PIC will continue to invest in major integrated oil companies where such companies have decarbonisation commitments that are aligned with PIC's and have a credible strategy to deliver them. We believe such companies have an important role to play in the transition to a low carbon economy. Our cautious approach also includes concentration and duration limits for specific subsectors and a low allocation overall. As of 31 December 2024, this sector represents less than 1% of PIC's portfolio.

Conducting climate scenario analysis

In 2023, we conducted climate scenario analysis across our investment portfolio based on the Network for Greening the Financial System scenarios developed by the Bank of England. The results of this work gave us a high level view of our exposure to climate-related risk, and can be found in last year's TCFD report (**2023 TCFD report**). In 2024, we enhanced our capabilities by applying our own climate scenarios to produce more tangible and granular information which can support our investment decision making in a more meaningful way.

To develop this approach, we focused on transition risk scenarios for the most material sectors in our portfolio based on level of exposure and our assessment of transition risk. These sectors included:

- Oil and Gas
- Housing Associations
- Airports
- Utilities
- Autos

The sectors selected were based on portfolio positioning, and the extent of transition risk we consider to be present in these sectors. We took the following approach:

Establishing sector transition pathways

We developed realistic and tangible scenarios for each sector, including a best estimate transition scenario representing our view of what is likely to happen in the sector and an accelerated transition scenario. We have based these scenarios on internal expertise and external research. The metrics that we use to articulate the scenario vary by sector, reflecting the different risk drivers. For example, for the Autos sector the uptake of electric vehicles is a key metric in defining the scenario.

Estimate impact on investments in the sector

Based on the scenario defined in step 1, we estimate the potential impact on the credit ratings of companies in that sector. This includes both companies that we invest in and companies within the investable universe to understand how our investments perform relative to the broader sector landscape.

Determining the impact on PIC

Finally, we aggregate the impact of sectoral transition pathways to generate an overall scenario to understand the potential impact on PIC's Own Funds and Solvency Ratio. Given this granular approach, we have focused on select sectors to ensure we have capacity to consider these outcomes with sufficient detail and rigour. We are cautious in placing emphasis on the overall balance sheet impact, as we recognise there are many sectors that have not been included in our analysis.

Overview of our sustainability strategy (continued)

The results of the scenario analysis found that at the portfolio level, the impact of the stress was immaterial, reflecting the diversified nature of our portfolio. The results of the analysis also demonstrated that our responsible investing approach is effective in managing our portfolio exposure to climate transition risk. For each of the sectors analysed, the results included some downgrades for issuers in our portfolio. However, given the long-term nature of the stress we would expect some issuers to have been downgraded and this is therefore not considered to be a severe stress.

Case study: **Climate scenario analysis for electric utilities**

For quality analysis.

One of the sectors in which we have a material holding and identified as having transition risk exposure is electric utilities.

In particular, we consider electric utilities that have a significant share of fossil fuel generation to be at increased risk.

they may be exposed to stranded asset risk due to changes in consumer preferences, government action such as carbon taxes, or technology obsolescence risk if new electricity generation technologies continue to fall in cost. The key metric upon which the scenarios were defined was the percentage of electricity that is generated by low carbon sources at an issuer level.

We estimated the impact of both our "best estimate" and "accelerated transition" scenarios on the issuers in this sector.

We assumed for the purposes of the analysis that electric utilities which had a lower percentage of electricity generation capacity from low carbon sources, when compared with the overall electricity grid, would have to invest in new generation assets to replace existing assets. We then estimated the impact of this investment on credit ratings for the issuers in the sector.

Our analysis estimated that, by 2030, circa 25% (by market value) of our investments in this sector would be downgraded by one notch. By 2050, circa 30% of our investments were estimated to be downgraded by one notch, and a further circa 10% were downgraded by two notches.

The differences between the best estimate and the accelerated transition scenario were negligible. This reflects the fact that there is already a significant transition occurring in the sector driven by economics and existing government policy, leading to a small difference between our best estimate and accelerated transition scenario.

Given the long-term nature of this analysis, we do not believe this represents a significant risk to PIC. Our analysis suggested that other companies in the sector with a higher percentage of fossil fuel generation assets would suffer further downgrades, which indicates that our responsible investing approach has positioned our portfolio well to manage this risk.

Overview of our sustainability strategy (continued)

Understanding nature-related risk within our portfolio

Alongside climate-related risk, we are also paying increased attention to understanding our potential exposure to nature-related risk. A report by the Green Finance Institute, with input from the Department for Environment Food and Rural Affairs ("DEFRA"), HM Treasury, and the FCA, concluded that lower economic growth driven by the degradation of nature could cause a 6% reduction to UK GDP[1]. Due to the long-term nature of our liabilities, we recognise the importance of understanding and managing our exposure to nature-related risks.

In 2024, we conducted our first assessment of our nature-related dependencies, impacts, risks and opportunities, based on selected parts of the Taskforce for Nature-related Financial Disclosure ("TNFD") framework. Using the ENCORE database, which provides details of the dependencies and impacts of each economic sector on nature, we were able to analyse how much of our portfolio by market value has a high or very high dependency on one or more ecosystem services[2].

We have noted that increased physical nature-related risk is expected for sectors that have a high level of dependency on nature, especially if the ecosystem services the sector depends on are under threat from the degradation of a natural resource. We anticipate that sectors with a high impact on nature may face increased transition risk due to regulatory or consumer pressure.

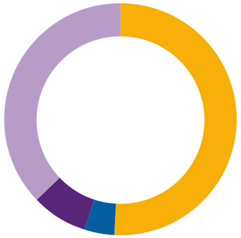
Looking ahead, we are focused on investigating where our exposure to nature risk is greatest within our portfolio, as well as embedding natural capital, such as biodiversity, into our new engagement strategy.

TNFD definitions

- **Dependencies –** aspects of environmental assets and ecosystem services that a person or an organisation relies on to function. An ecosystem service is considered to be the direct and indirect contributions that ecosystems provide for human wellbeing and quality of life. For example, a company that PIC lends to may be dependent on the ecosystem services of water flow, water quality regulation and the regulation of hazards like fires and floods.
- **Impacts –** a change in the state of nature which may result in changes to the capacity of nature to provide social and economic functions.
- **Nature-related risks –** potential threats posed to an organisation that arise from its dependencies and impacts on nature. These risks may be physical, transition, or systemic risks.
- **Nature-related opportunities –** activities that create positive outcomes for organisations and nature through positive impacts or mitigation of negative impacts.

The following figure 1.1 shows that circa 50% of our portfolio by market value has a high or very high dependency on one or more ecosystem services.

1.1 **Portfolio market value breakdown by dependency on one or more ecosystem services**



No dependency	0%
Very low	0%
Low	51%
Medium	4%
High	8%
Very high	37%

The following figure 1.2 shows that circa 30% of our portfolio has a high or very high impact on nature. As noted above, this presents an initial understanding of potential exposure to nature-related transition risk.

1.2 **Portfolio market value breakdown by pressure on one or more components of natural capital**

No pressure	0%
Very low	0%
Low	25%
Medium	44%
High	16%
Very high	15%

1. https://www.greenfinanceinstitute.com/wp-content/uploads/2024/06/GFI-GREENING-FINANCE-FOR-NATURE-FINAL-FULL-REPORT-RDS4.pdf
2. http://www.encorenature.org/en

Risk Management.

Integrating climate risks into our risk management approach supports the resilience of our company and investment portfolio.

Our Enterprise Risk Management approach

Enterprise Risk Management System

We apply our Enterprise Risk Management ("ERM") Framework and System across the business to build a consistent approach to identifying, analysing, mitigating, monitoring and reporting risks. The risk management approach supports the management of physical and transitional risks associated with climate change, and we assess climate-related risks through the lens of having a potential adverse impact on PIC's financial performance.

Our ERM Framework and System consists of our Governance Framework, Risk Policy Framework, Risk Processes and Risk Appetite Framework:

- The Governance Framework sets out PIC's risk management responsibilities.
- The Risk Policy Framework sets, embeds, and monitors the standards applied to each risk area.
- The Risk Processes are the techniques and tools used to identify, assess, mitigate, monitor and report risk throughout PIC.
- The Risk Appetite Framework sets the level of risk the Board is willing to take, in which areas, and how performance against risk appetite will be measured.

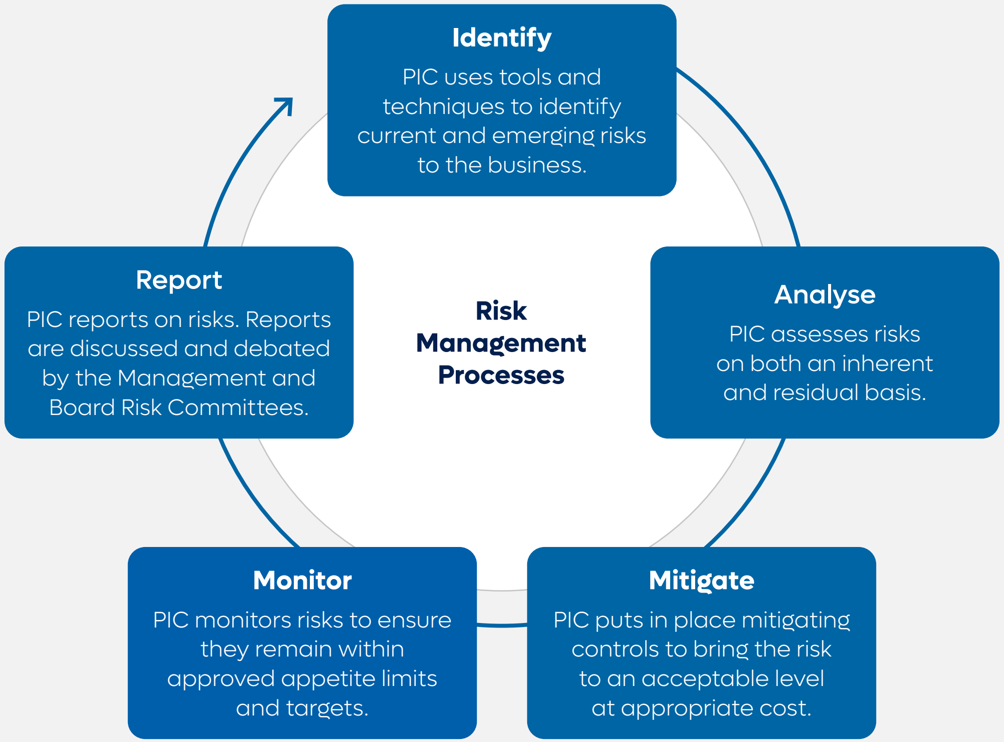
Physical vs transition risks

Physical climate risks relate to the direct consequences of climate change, which can be either acute, driven by specific events, or chronic, arising from long-term shifts in climate patterns. These risks can impact organisations financially through direct asset damage and indirect effects such as supply chain disruptions.

Transition risks encompass the risks associated with the shift towards a lower-carbon economy, involving changes to policies, regulations, technologies and market dynamics to address climate change mitigation and adaptation requirements. Depending on the nature, pace, and emphasis of these changes, organisations may face varying degrees of financial and reputational risk.

We consider physical climate risk to have a greater long-term impact, whereas transition risks are more likely to drive change over the medium-term. However, we remain conscious that financial markets are likely to price in the impacts of risks in advance of potential outcomes.

Enterprise Risk Management approach



Our Enterprise Risk Management approach (continued)

Climate change has the potential to impact every aspect of our business. We are dedicated to advancing our practices that integrate climate-related risks and considerations so we can play an active role in supporting the transition to a low carbon economy.

Sally Bridgeland
Chair of Board Risk Committee, PIC

Applying our ERM to climate-related risks

The Climate Risk Policy sets out how climate-related risks are managed via this framework.

Identifying climate-related risks

We carry out climate risk assessments to determine potential exposures and recommend actions for managing climate-related risks, including utilising third-party analysis and conducting due diligence on potential new assets.

Analysing climate-related risks

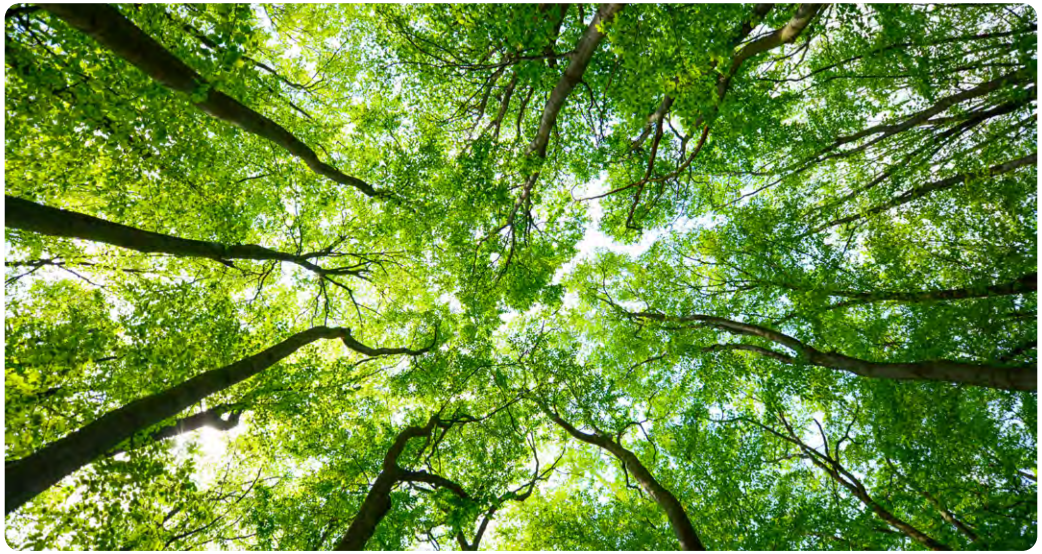
Our risk management processes, including the Own Risk and Solvency Assessment ("ORSA") and the Risk and Controls Self-Assessment ("RCSA"), are used to analyse our exposure to various risks including climate risks. We also conduct detailed climate risk analyses on a case-by-case basis as part of our investment process.

Mitigating climate-related risks

We take actions, such as engaging with issuers and applying our investment restrictions, to mitigate climate risks and work towards our long-term objectives, including delivering on our Net Zero targets and our transition strategy.

Monitoring and reporting climate-related risks

We use risk appetite metrics to monitor how we are managing climate risk and delivering against our climate transition plan. Our Sustainability Oversight Forum, Management Risk Committee and Board Risk Committee also receive regular papers that detail our risk management actions and considerations.



Climate risk management processes

We have several risk management processes that integrate climate-related risks including:

- **Formal risk reporting**
  At each Management and Board Risk Committee, the Committees consider both the backward- and forward-looking potential impact of climate risks on PIC's business including reporting on any actions being taken by PIC.
- **Own Risk and Solvency Assessment and Stress and Scenario Testing**
  We evaluate the potential impact of risks on PIC's business annually using qualitative and quantitative scenario analysis which considers potential climate-related risks.
- **Risk and Control Self-Assessment**
  A qualitative process designed to assess the potential impact of non-quantifiable risks on PIC's business.
- **Investment due-diligence**
  Climate risk analysis is embedded throughout our responsible investment approach given our investment portfolio represents the most significant area of climate risk exposure.

Our Enterprise Risk Management approach (continued)

Risk identification and analysis

Our risk taxonomy categorises the risks most likely to impact our business. The taxonomy provides consistent reference for all internal stakeholders and includes a comprehensive and ownable breakdown of manageable risk categories. We believe climate change has the potential to influence multiple risk areas within the risk profile.

The table below shows relevant elements of the taxonomy, and our view of the potential impact of physical and transitional climate-related risks on each lead taxonomy risk.

As indicated below, we believe that climate-related risks are most likely to impact solvency and liquidity risks and have provided further detail about the potential impact of physical and transition risks in the next table (right).

Risks	Sub risks	Potential impact of physical risk	Potential impact of transition risk
Solvency	Market, concentration, counterparty	Significant	Significant
Liquidity	Asset liquidity, collateral	Significant	Significant
Operational	People and resources, processes, physical infrastructure, systems and technology	Moderate	Low
Legal and regulatory	Legal, regulatory compliance	Low	Moderate
Conduct	Culture, market interactions	Low	Moderate
Strategy	Business strategy, implementation, reputation	Moderate	Moderate

Lead taxonomy risks	Sub taxonomy risks	Potential impact of physical risk	Potential impact of transition risk
Solvency	Market, credit	The actual or anticipated impacts of physical climate change may result in reduced asset values, driven by factors such as: • Direct damage to our real estate investments leading to a loss of value or reduced attractiveness to tenants. • Rising insurance costs or the unavailability of insurance for investments due to the increasing likelihood and severity of physical climate risk events. • Operational or supply chain disruptions impacting investments caused by more frequent and severe climate-related events.	The actual or anticipated impacts of the transition to a low-carbon economy could lead to reduced asset values, driven by factors such as: • Shifts in consumer demand (or supply of energy, goods and services) potentially causing assets to become stranded. • Regulatory changes could lead to certain sectors or businesses becoming less profitable or creditworthy than expected (or indeed, promote investment in sectors that are more exposed to climate risks). • Increased building regulation and standards could require additional investment in existing real estate assets to meet new standards.
	Counterparty	Physical climate change could adversely impact our counterparties, such as derivative counterparties or reinsurers, in ways similar to those outlined in the Market Risk section on page 22. They may also experience issues operationally. In addition, reinsurers often maintain diverse product portfolios, meaning they have increased exposure to physical climate risks.	Transition risk could negatively impact our counterparties in similar ways to those highlighted in the Market Risk section on page 22.
Liquidity	Asset liquidity	Acute physical climate risk events could lead to a reduction in PIC's ability to liquidate an asset without incurring significant costs, especially if the asset or sector is significantly impacted by physical climate risk.	The transition to a low carbon economy may leave assets stranded and reduce liquidity in assets reliant on the continuing use of fossil fuels.
	Collateral	While not considered to be a significant risk, the macroeconomic volatility arising from climate-related issues may impact PIC's derivative counterparties, and the collateral flows that support derivative arrangements.	

Our Enterprise Risk Management approach (continued)

Mitigating Risks

We have put in place risk mitigating actions that address several of our sub taxonomy risks.

Sub Taxonomy risks	Climate risk driver	Potential impact of risk	Risk mitigation actions
Market risk	Physical risk	Significant	Implementing our engagement strategy and advancing stewardship initiatives. Enhancing climate risk assessments by integrating sustainability sector scorecards and conducting formal evaluations of climate-related impacts in real estate investments (for example our Flood Risk Framework discussed in this report).
	Transition risk	Significant	Establishing measurable 2030 decarbonisation goals in line with our Net Zero target and climate transition plan. Implementing our engagement strategy and advancing stewardship initiatives. Enhancing climate risk assessments by integrating sustainability sector scorecards and ensuring real estate assets are built with potential future changes to building regulations in mind. Monitoring of risk appetite metrics to ensure we have an ability to meet our decarbonisation goals. Developing our approach to climate scenario testing (for example, the sectoral analysis discussed in this report).
Concentration risk	Transition risk	Significant	Establishing concentration limits for sectors identified as having significant exposure to transition risks.
Asset liquidity	Physical and Transition risk	Significant	Continued to integrate sustainability sector scorecards and conduct comprehensive evaluations of flood risks and other climate-related impacts as part of our climate risk assessment of real estate investments.
Reputational risk	Transition risk	Moderate	Collaborate with industry bodies to identify and address climate risk sources, and actively participate in relevant market initiatives and forums. Maintain engagement with key stakeholders to monitor exposures related to climate considerations. Monitoring of risk appetite metrics to ensure we meet our decarbonisation goals.
Legal and regulatory risk	Transition risk	Moderate	Continuously reviewing climate and sustainability obligations in the UK and globally and sharing regular updates to the Management and Board Risk Committees.
Physical infrastructure risk	Physical risk	Moderate	Improvements to business continuity and operational resilience frameworks to incorporate considerations for climate-related risks.

Our Enterprise Risk Management approach (continued)

Case study: **Developing our flood risk framework**

For flood risk management.

According to the Environment Agency, as of December 2023, 13% of England by area (1.6 million hectares) is exposed to a level of flood risk[1] (i.e. low to very high). In addition, one in 12 properties are built in these risk areas, equating to two million homes and half a million non-residential buildings. Five million people live in these buildings and are potentially exposed to flooding every year.

The likelihood and severity of flood events are both increased by climate change. Studies have predicted that property damage from flooding across the UK equates to £730 million per year, negatively impacting rental demand, asset value and future marketability[2]. Given the long-term horizon of our real estate assets, it is imperative that we understand the extent to which our portfolio is exposed to current and future flood risk in order to manage the risk.

1. https://www.data.gov.uk/dataset/50545819-8149-4999-9d9f-c082e7234257/risk-of-flooding-from-rivers-and-sea-key-summary-information
2. A climate-conditioned catastrophe risk model for UK flooding

In 2024, our Built Environment team developed a flood risk framework to formalise our approach to flood risk in our real estate investments. The framework identifies the potential physical, human and commercial risks that flooding poses to PIC's real assets and is primarily used in the due diligence process. We define physical risks to be the risks of a flood event that could impact and damage assets. Human risks include risks to occupants and operational plans to manage flood events and commercial exposure risks include potential reduced income or asset value reduction for PIC.

The framework was developed in partnership with technical advisors and leverages data from the Environment Agency. It sets out flood risk levels that are considered acceptable by PIC's Investment Committee, which varies for different asset types across different ownership periods. The framework also establishes mitigation measures that should be implemented if the unmitigated flood risk is outside of our risk appetite.

Whilst the flood risk framework was formalised in 2024, all our existing assets either have low unmitigated flood risk or significant flood defences in place to mitigate the flood risk. We intend on reviewing the framework every three years to encompass updated climate science and flood risk modelling.

Our Enterprise Risk Management approach (continued)

Monitoring and reporting on climate risks

We continue to integrate climate-related risks into PIC's Risk Appetite Framework to systematically monitor and report on risks in alignment with the Board's risk preferences and risk appetite.

We seek to minimise our exposure to physical climate change risk and accept some exposure to transitional climate change risk, while staying vigilant with regards to emerging policies and seeking to avoid stranded assets. As detailed in the Governance and Strategy chapters, weStyle fixed have put in measures to monitor
risk metrics and take action to diminish climate-related risks where appropriate.

High level risk	Climate change
Risk definition	The likelihood of unfavourable outcomes stemming from the effects of climate change, encompassing both physical risks resulting from climate-driven events and transition risks arising from the adjustment process to a low-carbon economy.
Risk preference	Minimise
Risk appetite statement	PIC has limited tolerance for the consequences associated with climate change risk. Our objective is to navigate our operations and portfolio with a focus on diminishing climate change risk while sustaining returns from our core activities. Committed to aligning with the goals of the 2015 Paris Agreement, PIC is dedicated to undertaking measures to decarbonise our portfolio and decrease our GHG emissions, aligning with our Net Zero commitments.

Granular risk	Physical climate change	Transitional climate change
Risk definition	The likelihood of unfavourable outcomes resulting from acute (event-driven) and chronic (long-term shifts in climate patterns) risks linked to climate change.	The possibility of negative outcomes stemming from the transition process toward a low-carbon economy, driven by factors such as policy changes, technological innovation, market influences, and reputational considerations.
Risk preference	Minimise	Accept
Risk appetite statement	PIC maintains a restricted tolerance for the repercussions associated with physical climate change risk. Our objective is to mitigate exposure to physical climate change risk by employing strategies like regional due diligence, informed lending decisions, and the acquisition of insurance.	PIC possesses a constrained inclination toward adverse transition risks while actively embracing the opportunities presented by the climate change transition. Our goal is to oversee and manage exposure to transition risks by staying vigilant regarding evolving policies and regulations. Additionally, we pursue divestment in specific sectors and companies to steer clear of stranded assets.

Metrics and Targets.

Measuring progress towards our short and long-term decarbonisation targets.

Decarbonisation targets

Our decarbonisation targets

We remain on track to deliver our 2025 and 2030 corporate and portfolio targets, which align with a maximum temperature rise of 1.5°C above pre-industrial levels as per the Paris Agreement. In 2024, the WACI of our public corporate credit assets decreased slightly during the year to 185 tCO_2e / $m revenue and remains below our year-end 2025 target of 216 tCO_2e / $m revenue[2]. The WACI of our total investment portfolio, where data is available or can be estimated, decreased by 8% to 155 tCO_2e / $m revenue and we remain on track to meet our 50% reduction target by 2030.

Through our stewardship activities we continue to actively engage with the most carbon intensive companies in our portfolio to reduce the WACI of our portfolio. These engagements are ongoing, and we expect them to continue to take effect in the medium term.

We are making positive progress to achieve our long-term 2050 Net Zero target. We fully expect to meet our 2025 operational carbon neutral objective through our move to 22 Ropemaker Street. Our newly built office is a highly energy efficient building for which we have secured the supply of electricity from a renewable source, and we therefore expect our Scope 1 and 2 emissions to be significantly reduced from 2025 onwards.

We will leverage our partnership with carbon removal specialist CUR8 to purchase high integrity carbon credits to offset any remaining operational emissions. We have also purchased carbon removal credits to offset, on a best-efforts basis, the year's business travel emissions. See page 11 of our Sustainability report to read more about our carbon offsetting approach.

You can find more information about the methodology used in the calculations of the metrics found in this section within our **Basis of Reporting** document. In addition, KPMG has provided independent limited assurance over selected information within the Metrics and Targets chapter of this report, marked with an "AS".

Target	Baseline	Target	FY24	FY24 % progress from baseline to target	FY23
Achieve carbon neutrality in our operations by year-end 2025[1]	N/A	Carbon neutral	**256 tCO_2e**	**N/A**	259 tCO_2e
Achieve a 25% reduction in WACI of our public corporate credit assets by 2025 on a 2019 baseline[2]	289 tCO_2e / $m revenue	216 tCO_2e / $m revenue	**185 tCO_2e / $m revenue**	**Target met**	189 tCO_2e / $m revenue
Achieve a 50% reduction in WACI of our full investment portfolio by 2030 on a 2019 baseline[3]	289 tCO_2e / $m revenue	144 tCO_2e / $m revenue	**155 tCO_2e / $m revenue[AS]**	**92%**	169 tCO_2e / $m revenue●

Achieve Net Zero carbon across the whole business by 2050.
While we are still in the early phase of this journey, the actions and results detailed in this report show we continue to make progress towards this goal.

1. Based on our Scope 1 and 2 emissions. Given the target is carbon neutrality, no baseline figure is relevant for this target.
2. When we calculated the baseline for our Public Corporate Credit WACI in 2019, this was based on data from MSCI. Since 2019, we have improved our data coverage by onboarding further data sources, some of which cover public corporate credit. However, in order to ensure we are comparing like-for-like with the original scope of our target, we are only considering the assets covered by MSCI for the 25% reduction in WACI, noting that there are changes in data coverage and the investment portfolio over time.
3. This includes all assets where standard emissions measurement methodologies and data are available. Data coverage has increased over time compared to our baseline as we have onboarded further data sources, and this should be considered when comparing with prior year numbers and progress against the baseline.

AS The independent limited assurance report has been issued in accordance with International Standard on Assurance Engagements (UK) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE (UK) 3000) and the International Standard on Assurance Engagements 3410 Assurance of Greenhouse Gas Statements (ISAE 3410). The full limited assurance report can be found in Appendix 2.

● KPMG previously provided limited assurance on this selected information which is taken from our 2023 Climate report (TCFD)

Through our portfolio, we contribute to the global transition to Net Zero and a more sustainable future. I remain encouraged by the progress we made last year and confident that our actions will continue to help mitigate the negative impacts of climate change.

Rob Groves
Chief Investment Officer, PIC

Operational metrics

Our operational metrics

Scope 1 and 2 metrics	Unit	2024	2023	% change from 2023 to 2024
Total Energy Consumption	kWh	**1,257,735**	1,271,958	(1)%
Scope 1 emissions (from gas combustion)	tCO_2e	**30.9**	32.2	(4)%
Scope 2 emissions (from electricity use) (location-based)	tCO_2e	**225.3**	226.9	(1)%
Scope 2 emissions (from electricity use) (market-based)	tCO_2e	**414.6**	400.1	4%
Total Scope 1 and Scope 2 emissions	tCO_2e	**256.3**	259.1	(1)%
Emissions intensity (floor area)	tCO_2e/m^2	**0.04**	0.05	(20)%
Emissions intensity (FTE)	tCO_2e/FTE	**0.43**	0.51	(16)%

Scope 3 metrics	Unit	2024
Business travel	tCO_2e	**325**
Employee commuting	tCO_2e	**213**

We have calculated our Scope 1 and 2 operational emissions in line with GHG protocol, using the UK Government GHG Conversion Factors for Company Reporting.

Our operational energy usage and emissions have decreased by 1% in 2024. This reflects the ongoing benefits from initiatives implemented in our previous office space to reduce emissions, partially offset by the additional emissions from having two office spaces during December as we moved into 22 Ropemaker Street.

We expect our operational emissions to reduce significantly from 2025 onwards due to the high energy efficiency and renewable energy supply of the new building. More information on our new office space can be found on page 10 within the Strategy section of this report.

Our emissions intensity by floor area has reduced by 20%, with this driven by a combination of the reduced emissions from our previous office, the larger floor area and lower emissions of 22 Ropemaker Street, as well as the impact from having two offices during December. Emissions intensity per FTE has reduced by 16% in 2024, reflecting an equivalent increase in employees during the year.

We continue to improve our understanding of our Scope 3 operational emissions and in 2024 we have focused on collating data on emissions from business travel and employee commuting which we are disclosing for the first time. Full details of our methodology for calculating these emissions can be found within our **Basis of Reporting**.

Investment portfolio

Our investment portfolio metrics

The table below details the metrics we use to monitor and assess the decarbonisation progress of our investment portfolio. We provide additional measurements in Appendix 1 including metrics specifically calculated for our Matching Adjustment fund, which directly backs our policyholder liabilities, as well as metrics using different base currencies, and metrics based on the Scope 3 emissions of the issuers in our portfolio.

We are pleased to report that our carbon footprint and investment portfolio WACI decreased by 10% and 8% respectively since the end of last year. Our total financed emissions increased by 33% during 2024, compared with 2023 year-end, which is driven by a 9% increase in our portfolio to £51.7 billion and an increase in data coverage to 75%, compared with 55% in 2023. Given the ongoing growth in our portfolio and continued increase in coverage, we expect this trend to continue in the medium term, and we therefore focus more on the weighted measures of carbon footprint and WACI for year-on-year comparisons.

We also measure the WACI for our Public Corporate Credit portfolio as a subset of our total portfolio. This was used to set our 2019 baseline, given data available at the time. Our Public Corporate Credit portfolio WACI is also the basis for our 2025 portfolio decarbonisation target. The Public Corporate Credit WACI is based on all assets for which data is available from MSCI, excluding sovereign bonds. The below graph shows that the WACI for our Public Corporate Credit portfolio has decreased slightly during the year to 185 tCO_2e / \$m revenue and remains well ahead of our 2025 target of 216 tCO_2e / \$m revenue. Note that this includes different assets to the 'Debt securities – Corporate' category in the tables to follow.

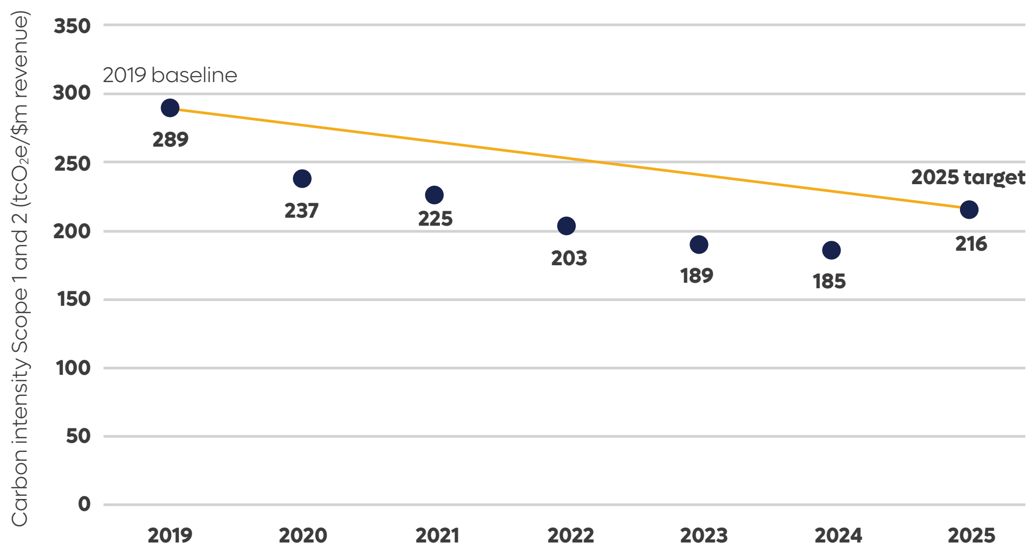
Metric	Unit	FY24	FY23	% change from 2023 to 2024	% of data coverage for total portfolio (by market value)	% of emissions data that is from company reported data
Financed emissions (Scope 1 and 2)	tCO_2e	**3,763,031[AS]**	2,830,252●	33%	75% (FY23: 55%)	85% (FY23: 94%)
Carbon footprint (Scope 1 and 2)	tCO_2e / £m invested	**100[AS]**	111●	(10)%	75% (FY23: 55%)	85% (FY23: 94%)
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	tCO_2e / \$m revenue	**155[AS]**	169●	(8)%	77% (FY23: 75%)	67% (FY23: 65%)
Implied Temperature Rise	°C	**2.1**	1.9	11%	37% (FY23: 29%)	N/A
Science Based Targets exposure[1]	% of portfolio (by market value)	**19%**	20%	(3)%	N/A	N/A

1. This represents the percentage of our portfolio by market value that has set a science-based target or has publicly committed to do so.

AS Data is subject to independent Limited Assurance under ISAE (UK) 3000 and ISAE 3410. The limited assurance report provided by KPMG can be found in Appendix 2.

● KPMG previously provided limited assurance on this selected information which is taken from our 2023 Climate report (TCFD)

PIC Public Corporate Credit WACI



Investment portfolio (continued)

Financed emissions and carbon footprint breakdown of our investment portfolio

We report our financed emissions annually as these represent the total emissions which could be considered to arise from our investment portfolio. We measure these in absolute emissions, in tonnes of CO_2 equivalent and in 2024 our financed emissions increased by 33% from the previous year. This is primarily driven by an 9% increase in the size of our portfolio to £51.7 billion and a significant increase in data coverage to 75%, meaning more assets are included in the calculation than the prior year. To enable year-on-year comparisons and account for the ongoing growth of our investment portfolio and data coverage, we also report carbon footprint, in tCO_2e per £m invested where data is available. The carbon footprint of our portfolio reduced by 10% in 2024 to 100 tCO_2e / £m invested.

We use the Partnership for Carbon Accounting for Financials ("PCAF") methodology to establish the proportion of emissions attributed to PIC across a range of asset classes. If no PCAF attribution factor is available, we use our own methodology which is aligned in principle with the PCAF approach. More information can be found in our **Basis of Reporting**.

Asset class	Market value (£m) FY24	Financed emissions (Scope 1 and 2) (tCO_2e) FY24	Carbon footprint (Scope 1 and 2) (tCO_2e / £m invested) FY24	Data coverage of market value (%) FY24	Market value (£m) FY23	Financed emissions tCO_2e (Scope 1 and 2) FY23	Carbon footprint (Scope 1 and 2) (tCO_2e / £m invested) FY23	Data coverage of market value (%) FY23
Debt securities – Government	**19,831**	**2,315,301**[AS]	**119**[AS]	**99%**	16,959	1,782,347	149●	70%
Debt securities – Corporate	**15,381**	**1,294,271**[AS]	**95**[AS]	**88%**	15,625	943,253	90●	67%
Debt securities – Private investments	**9,382**	**116,848**[AS]	**48**[AS]	**25%**	8,353	87,468	48●	20%
Mortgage backed and other asset backed securities[1]	**1,280**	**27,670**[AS]	**26**[AS]	**83%**	1,386	16,841	15●	82%
Investment properties	**805**	**801**[AS]	**2**[AS]	**69%**	663	343	3●	25%
Participation in investment schemes	**3,080**	**8,140**[AS]	**16**[AS]	**17%**	4,105	N/A	N/A	N/A
Other[2]	**1,978**	**N/A**	**N/A**	**N/A**	421	N/A	N/A	N/A
Total	**51,737**	**3,763,031**[AS]	**100**[AS]	**75%**	47,512	2,820,252●	111●	55%

1. Includes equity release mortgages ("ERMs").
2. Includes cash and other assets for which no emissions data is available.

AS Data is subject to independent Limited Assurance under ISAE (UK) 3000 and ISAE 3410. The limited assurance report provided by KPMG can be found in Appendix 2.

● KPMG previously provided limited assurance on this selected information which is taken from our 2023 Climate report (TCFD)

PCAF also produces data quality scorecards[3] for each asset class to indicate the quality of the underlying emissions data on a scale of 1 (highest data quality) to 5 (lowest data quality). The graph below shows the quality of the emissions data used in our financed emissions calculation.

Split of PIC's investment portfolio's financed emissions of 3,673,031[AS] tCO_2e by PCAF data quality

Score 1 (Highest data quality)	61%
Score 2	24%
Score 3	0%
Score 4	14%
Score 5 (Lowest data quality)	1%

3. https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Investment portfolio (continued)

Weighted Average Carbon Intensity breakdown

Another useful metric to monitor our portfolio decarbonisation is WACI. This metric calculates tCO_2e per $m revenue generated by the underlying asset, which provides a meaningful comparison across asset classes and economic sectors and indicates if a company is more likely to be exposed to transitional risks. We use US$ as our standard revenue currency to ensure comparability with peers but the WACI based on revenue in GBP can be found in Appendix 1.

Our current WACI target is based on the Scope 1 and 2 carbon intensity of companies in our portfolio, and we are taking measures to incorporate Scope 3 emission data as data quality strengthens (see Appendix 1). It is important to note that this metric is sensitive to market conditions, such as inflation, changing interest rates or exchange rates.

The WACI of our total portfolio reduced by 8% in 2024 to 155 tCO_2e / $m revenue, with an increase in data coverage to 77% compared to 75% in 2023. We remain ahead of our target to reduce the WACI of our public corporate credit assets by 25% by 2025 against a 2019 baseline and we also remain on track to achieve our 50% reduction in WACI for our whole investment portfolio by 2030.

Asset class	Market value (£m) FY24	WACI (tCO_2e / $m revenue) FY24	Data coverage of market value (%) FY24	Market value (£m) FY23	WACI (tCO_2e / $m revenue) FY23	Data coverage of market value (%) FY23
Debt securities – Government	**19,831**	**98**[AS]	**99%**	16,959	105●	97%
Debt securities – Corporate	**15,381**	**239**[AS]	**91%**	15,625	249●	91%
Debt securities – Private investments	**9,382**	**98**[AS]	**30%**	8,353	47●	29%
Mortgage backed and other asset backed securities[1]	**1,280**	**365**[AS]	**83%**	1,386	388●	82%
Investment properties	**805**	**21**[AS]	**69%**	663	49●	25%
Participation in investment schemes	**3,080**	**31**[AS]	**14%**	4,105	N/A	N/A
Other[2]	**1,978**	**N/A**	**N/A**	421	N/A	N/A
Total	**51,737**	**155**[AS]	**77%**	47,512	169●	75%

1. Includes ERMs.
2. Includes cash and other assets for which no emissions data is available.
AS Data is subject to independent Limited Assurance under ISAE (UK) 3000 and ISAE 3410. The limited assurance report provided by KPMG can be found in Appendix 2.
● KPMG previously provided limited assurance on this selected information which is taken from our 2023 Climate report (TCFD)

We also monitor the PCAF data quality[3] for our WACI. Revenue data is available for a higher proportion of our assets than the Enterprise Value Including Cash ("EVIC"), which is used for the Financed emissions calculation. This leads to a higher data coverage for the WACI than Financed emissions. However, there are more assets included in the WACI calculation where emissions are estimated, which leads to a lower overall PCAF data quality.

Split of PIC's investment portfolio's WACI of 155[AS] tCO_2e/$m revenue by PCAF data quality

Score 1 (Highest data quality)	31%
Score 2	36%
Score 3	0%
Score 4	26%
Score 5 (Lowest data quality)	7%

3. https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Investment portfolio (continued)

Forward looking metrics

The metrics reported above are inherently backwards looking, measuring the emissions associated with assets in the past.
Using forward looking metrics helps us to consider how assets align with global climate reduction expectations and pathways, to support the delivery of our decarbonisation targets and management of our climate risks.

Implied Temperature Rise

We consider the Implied Temperature Rise ("ITR"), which is explained below, as a forward looking metric to indicate how our corporate credit holdings align to global climate targets.

We use data from MSCI, which considers an issuer's most recently reported Scope 1 and 2 emissions and estimated Scope 3 emissions, as well as a company's estimated future emissions. These estimates are then compared to Paris-aligned pathways for the economic sector and geography for the asset. If the current or future expected emissions surpass the emissions allowed for in the pathway, the overshoot is translated into an ITR attributable to that company.

MSCI has data available for 37% of our portfolio, and for our assets where data is available, 51% of our exposure aligns with a <1.5°C pathway and an additional 16% of our exposure aligns with a <2°C pathway. Overall, the weighted average ITR for assets with available data is 2.1°C, reflecting an increase from our 2023 figure of 1.9°C.

Science Based Targets exposure

Another forward-looking metric that we consider is the proportion of companies in our portfolio that have set a Science Based Target. The Science Based Targets initiative ("SBTi") promotes best practice in emissions reductions and Net Zero targets. It also independently validates that targets set by corporates are "science-based". This acts as a strong indicator of a company's transition towards Net Zero in line with a 1.5°C pathway.

This metric identifies the proportion of our portfolio that has set a target that has been validated by SBTi. In 2024, 19% of our portfolio by market value had committed to setting a science-based target, reflecting a small decrease from 20% in 2023. This 19% of our portfolio represents 52% of the assets for which data is available from MSCI.

Focus areas for 2025.

Focus areas for 2025

Stewardship

In 2024, we finalised our new five year engagement plan, which will be rolled out in 2025. The strategy delves into six main ESG themes being: Climate Change, Natural Capital, Human Rights, Human Capital, Corporate Governance, and Diversity, Equity and Inclusion. Within each theme we will identify portfolio sectors most exposed to the thematic risks and engage with companies where we have access and feel we can have influence.

Given our investment strategy that increasingly sees us directly manage assets, we will focus on building our own engagement capabilities in order to reduce our reliance on third parties. We plan on providing training as well as the necessary tools so that our analysts feel capable and confident in conducting meaningful engagements.

Finally, we will focus on increasing the quality of engagements, which may be at the expense of the absolute number of engagements performed. We feel that quality engagements are evidence of our positive influence on companies over time.

Governance

- Continue with current governance structure now that sustainability is embedded in various Board and management committee reporting cycles
- Appointment of next cohort of Sustainability Champions from across the organisation

Risk management

- Continue ensuring our climate risk appetite and risk mitigation strategies are appropriate
- Remain abreast of political and regulatory guidance regarding expectations on sustainability matters such as related disclosures

Strategy

- Continue deep-dive scenario analysis with an increased focus on physical risk
- Ongoing implementation of our transition plan, delivering on our 2025 targets and looking ahead to 2030
- Launching and start delivering on our new five year engagement strategy
- Building on our initial work on nature-related risk to understand in more detail the implications for our portfolio. Guide ourselves by the TNFD framework

Metrics and Targets

- Continue to broaden the scope of our reporting by introducing new data sources where appropriate and considering new metrics that may be relevant for reporting.
- Focus on increasing the quality of our data where possible
- Ongoing engagement with the NZAOA to ensure their target guidance remains of appropriate ambition, and ensure our targets remain aligned with that guidance

Appendix.

Appendix 1: Data tables

Whole portfolio metrics

Metric	Unit	FY24	FY23	FY24 % of data coverage for total portfolio (by market value)	FY24 % of emissions data that is from company reported data
Financed emissions (Scope 1 and 2)	tCO_2e	**3,763,031** [AS]	2,830,252●	75%	85%
Financed emissions (Scope 3)	tCO_2e	**4,199,392**	4,786,265	37%	46%
Carbon footprint (Scope 1 and 2) [AS]	tCO_2e / £m invested	**100** [AS]	111●	75%	85%
Carbon footprint (Scope 3)	tCO_2e / £m invested	**229**	450	37%	46%
Carbon footprint (Scope 1 and 2)	tCO_2e / $m invested	**80**	87	75%	85%
Carbon footprint (Scope 3)	tCO_2e / $m invested	**183**	353	37%	46%
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2) [AS]	tCO_2e / $m revenue	**155** [AS]	169●	77%	67%
Weighted Average Carbon Intensity (WACI) (Scope 3)	tCO_2e / $m revenue	**442**	563	37%	28%
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	tCO_2e / £m revenue	**193**	209	77%	67%
Weighted Average Carbon Intensity (WACI) (Scope 3)	tCO_2e / £m revenue	**550**	696	37%	28%
Implied Temperature Rise	°C	**2.1**	1.9	37%	N/A
Science Based Targets exposure [1]	% of portfolio (by market value)	**19%**	20%	N/A	N/A

1. This represents the percentage of our portfolio by market value that has set a science-based target or has publicly committed to do so.

AS Data is subject to independent Limited Assurance under ISAE (UK) 3000 and ISAE 3410. The limited assurance report provided by KPMG can be found in Appendix 2.

● KPMG previously provided limited assurance on this selected information which is taken from our 2023 Climate report (TCFD)

Matching adjustment portfolio metrics

Metric	Unit	FY24	FY23	FY24 % of data coverage for total portfolio (by market value)	FY24 % of emissions data that is from company reported data
Financed emissions (Scope 1 and 2)	tCO_2e	**3,151,651**	2,268,600	78%	92%
Financed emissions (Scope 3)	tCO_2e	**4,091,769**	4,718,262	43%	47%
Carbon footprint (Scope 1 and 2)	tCO_2e / £m invested	**98**	109	78%	92%
Carbon footprint (Scope 3)	tCO_2e / £m invested	**229**	449	43%	47%
Carbon footprint (Scope 1 and 2)	tCO_2e / $m invested	**78**	85	78%	92%
Carbon footprint (Scope 3)	tCO_2e / $m invested	**183**	352	43%	47%
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	tCO_2e / $m revenue	**165**	177	80%	64%
Weighted Average Carbon Intensity (WACI) (Scope 3)	tCO_2e / $m revenue	**444**	563	44%	28%
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	tCO_2e / £m revenue	**205**	218	80%	64%
Weighted Average Carbon Intensity (WACI) (Scope 3)	tCO_2e / £m revenue	**552**	696	44%	28%
Implied Temperature Rise	°C	**2.1**	1.9	44%	N/A
Science Based Targets exposure [1]	% of portfolio (by market value)	**25%**	25%	N/A	N/A

Appendix 2: KPMG assurance letter

Independent Practitioner's Limited Assurance Report to Pension Insurance Corporation plc

Report on Pension Insurance Corporation plc's Selected Information for the year ended 31st December 2024

Conclusion

We have performed a limited assurance engagement on whether selected information in Pension Insurance Corporation plc's ("PIC" or the "Company") Climate Report (TCFD) 2024 (the "TCFD Report") for the year ended 31st December 2024 has been properly prepared in accordance with PIC's Climate Report (TCFD) - Basis of Reporting' 2024 as set out at **www.pensioncorporation.com/** (the "Reporting Criteria"). The information within the TCFD Report that was subject to assurance is indicated with the symbol "AS" (the "Selected Information") (and is also listed in Attachment A)

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

Our conclusion is to be read in the context of the remainder of this report, in particular the "Inherent limitations in preparing the Selected Information" and "Intended use of our report" sections to follow.

Our conclusion on the Selected Information does not extend to other information that accompanies or contains the Selected Information and our assurance report (hereafter referred to as "Other Information"). We have not performed any procedures with respect to the Other Information.

Basis for conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (UK) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000") issued by the Financial Reporting Council ("FRC") and in accordance with International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the Institute of Chartered Accountants in England and Wales ("ICAEW") Code of Ethics, which includes independence, and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards).

Our firm applies International Standard on Quality Management (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements ("ISQM (UK) 1"), issued by the FRC, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Inherent limitations in preparing the Selected Information

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable, evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time.

The greenhouse gas ("GHG") emissions quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs; and estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

For all of the Selected Information, the underlying GHG emissions data relates to PICs investment counterparties. In most cases this is collected for PIC by third-party data providers, providing actual as well as estimated data, and in some other cases it is estimated by PIC using proxy data. In both cases there are significant limitations on the availability and quality of underlying GHG emissions data of PIC's investment counterparties. There are some investment counterparties, where PIC has been unable to obtain underlying GHG emissions data from third-party data providers and has concluded that such data cannot be reasonably estimated, and therefore data related to these investment counterparties is not included as part of the Selected Information disclosed. As a result, the disclosed Selected Information does not represent the entirety of PIC's investment portfolio. Pages 28 to 30 of the TCFD Report discloses the percentage of PIC's investment portfolio, by market value, which the Selected Information represents.

Over time better or more complete information may become available from third parties, including investment counterparties, and the principles and methodologies used to measure and report any or all of the Selected Information may change based on market practice and regulation.

The Reporting Criteria has been developed to assist PIC in reporting ESG information selected by PIC as key performance indicators to measure their progress towards their decarbonisation targets. As a result, the Selected Information may not be suitable for another purpose.

Appendix 2: KPMG assurance letter continued

Directors' responsibilities

The Directors of PIC are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- selecting and developing suitable Reporting Criteria for preparing the Selected Information;
- properly preparing the Selected Information in accordance with the Reporting Criteria; and
- the contents and statements contained within the TCFD Report and the Reporting Criteria.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent limited assurance conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to PIC.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional scepticism throughout the engagement. We planned and performed our procedures to obtain evidence that is sufficient and appropriate to obtain a meaningful level of assurance over the Selected Information to provide a basis for our limited assurance conclusion. Planning the engagement involves assessing whether PIC's Reporting Criteria are suitable for the purposes of our limited assurance engagement. Our procedures selected depended on our judgement, on our understanding of the Selected Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In carrying out our engagement, we performed procedures which included:

- conducting interviews with PIC's management to obtain an understanding of the key processes, systems and controls relevant to the preparation of the Selected Information, but did not include evaluating the design of particular control activities or testing their operating effectiveness.
- obtaining an understanding of the model used by PIC's management to prepare the Selected Information (the "Model"), including how input data flows through the Model and the model methodology. This included obtaining an understanding, through observation and interviews with PIC's management, of key processes and controls in relation to PIC's management oversight and challenge of the input data used in the Model. Our work did not include evaluating the design of particular control activities or testing their operating effectiveness.
- performing limited substantive testing over the input data used in the Model, including agreeing a selection of input data to corresponding supporting documentation, this included, where applicable, third-party sources. Our procedures over the input data did not include any evaluation of the completeness or accuracy of the underlying third-party source data.
- considering the appropriateness of the carbon conversion factor calculations and other unit conversion factor calculations used by reference to widely recognised and established conversion factors.
- independently re-performing the mathematical calculation of the Selected Information, using PIC's input data, in accordance with the Reporting Criteria.
- reading the TCFD Report with regard to the Reporting Criteria and for consistency with our findings over the Selected Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Intended use of our report

Our report has been prepared for PIC solely in accordance with the terms of our engagement. We have consented to the publication of our report on PIC's website at **https://www.pensioncorporation.com** for the purpose of PIC showing that it has obtained an independent assurance report in connection with the Selected Information.

Our report was designed to meet the agreed requirements of PIC determined by PIC's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than PIC for any purpose or in any context. Any party other than PIC who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Gunjan Narang
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
14 March 2025

Appendix 2: KPMG assurance letter continued

The maintenance and integrity of PIC's website is the responsibility of the Directors of PIC; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information, Reporting Criteria or TCFD Report presented on PIC's website since the date of our report.

Attachment A – Selected Information

The Underlying Selected Data that constitutes the Selected Information is listed below.
The information in this Appendix needs to be read together with the limited assurance report and the Reporting Criteria..

Investment Portfolio – Total metrics (Scope 1 and 2):

Metric	Unit	Value	Year
Financed emissions (Scope 1 and 2)	tCO_2e	3,763,031	2024
Carbon footprint (Scope 1 and 2)	tCO_2e/£ invested	100	2024
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	tCO_2e/$ revenue	155	2024

Investment Portfolio – Financed emissions (Scope 1 and 2) split by asset class:

Metric	Unit	Value	Year
Debt securities – Government	tCO_2e	2,315,301	2024
Debt securities – Corporate	tCO_2e	1,294,271	2024
Debt securities – Private investments	tCO_2e	116,848	2024
Mortgage-backed and asset-backed securities (including Equity Release Mortgages)	tCO_2e	27,670	2024
Investment properties	tCO_2e	801	2024
Participation in investment schemes	tCO_2e	8,140	2024

Investment Portfolio – Carbon footprint (Scope 1 and 2) split by asset class:

Metric	Unit	Value	Year
Debt securities – Government	tCO_2e/£ invested	119	2024
Debt securities – Corporate	tCO_2e/£ invested	95	2024
Debt securities – Private investments	tCO_2e/£ invested	48	2024
Mortgage-backed and asset-backed securities (including Equity Release Mortgages)	tCO_2e/£ invested	26	2024
Investment properties	tCO_2e/£ invested	2	2024
Participation in investment schemes	tCO_2e/£ invested	16	2024

Weighted Average Carbon Intensity (WACI) (Scope 1 and 2) split by asset class:

Metric	Unit	Value	Year
Debt securities – Government	tCO_2e/$ revenue	98	2024
Debt securities – Corporate	tCO_2e/$ revenue	239	2024
Debt securities – Private investments	tCO_2e/$ revenue	98	2024
Mortgage-backed and asset-backed securities (including Equity Release Mortgages)	tCO_2e/$ revenue	365	2024
Investment properties	tCO_2e/$ revenue	21	2024
Participation in investment schemes	tCO_2e/$ revenue	31	2024

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www.pensioncorporation.com